

***CED Public Policy Watch
Weekly News Round-up
December 9, 2022***

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1. DEVELOPMENTS ON UKRAINE

Putin remarks on nuclear threat and the war: In a wide-ranging speech to the annual session of Russia's human rights council, Russian President Putin [claimed](#) that Russia would "focus on peaceful means, but if nothing else remains, we will defend ourselves with all the means at our disposal" and suggested that the nuclear threat is "on the rise." However, Putin added that "[w]e haven't gone mad, we realize what nuclear weapons are. We have these means in more advanced and modern form than any other nuclear country, that's an obvious fact. But we aren't about to run around the world brandishing this weapon like a razor."

In remarks on the war, Putin [noted](#) that the war could be a 'long process' but that Russia would not mobilize additional troops at this time. Putin said that about 150,000 of the troops mobilized this fall were now in Ukraine. He also [announced](#) that Russia "could be the only guarantor of Ukraine's territorial integrity," and that this was "up to the new leaders of Ukraine." This could be interpreted as a retreat from discussions immediately before the war in which Western countries proposed that a number of countries could serve as guarantors of Ukraine's independence and the reference to "new leaders" a signal that Russia's ultimate goals include the removal of President Zelensky from power.

Russia signals continued fighting: Following Putin's speech, on Thursday, Kremlin spokesperson Dmitri Peskov [stated](#) that Russia will continue to fight to control the four regions -- Donetsk, Kherson, Luhansk, and Zaporizhzhia -- that it annexed in September. The US, EU, and UN Secretary General all regard the annexations as violations of international law. Regarding whether Russia sought additional territorial gains, Peskov [added](#) that there is "no question of that. At least, there have been no statements in this regard. But there is nevertheless a lot of work ahead to liberate the territories; in a number of new regions of the Russian Federation there are occupied territories that have to be liberated."

Drone attacks in Russia: Ukrainian drones [attacked](#) Russian airfields far from the front [hosting](#) long-range Tu-95 bombers, including one only 150 miles from Moscow. One attack hit an oil storage tanker in Kursk at the Engels-2 airbase; another hit an airfield in Ryazan at which a fuel truck exploded. US Secretary of State Antony Blinken [said](#) the US had not “enabled” Ukraine to strike inside Russia; White House national security spokesperson John Kirby said that “[w]e have been consistent on our concerns over escalation. We have not encouraged [Ukraine] to do that” but have been clear on accountability for US weaponry provided to Ukraine. *Politico* [reported](#) that Ukraine used “domestically-modified Soviet era [Tu-141] drones” for the attacks; the West has denied Ukrainian requests for long-range missiles and drones from fears of escalation of the war.

US-Russia prisoner swap: The US and Russia [negotiated](#) a prisoner swap; US basketball star Brittney Griner was released in exchange for Russian arms dealer Victor Bout. Michigan corporate security executive Paul Whelan was not included in the release, but the US said negotiations for his release are continuing.

Oil price cap: The ban on importation of Russian seaborne oil to the EU and the price cap on Russian oil imposed by the G-7 countries (including the United States and United Kingdom), EU, and Australia came into force on Monday. The oil price cap measure includes a ban on insurers located in those countries from offering insurance cover to tankers carrying Russian crude oil that is sold above the price cap. Turkey [responded](#) by insisting on inspection of vessels passing through the Bosphorus Strait and the Dardanelles, leading to delays in some tankers passing through Turkish waters. Sixteen tankers [awaited](#) clearance on Thursday at the Bosphorus and nine at the Dardanelles. Kremlin spokesperson Dmitri Peskov [said](#) that the cap had the potential to destabilize global energy markets and that Russia was preparing a response to the cap. CED has published a [Policy Brief](#) on the oil price cap.

Evasion of sanctions: The *Guardian* [reported](#) that the number of Russian-affiliated tankers “going dark” in the south Atlantic to avoid being identified and tracked doubled between September and November, citing the maritime intelligence company Windward. Going dark could permit transfer of oil on the high seas to tankers not identified with Russia, thus evading sanctions and the oil price cap.

