

***CED Public Policy Watch
Weekly News Round-up
September 30, 2022***

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1. DEVELOPMENTS ON UKRAINE

Referenda and decree incorporating Ukrainian territory into Russia: On Friday, Russian President Putin is expected to sign a decree incorporating Donetsk, Kherson, Luhansk, and Zaporizhzhia into Russia as a result of “referenda” that the US, UK, EU, and UN Secretary General Antonio Guterres have denounced as a “sham” and a violation of international law; Blinken termed it a “diabolical scheme” and said the US and many other countries will “never” recognize the incorporation of those territories into Russia. (Serbia, often aligned with many Russian policy positions, also [said](#) it would not recognize the referenda.) Ukrainian officials [alleged](#) that people were bused into the regions to take part and others were subject to bullying and intimidation and [said](#) that the areas “remain the sovereign territories of Ukraine. Ukraine has every right to restore its territorial integrity by military and diplomatic means, and will continue to liberate the temporarily occupied territories.” Together, the territories [comprise](#) about 15 percent of Ukraine’s territory (an area about the size of Hungary) and 4 million people.

NordStream pipeline explosions: Four [explosions](#) in the Baltic Sea (including at least one in Denmark’s declared [exclusive economic zone](#) and one in Sweden’s exclusive economic zone) punched large holes in the NordStream 1 and 2 pipelines, ending the already-reduced supply of Russian gas to Europe. Seismologists [claimed](#) “two sharp spikes in undersea activity, possibly indicating explosions,” with one at 2.3 on the Richter scale, coinciding with dramatic decline in pressure in the pipeline. Pictures showed a circle of gas on the surface one kilometer wide. *The Guardian* [reported](#) that a German research center “ruled out the possibility that the leaks could have been caused by earthquakes” and quoted a Swedish seismologist saying “You can clearly see how the waves bounce from the bottom to the surface. There is no doubt that it was a blast.” The pipeline was [built strongly](#), with a wall of 4.1 centimeters “coated with steel-reinforced concrete up to 11 centimeters thick,” and each section of pipe weighs over 24 tons.

Germany [called](#) the events “presumed sabotage” and said NordStream 1 might be “unusable forever” because of salt water damage if the pipeline is not repaired quickly. NATO issued a [statement](#) saying that “[a]ll currently available information indicates that this is the result of deliberate, reckless, and irresponsible acts of sabotage” and promised that “[a]ny deliberate attack against Allies’ critical infrastructure would be met with a united and determined response” while noting its commitment to addressing hybrid warfare, including on energy and cybersecurity.

Norway, now Europe’s largest supplier of natural gas, is [tightening](#) security around pipelines after reports of unidentified drones near Norwegian offshore oil and gas platforms. Russia [called](#) claims it was responsible for the leaks “predictably stupid” because “the gas is very expensive.” A [worst case scenario](#) for the leaks could “amount to the largest-ever single release of methane gas [a greenhouse gas] into the atmosphere, equal to annual emissions from 1 million cars.

Blinken on Russian nuclear threats: Secretary of State Anthony Blinken [said](#) that “[w]e have been very clear with the Russians, publicly as well as privately to stop the loose talk about nuclear weapons. It is very important that Moscow hears from us and know from us that the consequences would be horrific. And we’ve made that very clear.” Blinken added that “[a]ny use of nuclear weapons would have catastrophic effects for the country using them but for many others as well.” Former Russian President Dmitri Medvedev [dismissed](#) Blinken’s concerns, saying, “Imagine that Russia is forced to use the most formidable weapon against the Ukrainian regime, which has committed a large-scale act of aggression, which is dangerous for the very existence of our state. I believe that NATO will not directly intervene in the conflict even in this situation. After all, the security of Washington, London, and Brussels is much more important for the North Atlantic Alliance than the fate of Ukraine, which no one needs, even if it is abundantly supplied with various weapons.” However, CIA Director William Burns [noted](#) that there is “no practical evidence” that Russia intends to use nuclear weapons imminently, while terming President Putin’s rhetoric on the question “reckless and deeply irresponsible [.]”

New EU sanctions proposal: The European Commission [proposed](#) a new round of sanctions on Russia in response to Russia’s mobilization and “sham referenda” to “change international borders by force.” The new sanctions would extend current exports bans; ban imports of additional Russian products worth approximately €7 billion, including wood, pulp, and paper, and clothes as well as industrial goods; and add export bans on appliances, for fear that Russia would remove the chips from the appliances for military use. But a ban on import of Russian diamonds will probably be [dropped](#) because of expected opposition from Belgium; “it affects one member state, so let’s forget about it,” one diplomat said. In addition, the UK [imposed](#) sanctions on 92 individuals connected with the referenda and oligarchs supporting the war effort, and Japan [adopted](#) sanctions on materials that might be used in the production of chemical weapons and [said](#) it was “deeply concerned” about the possibility of use of nuclear weapons. Three Turkish state banks [left](#) a Russian payments system after a warning from the US.

Oil price cap: The proposed EU sanctions also [include](#) an oil price cap. However, Hungary [stated](#) it “cannot and will not support” any package that includes energy sanctions. As the sanctions require unanimous support among the EU’s 27 members, Hungarian opposition would prevent the EU imposing the sanctions. Prime Minister Viktor Orban also [said](#) that he would launch a “national consultation” about sanctions to see if the Hungarian people “support them and whether they are in favor of

introducing new ones.” Orban also endorsed “immediate peace talks and a ceasefire,” which would effectively leave Russia in control of occupied territory—a position unacceptable to Ukraine.

Tensions in Russia over mobilization: Tensions [continued](#) in Russia over last week’s partial mobilization, including a shooting at a recruiting center and protests in the southern region of Dagestan, from which many Russian soldiers in Ukraine have come. About [200,000](#) Russians have left Russia since the mobilization was announced, with about half going to [Kazakhstan](#), as well as large numbers in Georgia, Mongolia, and Finland. Finland [closed](#) its borders to Russians on tourist visas Thursday night.

Zelensky speech on how Ukraine is winning: In his video [address](#) to the Harvard Kennedy School of Government, President Zelensky offered some leadership lessons: “Focus on your task and move ahead. Never stop. The moment you stop, your enemies start digging in, which makes everything more complex, more challenging, which will require more resources,” the Ukrainian leader said. “Be unstoppable, be true to yourself, but be just.” He added, “Your key weapon is people.”

2. CONTINUING RESOLUTION TO AVOID GOVERNMENT SHUTDOWN

The Senate voted for a Continuing Resolution (CR), the “[Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023](#),” on which the House is expected to vote Friday, before the expiration of the fiscal year on September 30. If Congress does not act, a partial government shutdown would begin on Saturday. The CR “[a]ppropriates funding at the levels and under the conditions provided in fiscal year 2022 appropriations acts” through December 16, 2022, for virtually all programs, including mandatory spending and entitlement programs. The CR advanced after a section on permitting reform included at the insistence of Senator Joe Manchin (D-WV)—including language explicitly approving the Mountain Valley Pipeline in West Virginia—was dropped from the bill after several Senate Democrats [announced](#) opposition—dooming a bill that requires 60 votes to advance. (For more information on this, please see the [Policy Brief](#) that CED released earlier this week.)

Additional Ukraine assistance: The CR provides \$3 billion in security assistance for Ukraine (including training, equipment, weapons, and similar assistance), \$1.5 billion to replenish US stocks of equipment that have been provided to Ukraine or frontline countries in Europe, \$450 million to increase production of critical munitions to replace those that have been sent to Ukraine or frontline countries in Europe, and \$2.8 billion for Defense Department operations related to “continued military, intelligence, and other defense support” as well as requiring Defense Department oversight of military equipment provided to Ukraine. The CR draft also includes \$4.5 billion in Economic Support Funds for Ukraine’s government to maintain “macroeconomic stability and provide basic citizen services”, authorizes the President to draw down up to \$3.7 billion of US defense equipment to provide “additional essential support to Ukraine’s armed forces” and \$35 million to respond to potential nuclear and radiological incidents in Ukraine, assist Ukrainian partners with security of nuclear and radiological materials, and prevent illicit smuggling of nuclear and radiological material.