Military developments: Intense fighting continued around Bakhmut in eastern Ukraine. The UK Ministry of Defence [said](#) that Russia had built an “almost continuous trench system” for 60 miles between Svatove in Luhansk oblast, an area occupied since the Russian invasion in 2014, and the Russian border. NATO Secretary General Jens Stoltenberg [said](#) that Russia’s goal was to “freeze” fighting over the winter in preparation for a renewed assault next year; he encouraged NATO allies to continue providing supplies, adding that conditions for a peaceful settlement “are not there now [.]” European Union High Representative for Foreign Affairs and Security Policy Josep Borrell [told](#) the annual conference of the European Defence Agency that Europe still lacked “critical defense capabilities, which makes Europe vulnerable to “higher-level threats.” Borrell announced that total EU Member State defense spending rose above €200 billion in 2021 but that the bloc had to “compensate [for] years of underspending.” Sweden [announced](#) that Ukraine will be a priority for its EU presidency beginning in January.

Russia-India trade: Indian foreign minister Subrahmanyam Jaishankar [said](#) that India had sent a list of products it could sell to Russia “which we believe we are very competitive in and which we feel should be getting access to this Russian market,” in response to a request from Russia for over 500 products including parts for cars, aircraft, and trains. Sharply increased purchases of Russian oil and coal have led to a trade deficit with Russia which India is eager to reduce.

2. JOB GROWTH REMAINS STRONG

On Friday, the Bureau of Labor Statistics [released](#) the Employment Situation, a monthly report containing two surveys on the labor market, showing another strong month of job growth, with 263,000 jobs added in November, after an increase of 284,000 jobs (an upward revision) in October. The unemployment rate remained at 3.7 percent. The labor force participation rate for people aged 16 and older ticked down to 62.1 percent, from 62.2 percent in October. Leisure and hospitality reported another strong month of employment gains, with 88,000 jobs added in November. Other noteworthy gains were reported in health care and social assistance (68,100), construction (20,000), and manufacturing (14,000). On the other hand, after applying seasonal adjustment, the report showed the third consecutive month of job losses in the retail sector and transportation and warehousing. Participation for people aged 25 to 54 is at 82.4 percent in November 2022—still below its prepandemic rate of 83 percent in February 2020. The gap in participation rates for people aged 55 and over is even larger, 38.6 percent in November 2022 compared to 40.3 percent in February 2020. An analysis of the report by The Conference Board’s Economy, Strategy, and Finance Center may be found [here](#).

3. US TRADE DEFICIT WIDENS TO \$78.2 BILLION

The US trade deficit in goods and services [increased](#) to \$78.2 billion in October, up \$4.0 billion from September’s revised figure of \$74.1 billion. October exports were \$256.6 billion, \$1.9 billion less than September. October imports were \$334.8 billion, \$2.2 billion more than September. In goods, the trade deficit widened by \$6.1 billion to \$99.6 billion, with declining exports (-\$3.7 billion) and increasing imports (+\$2.4 billion). Major categories of decline in exports included energy and pharmaceuticals. Though crude oil exports increased \$1.6 billion, natural gas decreased \$1.4 billion and other petroleum products \$1.3 billion, while pharmaceutical products decreased \$2.2 billion. Exports of foods, feeds, and beverages increased \$0.4 billion, led by soybeans (\$1.6 billion). Goods imports increased, led by passenger cars (\$0.7 billion) and pharmaceuticals (\$2.7 billion). The trade surplus in services increased by \$2.1 billion to \$21.4 billion. This was driven by increased exports in travel (\$0.8 billion) and transport (\$0.4 billion). Imports of services declined, led by a \$0.5 decrease in transport imports.

4. FACTORY ORDERS ROSE IN OCTOBER

New orders for manufactured goods in October [rose](#) 1.0 percent to \$556.6 billion, according to Census Bureau data. This followed a 0.3 percent September increase and marked the twelfth rise in the last thirteen months. Durable goods and nondurable goods rose 1.1 percent and 1.0 percent, respectively. Orders for machinery rose 1.5 percent, and computers and electronic products rose 0.5 percent. However, primary metals orders grew just 0.1 percent, following a -2.4 percent decline in September. More forward-looking surveys from both the [Institute for Supply Management](#) (ISM) and [S&P Global](#) which cover November suggest that new orders may decline as soon as the next data release.

5. INITIAL UNEMPLOYMENT CLAIMS RISE SLIGHTLY

The Department of Labor [reported](#) Thursday that initial claims for unemployment insurance, a weekly indicator of labor market health, were 230,000 for the week ending December 3, an increase of 4,000 from the previous week’s revised level, and holding at the 4-week moving average of 230,000. This level of claims is moderate by historical standards and below the July highs of 261,000. The Conference Board’s latest economic [forecast](#) shows the unemployment rate rising to 4.5 percent, well above its current level of 3.7 percent, by the third quarter of 2023.

6. CONSUMER CREDIT USE CONTINUES TO RISE

According to preliminary data [published](#) Wednesday by the Federal Reserve, consumer credit increased in October at an annualized rate of 6.9 percent, reaching a new high of \$4.73 trillion. Nonrevolving credit grew at a 5.8 percent annualized rate to \$3.56 trillion, while revolving credit grew at a 10.4 percent annualized rate to \$1.17 trillion. Both categories have reached new highs. Growth in revolving credit (such as credit cards) is a sharp rebound from the pandemic; revolving credit use declined 11.2 percent in 2020. As consumers return to their previous patterns of consumption, or even exceed them, they have drawn more on revolving credit. The Fed's interest rate increases have raised interest rates associated with credit card plans; according to Fed data, these have risen from an average of 14.60 percent stated annual percentage rate in 2021 to 16.27 percent in August 2022.

7. HUAWEI, ZTE EQUIPMENT BANNED; \$1.5 BILLION INNOVATION FUND FOR WIRELESS EQUIPMENT

Axios [reported](#) that The Federal government plans to use \$1.5 billion allocated in the [CHIPS and Science Act](#) to diversify the cellular equipment supply chain. No major cellular equipment maker is located in the US; National Telecommunications and Information Administration (NTIA) director Alan Davidson said that “[t]he highly consolidated global market for wireless equipment creates serious risks for both consumers and U.S. companies [.]” The higher priced segment of the market includes Finland’s Nokia, Sweden’s Ericsson, and South Korea’s Samsung, but cheaper alternatives are dominated by China’s Huawei and ZTE. The FCC [banned](#) most new sales of Huawei and ZTE equipment last Friday citing an “unacceptable risk” to US national security. One likely beneficiary of the new funding is the [Open Radio Access Network](#) (ORAN), which uses currently available communications technology to replace proprietary equipment and may help carriers upgrade their networks more quickly in the absence of access to Huawei and ZTE equipment. Comments on the use of the funds are due January 23. Another component of this effort, the \$1.9 billion [Secure and Trusted Communications Networks Reimbursement Program](#) reimburses telecommunications firms that replace Huawei or ZTE equipment.

8. TSMC ANNOUNCES SECOND FAB IN ARIZONA LOCATION

Taiwan Semiconductor Manufacturing Company (TSMC) Tuesday [announced](#) that it would add a second semiconductor factory in Arizona in addition to its already-planned \$12 billion investment. This facility would manufacture 3-nanometer transistors, some of the smallest and most advanced available, and increase TSMC’s total investment in Arizona to \$40 billion. The President, Commerce Secretary Gina Raimondo, and Apple CEO Tim Cook all attended the announcement. Cook [confirmed](#) that Apple intends to use the chips to be manufactured at the Arizona facility.

Earlier this year, the [CHIPS and Science Act of 2022](#) offered \$52.7 billion in incentives for domestic semiconductor manufacturing. incentives for building semiconductor fabs in the US. While the US remains a leader in the research and development of semiconductors, US physical production capacity has fallen, as many US firms had moved to a so-called “fabless” model, which outsources physical production to Asia. Production has become deeply concentrated in Asia, specifically in Taiwan and South Korea, with the US accounting for just 11 percent of capacity in 2019. In public [comment](#) on the implementation of the CHIPS Act, TSMC noted that it is “primarily relying on its own capital supplemented by direct U.S. incentive funds” for the Phoenix facility.