Additional funding for hurricane relief? Beyond this, given that Hurricane Ian may be “[the deadliest in Florida’s history](#),” likely with damages in the [tens of billions](#) of dollars, it is reasonable to suppose that a December CR would also include additional funding for hurricane relief, because relief for Ian will likely

use a great deal of the Federal Emergency Management Agency's current reserves. The President has already approved a [disaster declaration](#) for Florida, permitting FEMA to respond.

3. DURABLE GOODS ORDERS DECLINE SLIGHTLY IN AUGUST

Manufactured durable goods orders declined in August, according to [data](#) released by the Census Bureau on Tuesday, falling \$0.6 billion, or 0.2 percent to \$272.7 billion. This was the second consecutive month of small declines. Manufactured durable goods orders are often considered a leading indicator of the broader economy. Excluding defense (which tends not to be as cyclical as private-sector spending) the decline in orders was 0.9 percent. Transportation equipment, a large category of manufactured durable goods, fell \$1.0 billion to \$92.0 billion, driving the decrease. Shipments of manufactured goods increased in August by \$2.0 billion, with transportation equipment (up \$1.7 billion) leading the increase, suggesting that suppliers are becoming more able to meet demand.

4. THE CONFERENCE BOARD SURVEY SHOWS RISING CONSUMER CONFIDENCE

The Conference Board Consumer Confidence Index® [increased](#) in September for the second consecutive month. The Index now stands at 108.0 (1985=100), up from 103.6 in August. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—rose to 149.6 from 145.3 last month. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—increased to 80.3 from 75.8. “Consumer confidence improved in September for the second consecutive month supported in particular by jobs, wages, and declining gas prices,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The Present Situation Index rose again, after declining from April through July. The Expectations Index also improved from summer lows, but recession risks nonetheless persist. Concerns about inflation dissipated further in September—prompted largely by declining prices at the gas pump—and are now at their lowest level since the start of the year.”

5. SECOND QUARTER REAL GDP DECLINED 0.6 PERCENT, UNCHANGED IN REVISIONS

Real GDP [declined](#) at an annualized rate of 0.6 percent in the second quarter according to the Bureau of Economic Analysis's most recent estimate, published Thursday. The BEA revises GDP figures as more complete source data becomes available. Though the headline figure of negative 0.6 percent remained unchanged in revisions, there were changes to the BEA's estimates of components of GDP. Exports were revised downward, while personal consumption was revised higher. The key drivers of lower GDP were reduced construction, which contributed -0.8 percentage points to GDP growth, and nondurable goods manufacturing, which contributed -0.7 percentage points. However, these effects were offset by higher spending on services. Health care and social assistance contributed 0.3 percentage points, professional services another 0.3 percent, and accommodation and food services 0.2 percent.

6. WEEKLY UNEMPLOYMENT INSURANCE CLAIMS FALL BELOW 200,000

The Department of Labor [reported](#) Thursday that initial claims for unemployment insurance, a weekly indicator of labor market health, fell to 193,000 for the week ending September 24. This was the lowest figure since April, reflecting a large decrease of 16,000 from the prior week's revised level of 209,000,

and an even larger decrease of 20,000 from the prior week's initially reported level of 213,000. Claims had risen over the summer, reaching a high of 261,000 in July but have been falling since. Thursday's figure is similar to the numbers seen in the US just prior to the beginning of the COVID-19 pandemic; for example, the week ending March 7, 2020, saw initial claims of 186,000.

7. DOT APPROVES STATE ELECTRIC VEHICLE CHARGING NETWORKS PLANS

The Department of Transportation Tuesday [announced](#) it had approved the Electric Vehicle Deployment Plans for all 50 states plus the District of Columbia and Puerto Rico, a requirement for states to receive funding for the National Electric Vehicle Infrastructure (NEVI) program. The Infrastructure Investment and Jobs Act offered formula funding for five fiscal years (2022 through 2026) in the program. States will have access to both 2022 and 2023 funding, totaling about \$1.5 billion of the \$5 billion five-year total. NEVI formula funding can be used for a variety of purposes, including to upgrade existing EV charging infrastructure, construct new infrastructure, operate, or maintain that infrastructure.