9. DEMOCRATS EXPAND SENATE MAJORITY

On Tuesday, incumbent Senator Rev. Raphael Warnock (D-GA) beat challenger Herschel Walker in the Georgia Senate runoff. While Democrats already controlled the Senate for the 118th Congress because Vice President Harris would break ties, the new 51-49 Democratic control of the Senate will enable Democrats to have majorities on Senate committees, hire additional staff, and issue subpoenas in oversight investigations. Early voting in the runoff was [very strong](#), with nearly 1,900,000 people voting early but [declined](#) about 25 percent from the general election because of the shorter time between that election and the runoff and a [limited](#) early voting period from November 28 to December 2, a change instituted this year after Georgia's new election law was enacted.

10. SENATOR SINEMA TO REGISTER AS INDEPENDENT

Senator Krysten Sinema has announced that she is [switching her voter registration](#) in Arizona to Independent, leaving the Democratic Party. She added that "I've never fit neatly into any party box. I've never really tried. I don't want to. Removing myself from the partisan structure -- not only is it true to who I am and how I operate, I also think it'll provide a place of belonging for many folks across the state and the country, who also are tired of the partisanship." Sinema has not yet announced whether she will continue to caucus in the Senate with the Democrats, as independents Senators Bernie Sanders (I-VT) and Angus King (I-ME) do. Assuming she continues to caucus with the Democrats, this will preserve the 51-49 Senate majority.

11. SUPREME COURT ARGUMENTS IN REDISTRICTING CASE

The Supreme Court heard oral arguments in [Moore v. Harper](#), a case concerning whether state legislatures have ultimate power over Federal elections in their states or whether state courts may overrule them to enforce their own state constitutions. The case arose out of a redistricting plan enacted by the North Carolina legislature which the state supreme court overturned as excessive partisan gerrymandering. In oral argument, a majority of the Court [seemed](#) to lean towards reaffirming the powers of state courts, with Chief Justice John Roberts and Associate Justices Brett Kavanaugh and Amy Comey Barrett appearing to find ways to uphold state courts' power without "acting more as a legislature," in Justice Barrett's words. Chief Justice Roberts [noted](#) that previous Court decision permitting state governors "power to veto the actions of the legislature significantly undermines the argument that [the legislature] can do whatever it wants [.]". A decision in the case could come as late as the end of the Court's term in June.

12. FTC SUES TO BLOCK MICROSOFT ACQUISITION OF ACTIVISION BLIZZARD

On Thursday, the Federal Trade Commission [voted](#) to sue filed suit to prevent Microsoft from acquiring Activision Blizzard, charging that the \$69 billion deal would help Microsoft become more dominant in the video gaming market. The Commission acted 3-1 on a party line vote. Microsoft believes that the acquisition could help it compete on a global scale with Nintendo and Sony. At press time, Microsoft had not issued a response.

13. TANKER SECURITY PROGRAM

The Department of Transportation's Maritime Administration (MARAD) issued an [interim final rule](#) implementing a fuel Tanker Security Program, comprising "a fleet of active, commercially viable, militarily useful, privately owned product tank vessels" that are US-flagged to "meet national defense and other security requirements and maintain a [US] presence in international commercial shipping." Ship operators participating in the program "will be required to "make their commercial transportation resources available upon request by the Secretary of Defense for military purposes during times of war or national emergency." The program is designed to reduce the US military's reliance on foreign-flagged tankers and raise the number of US-flagged fuel tankers. It was first authorized in the National Defense Authorization Act for Fiscal Year 2021 and received \$60,000,000 in appropriations earlier this year. Under the rule, participating ship operators may receive up to \$6,000,000 per year. While the interim final rule became effective December 7, MARAD is accepting comments on it through February 6.

14. FRESH START STUDENT LOAN INITIATIVE

The Office of Federal Student Aid at the U.S. Department of Education [released guidance](#) to guaranty agencies about the [Fresh Start Initiative](#) for federal student loan borrowers who are in default. The initiative is part of the Administration's strategy to help borrowers transition back into repayment following the extended pause on federal student loan repayment, interest, and collections in response to the COVID-19 pandemic. The Department of Education estimates that this effort will help 7.5 million borrowers return to repayment without a past due balance, which is expected to increase long-term repayment success. The guidance addresses borrower eligibility, guarantor communication requirements, eligibility, interest rates, involuntary collections, collection attempts, loan rehabilitation agreements, credit reporting, and consolidations. Specifically, the notice outlines guarantor obligations to resume interest rate accruals upon cessation of the pandemic payment pause, suspend collection attempts for one year following the end of the pandemic payment pause, and provide communications to eligible borrowers about their rights and benefits. The student loan payment pause is scheduled to end on December 31, 2022.