8. POWELL CALLS FOR BETTER DIGITAL FINANCE REGULATION

In remarks at an [event](#) organized by the Banque de France, Federal Reserve Chair Jerome Powell [reiterated](#) a call for regulation of cryptocurrencies and decentralized finance (DeFi.) He noted that a lack of transparency gives rise to "significant structural issues" but noted that "from a financial stability standpoint, the interaction between the DeFi ecosystem and the traditional banking system and traditional financial system is not that large at this point [.]". But he warned "that situation will not persist indefinitely," and [stated](#) that as the system grows and "starts to touch more retail customers," there would be greater need for "same risk, same regulation" wherever transactions take place. Though the Fed has researched the possibility of a US digital currency, Powell would require "a specific authorizing law" to move forward. Regarding "stablecoins," which are pegged to conventional currencies such as the US dollar, Powell noted that "If you're going to have private money creation across the country, really there needs to be a federal role...we think it really should be the Fed that does play that role. That's our principal focus right now [.]"

9. FED TO LAUNCH CLIMATE SCENARIO ANALYSIS PILOT

On Thursday, the Fed [announced](#) that six of the nation's largest banks will participate in a pilot climate scenario analysis "in which the resilience of financial institutions is assessed under different hypothetical climate scenarios" to assist both bank supervisors and banks "to measure and manage climate-related financial risks." The pilot will begin early next year, with the Fed publishing details of the variables to be considered, and the banks will "analyze the impact of the scenarios on specific portfolios and business strategies," after which the Fed will review the results and "engage with those firms to build capacity to manage climate-related financial risks" and then publish a summary of the aggregate (not firm-specific) level. The Fed emphasized in its announcement that the exercise is not a bank stress test.

10. McCONNELL ENDORSES ELECTORAL COUNT ACT REFORM

Senate Minority Leader Mitch McConnell (R-KY) [announced](#) that he would “strongly support” the proposed [Electoral Count Reform and Presidential Transition Improvement Act](#), sponsored by Sens. Susan Collins (R-ME) and Joe Manchin (D-WV), which would confirm that the Vice President has no power in the counting of electoral votes and raise the threshold for members of Congress to object to a state’s slate of electors. McConnell said that the measure did not “rashly replace current law with something untested.” Because the measure would need 60 votes (including at least 10 Republicans) in the Senate, McConnell’s support dramatically increases the prospect of this or a similar bill being enacted in this Congress.

11. MONKEYPOX UPDATES

As of September 26, the [US has confirmed](#) a total of 25,162 cases of monkeypox. States with the highest case numbers include California (4,886), New York (3,881), Florida (2,455), Texas (2,268), and Georgia (1,764). [Globally](#), 65,933 cases have been confirmed, with 65,353 cases confirmed in locations that have not historically reported monkeypox. The countries with the highest case numbers include the US (25,161), Brazil (7,300), Spain (7,083), France (3,970), and Germany (3,601). A total of twelve deaths have been reported in locations that have not historically reported monkeypox.

Nearly four months since the first reported case of monkeypox in the US, the spreading of the virus is slowing and supplies of the vaccine have improved, but [concerns remain](#). JYNNEOS is the [only vaccine that is FDA-approved](#) for the prevention of monkeypox disease, but [recent reports](#) suggest that it may not be protective enough to prevent both disease and viral spread entirely. The recent decline is most likely the result of a combination of vaccinations, immunity gained from infection in the population most at risk, and a change in behavior in this group, said Dr. Demetre Daskalakis, the deputy coordinator of the White House’s monkeypox response. However, CDC also [announced](#) on Wednesday that even a single dose of the vaccine provided significant protection against becoming sick for at-risk populations, providing “a level of cautious optimism that the vaccine is working as intended,” CDC Director Rochelle Walensky said. Unvaccinated men between 18 and 49 were 14 times more likely to become infected with monkeypox as those who had one dose of vaccine at least two weeks earlier. CDC reiterated its guidance in favor of a second dose of monkeypox vaccine for those at risk.

12. PANDEMIC NEWS

On Monday, Canada announced it would [remove](#) all remaining COVID-19 entry restrictions, including testing and quarantine requirements, effective October 1. International travelers will no longer have to submit proof of vaccination or COVID-19 test results before or after arrival and will not be subject to random PCR testing. Canada is also removing its mask-wearing requirement on planes and trains. “Thanks largely to Canadians who have rolled up their sleeves to get vaccinated, we have reached the point where we can safely lift the sanitary measures at the border,” Jean-Yves Duclos, the minister of health, said in a statement.

COVID-19 infections have [risen](#) in the UK for the first time since mid-July, according to the UK’s Office for National Statistics (ONS). One in seventy tested positive, with the largest rise in secondary school

children in the week of September 14. ONS estimates are based on random tests in households across the UK whether or not they have symptoms. According to the tests, approximately 927,000 people across the country would have tested positive—1.4 percent of the population. This is an increase from 881,200 the week prior. In other international pandemic news, following this summer’s Omicron wave and with 65 percent of Japanese people having received at least one booster shot, a [study](#) from the Tokyo Foundation of Policy Research estimates that 90 percent of Japanese people currently have at least some immunity to COVID-19, although that level of protection is expected to decline over time as immunity from previous infections and boosters wanes. Indonesia [approved](#) its first nationally-developed vaccine, a result of a joint effort between state-owned company Bio Farma and the Baylor University College of Medicine.