Read CED's policy brief on the Administration's student debt relief initiative [here](#).

15. MONKEYPOX UPDATES

As of December 2, the [US has confirmed](#) a total of 29,630 cases of monkeypox. States with the highest case numbers include California (5,604), New York (4,169), Texas (2,832), Florida (2,818) and Georgia (1,965). [Globally](#), as of December 5, 82,062 cases have been confirmed, with 81,089 cases confirmed in locations that have not historically reported monkeypox. The countries with the highest case numbers include the US (29,671), Brazil (10,044), Spain (7,408), France (4,110), and Colombia (3,852). A total of 52 deaths have been reported in locations that have not historically reported monkeypox. The World Health Organization has [recommended](#) using "mpox" as a substitute for monkeypox disease.

The Department of Health and Human Services (HHS) [announced](#) that it [would not renew](#) monkeypox as a public health emergency after January 31, 2023, because of the slowing of cases, although it will "continue to monitor the case trends closely [.]". Cases peaked in August with a seven-day average of 459 new cases and fell steadily over the past few months to an average of 7 cases by late November.

HHS declared a public health emergency in early August. As of December 2, nearly 30,000 cases of mpox and 19 mpox-related deaths have been confirmed in the US.

16. PANDEMIC NEWS

Long COVID economic impact: According to Harvard economist David Cutler, long COVID is a [\\$3.7 trillion drag on the economy](#). Cutler revised the \$3.7 trillion total upward by \$1.1 trillion from an initial report in October 2020 due to the “greater prevalence of long COVID than we had guessed at the time.” Higher medical spending accounts for \$528 billion of the total, while lost earnings and reduced quality of life and other trickle-down effects will cost Americans \$997 billion and \$2.2 trillion, respectively. Approximately 23 million Americans have been affected by long COVID, [according](#) to the Department of Health and Human Services (HHS). According to HHS’ [National Research Action Plan on Long COVID](#), “Long COVID is broadly defined as signs, symptoms, and conditions that continue or develop after initial COVID-19 or SARS-CoV-2 infection. The signs, symptoms, and conditions are present four weeks or more after the acute phase of infection; may be multisystemic; and may present with a relapsing–remitting pattern and progression or worsening over time, with the possibility of severe and life-threatening events even months or years after infection.”

Myocarditis after COVID-19 Vaccine Rare: A large international [study](#) from Nationwide Children’s Hospital published Monday in *JAMA Pediatrics* found that the [incidence](#) of myocarditis and pericarditis after COVID-19 vaccination is low and most patients make a full recovery. Researchers reviewed 23 peer-reviewed studies across locations including Hong Kong, the US, South Korea, and countries in Europe featuring over 800 teens and young adults who developed myocarditis and pericarditis following vaccination. Most cases occurred in male teens and young adults after the second dose of a primary series of either the Pfizer BioNTech or Moderna vaccine. Of the cases observed, 93 percent required hospitalization and 23 percent required intensive care unit admission. No deaths were observed.

Flu Hospitalizations Soar as Triple Virus Threat Continues: Levels of [flu-like illness](#), a measure of medical visits with respiratory symptoms that could be caused by influenza, COVID-19, or RSV, were high or very high in [47 jurisdictions](#) during Thanksgiving week, up from 36 the previous week. (CDC presents data from the 50 states, District of Columbia, Puerto Rico, US Virgin Islands, and the Northern Mariana Islands, while also treating New York City as a separate jurisdiction.) CDC has recorded over 8.7 million illnesses, 78,000 hospitalizations, and 4,500 deaths from flu since October. Last week, [COVID-19 hospitalizations](#) reached their highest in three months, with more than 35,000 patients receiving treatment. Cases of RSV remain high, although they appear to have peaked in some regions, including the South and Southeast, and may be leveling off in the Mid-Atlantic, New England, and the Midwest.

CDC encourages masking: CDC is [encouraging](#) (but not formally advising or requiring) Americans “to wear a high-quality, well-fitting mask to prevent the spread of respiratory illnesses.” In addition, CDC Director Rochelle Walensky said that the agency may expand its current [reporting](#) of COVID-19 transmission levels by county levels, under which CDC advises the wearing of masks in areas of high transition, to include other respiratory viruses. However, Walensky added that “One need not wait on CDC action in order to put a mask on. We would encourage all of those preventive measures -- hand washing, staying home when you’re sick, masking, increased ventilation -- during respiratory virus season, but especially in areas of high COVID-19 community levels.” In Los Angeles County, reported COVID-19 cases have nearly doubled since Thanksgiving, hitting [senior citizens](#) in particular. If the surge continues, criteria such as hospital admission rates may potentially result in restoration of the county’s

indoor mask order, which could be [triggered](#) just before Christmas on current trends, with the mandate then taking effect after New Year's Day.

17. COUNTRY SPOTLIGHT: CHINA

Protests throughout China [fueled by](#) deep public anger over nearly three years of lockdowns, border closures, and financial hardship have finally led to some rolling back of China's dynamic zero COVID policies, on top of 20 measures [announced](#) last month that had been rolled out unevenly. Though highly anticipated, some retreats from highly stringent policies came faster than predicted. On Tuesday, Beijing [reinstated](#) dining-in and reopened both bars and gyms. That day, the Chinese capital reported 1,431 new COVID-19 infections, 122 of which were community cases.

Overall cases have fallen since late November. On Wednesday, China's State Council [dropped](#) many of its quarantine and testing requirements, curtailed the power of local officials to shut down entire city blocks by designating them as high risk, [permitted](#) many asymptomatic patients and those with mild cases to quarantine at home, and dropped the requirement of a green health code on contact-tracing apps for domestic travel. Some of the measures parallel those implemented earlier in Beijing. The new measures will allow COVID-19 patients with mild or no symptoms and their close contacts to isolate at home rather than at a quarantine facility. Additionally, only apartment buildings with documented infections will be put under lockdown. Most testing requirements and the scanning of health QR codes will be scrapped, except for high-risk facilities such as nursing homes, nurseries, and schools.

News surfaced Thursday that a letter from Terry Gou, founder of Foxconn, reportedly played a major role in [persuading](#) China's leadership to accelerate plans to change the policy. Gou's letter warned that strict COVID-19 controls threaten China's central position in global supply chains and demanded greater transparency into restrictions on the iPhone manufacturer's workers. The letter, sent a little over a month ago, was reportedly used by Chinese health officials and government advisors to bolster the case that the government needed to speed up its efforts in easing COVID-19 controls.

The new rules were a response to the public's "strong reaction" to the failure of officials to properly implement earlier directives aimed at easing the burden of pandemic controls on people's lives, said Li Bin, the deputy director of China's National Health Commission. Li's statement is the most direct admission that the relaxation of COVID-19 controls is in response to civil unrest, beginning in [Zhengzhou's iPhone manufacturing hub](#) and spreading to other major cities late last month.

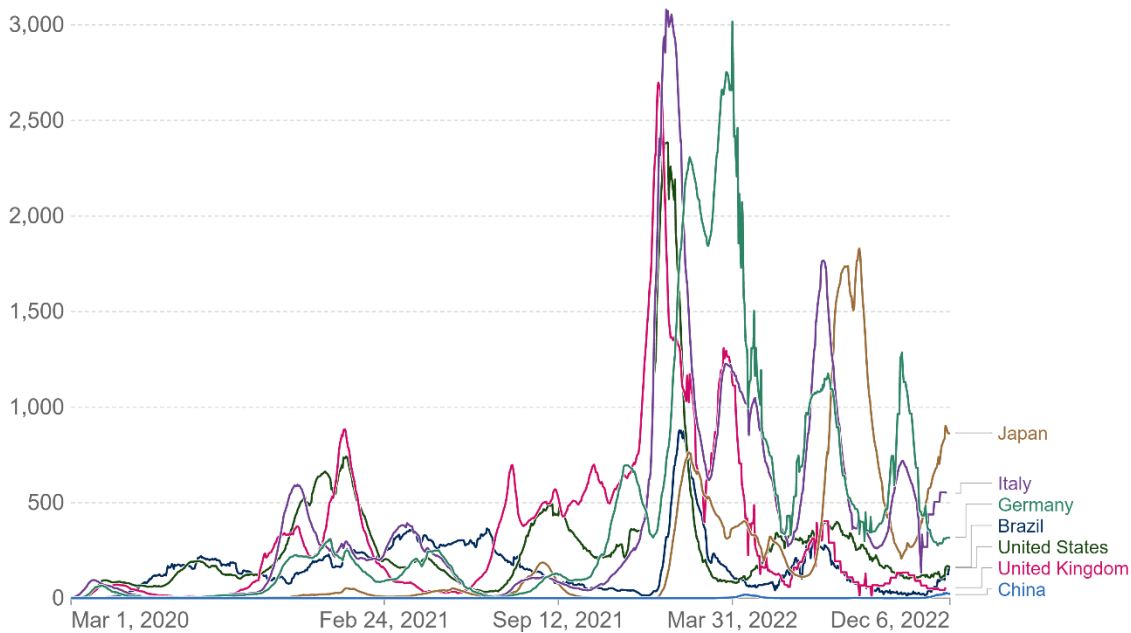
In the wake of China's loosening of the policy, the macroeconomic firm Wigram Capital Advisers prepared a [model](#) including data on age and vaccinations showing up to 1,000,000 deaths in a "[winter wave](#)" of COVID-19, in which hospitalizations could peak at 70,000 per day and deaths reach 20,000.