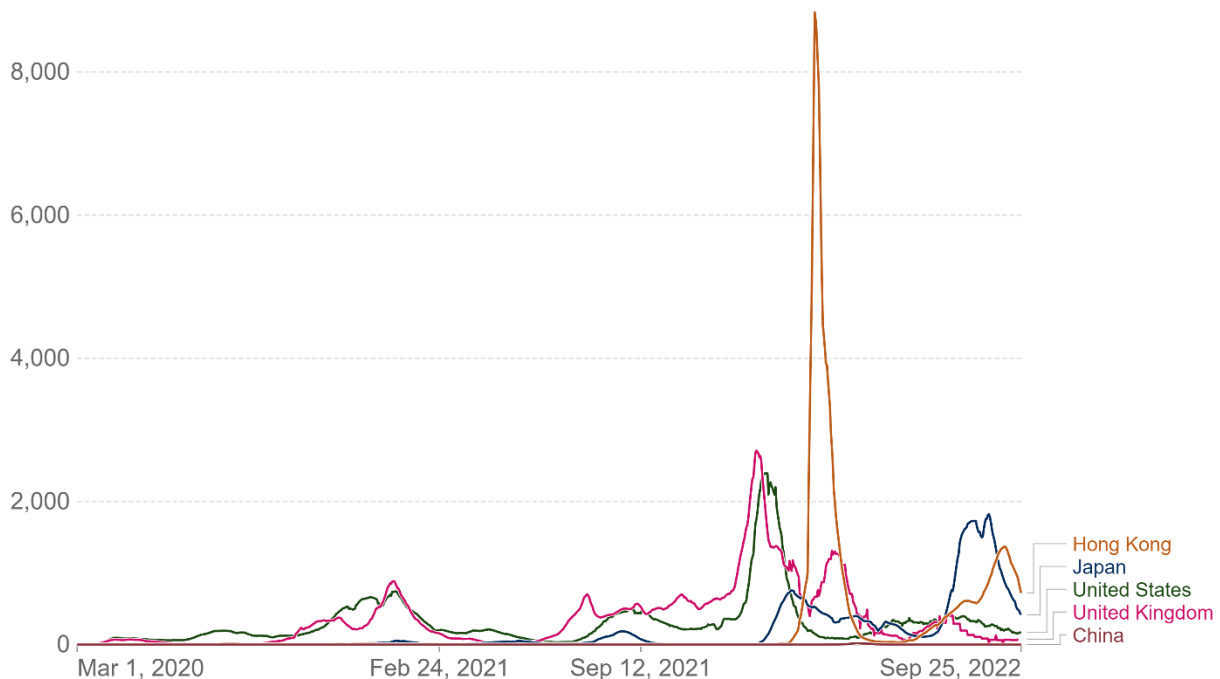
13. COUNTRY SPOTLIGHT: CHINA

As of Monday, 1,000 days have passed since the World Health Organization (WHO) was informed of a “viral pneumonia” in Wuhan, China. Almost three years later, most major cities around the world have returned to pre-pandemic life, but in cities across China, PCR testing is the [new normal](#). Proof of a negative PCR test once every few days is required to gain access to public transit, public venues, and workplaces. Testing booths staffed by workers in hazmat suits often operate 24 hours a day. China reported 999 new COVID-19 [cases](#) for September 25, of which 704 were asymptomatic.

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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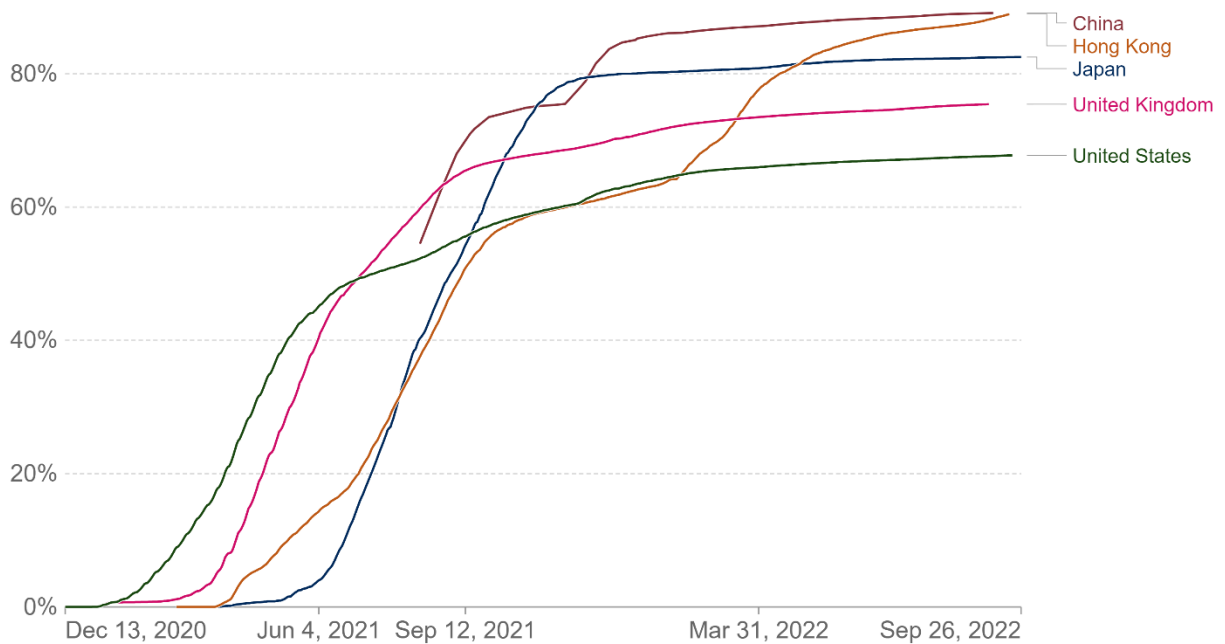
On Monday, Hong Kong leader John Lee [ended](#) mandatory hotel quarantine for international arrivals, with travel companies reporting ten-fold jumps in requests. “We want to balance the need for

controlling the epidemic... [with the need] to raise Hong Kong's competitiveness," said Lee. After top Beijing officials responsible for the policy gave their public support for abandoning the rule, some experts hope the decision will [drive the mainland](#) to ease its restrictions soon. "Hong Kong [can be] a pilot project on border [reopening and] can let mainland Chinese authorities review the impact and relevant data," said Tam You-chung, Hong Kong's delegate to the National People's Congress Standing Committee. Travel is not yet likely to return to pre-pandemic levels because tourists entering Hong Kong cannot visit restaurants and bars for three days upon arrival and are subject to a week of testing.

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.

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Source: Official data collated by Our World in Data

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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.