Similarly, Dr. Anthony Fauci [warned](#) that a sudden drop in stringent policy will likely spur stress on the country's health system and may promote conditions favorable to the spread of new variants, Fauci told the *Washington Post* in an interview last week. Fauci noted that China should focus on [vaccinating the elderly](#) and has urged China to import western COVID-19 vaccines using mRNA technology, which are more effective than Chinese-made vaccines. "Whenever you have a large wave of transmissions of a virus, you give it ample opportunity to mutate. And when you give a virus opportunity to mutate, that allows it to form potentially new variants. And once you get a brand-new variant, that could have an impact on the rest of the world," said Fauci.

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



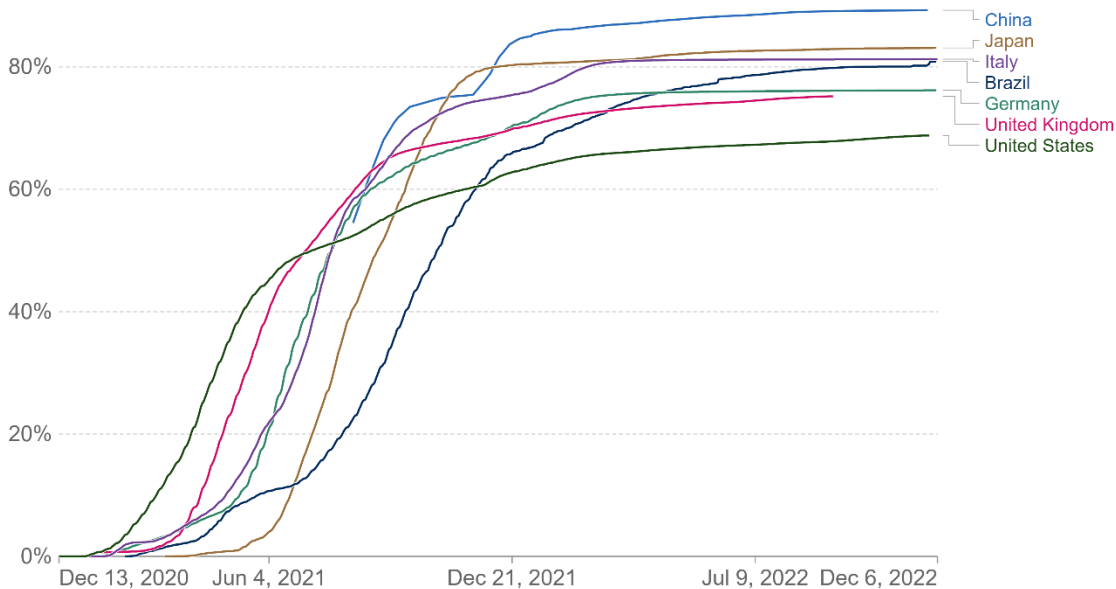
Source: Johns Hopkins University CSSE COVID-19 Data

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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

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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.