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Executive Insight Brief

February 10, 2023

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Aerospace & Defense

[Chinese Balloon Carried Antennas, Other Equipment to Gather Intelligence, U.S. Says \(WSJ\)](#)

The Chinese balloon that crossed the U.S. was outfitted with antennas likely capable of collecting communications, a senior State Department official said Thursday, adding that the Biden administration is preparing to take action against China's surveillance program. Providing details the U.S. has gathered since tracking and shooting down the balloon, the official said the balloon was also equipped with large solar panels capable of powering an array of intelligence-collection sensors. The manufacturer of the balloon has a direct relationship with the Chinese military, the official added. The new details come as intelligence, military and diplomatic officials prepared to brief members of the House and Senate Thursday about the Chinese balloon downed last week. China has said the balloon was a civilian craft conducting meteorological research and has condemned the U.S. for shooting it down. The newly declassified findings about the balloon are intended to buttress the Biden administration's case that the craft was designed for high-altitude spying and justify the U.S.'s impending action. During the balloon's eight-day passage across North America, the State Department official said, the U.S. used high-altitude U-2 aircraft to gather information about the craft. The U.S. is also examining debris from the craft pulled from the coastal waters off South Carolina. The State Department official said that the U.S. was exploring possible action against the government-linked entities involved in China's balloon and broader surveillance programs. According to two U.S. officials, the Biden administration is looking to add about six Chinese government-backed companies with links to the balloon program to the Commerce Department's entities list, which imposes barriers to conducting business with the blacklisted firms. The timing of that action wasn't immediately clear, the officials said. However, the objective of any retaliatory measures, according to the State Department official, is to expose and address China's broader surveillance activities.

[Senate Republicans Demand Answers on Handling of Suspected Chinese Spy Balloon](#)

[Lawmakers worry about weapons makers' ability to meet demand \(Defense News\)](#)

Lawmakers voiced worries on Wednesday about the health of the defense-industrial base in a House hearing where trade leaders said spending volatility and red tape make it tough for industry to surge capacity. Amid broader discussions in the House about potential

Pentagon budget cuts, members of the House Armed Services Committee offered a sympathetic forum for the defense sector as important to national security and an economic engine. For their part, leaders with the Aerospace Industries Association, National Defense Industrial Association and Shipbuilders Council of America said industry would respond best to stable demand from government. “We cannot prevail in any conflict without a ready, strong and adaptable industrial base. Yet the defense-industrial base is experiencing a multitude of challenges,” said the panel’s chairman, Rep. Mike Rogers, R-Ala. “Some of these include inflation, workforce shortages, bureaucratic hurdles and supply chains that remain too dependent on foreign sources of materials.” Amid calls from industry for the administration to adjust otherwise firm-fixed-price contracts to account for inflation, Rogers said the administration “refuses to use the authorities and resources Congress gave them last year to provide necessary relief.” Industry representatives at the hearing said the lack of adjustments hurts companies by depressing wages as the sector grapples with worker shortfalls. The hearing was the second for the committee under the new Republican-led House. It comes amid concerns that Ukraine’s consumption of U.S.-supplied material is outstripping the capacity of American defense firms to quickly replenish it — a negative sign as the U.S. seeks to deter China. Despite growing U.S. defense spending and demand for arms fueled by Russia’s invasion of Ukraine, the defense industry has signaled it won’t expand capacity without a firmer commitment from the government. The trade group chiefs lamented what they saw as overregulation, inconsistent defense spending and bureaucratic barriers for small business. They said uncertainty about Congress raising the debt limit adds a tricky variable.

[Military briefing: how the UK took a vanguard role on arms for Ukraine](#)

[China Has More ICBM Launchers Than U.S., American Military Reports \(WSJ\)](#)

The U.S. military has notified Congress that China now has more land-based intercontinental-range missile launchers than the U.S., fueling the debate about how Washington should respond to Beijing’s nuclear buildup. “The number of land-based fixed and mobile ICBM launchers in China exceeds the number of ICBM launchers in the United States,” the commander of the U.S. Strategic Command, which oversees nuclear forces, wrote the Senate’s and House’s Armed Services Committees on Jan. 26. The notification comes as the U.S. is facing the challenge of deterring Russia’s substantial nuclear forces as well as China’s growing nuclear arsenal. U.S. lawmakers are involved in an increasingly heated debate about how best to counter Beijing, including the Pentagon’s response to the Chinese surveillance balloon that recently traversed the U.S. and hovered over Montana, where a portion of the American military’s ICBM arsenal is deployed. The U.S., which is modernizing all three legs of its land, sea and air based nuclear arsenal, has a much larger nuclear force than China. Many of China’s land-based launchers still consist of empty silos, according to U.S. officials and experts outside government. The Strategic Command also

notified Congress that the U.S. has more intercontinental-range missiles based on land, and more nuclear warheads mounted on those missiles, than China. The command's notifications also don't include submarine-launched missiles and long-range bombers, where the U.S. has a decided advantage, U.S. officials say. Republican lawmakers, however, have cited the ICBM launchers as a portent of the scale of China's longer-range ambitions and are urging the U.S. to expand its own nuclear forces to counter the Russian and Chinese forces.

Budget & Appropriations

[SASC chair sees 'pressure to go higher' than Biden's defense budget again \(Politico\)](#)

Senate Armed Services Chair Jack Reed on Tuesday predicted momentum on Capitol Hill to again boost defense spending beyond the level proposed by the Biden administration. The Rhode Island Democrat didn't specify how big his panel or the broader Senate might go on funding the Pentagon, which will hinge on how much President Joe Biden seeks in his annual budget request next month. But Reed noted in a Defense Writers Group session with reporters that Congress has significantly boosted funding in recent years. But the viability of another major increase is in doubt, as a faction of House Republicans looks to restrain federal spending. This fiscal year, Congress allocated \$858 billion for national defense programs, ladling on \$45 billion more than the administration requested. A new push by House Republicans to cap discretionary spending at last year's levels could impede another big defense push. But it's not yet clear how GOP leaders will handle the Pentagon budget, as defense hawks in their caucus push for steady increases. Still, Republicans are emphasizing the need to cut waste from Pentagon coffers. Reed said Congress should examine potential savings, such as scrapping older weapons systems that won't be needed in future combat. Biden will send Congress his fiscal 2024 budget request on March 9. The plan will likely seek at least a slightly higher level of defense spending. Lawmakers will consider annual defense policy and spending legislation in the spring and summer that tweaks the administration's budget topline and specific programs. They'll be guided by annual wish lists from the military services that outline major needs that weren't included in the budget request.

[Congressional centrists plot deal-cutting course in divided government](#)

[US companies mount resistance to proposed ban on non-compete clauses \(Financial Times\)](#)

The US Federal Trade Commission aims to ban non-compete clauses, in a move that has inflamed industry groups. Since releasing its proposal last month, the regulator has received thousands of comments, with critics arguing the measure is too drastic and will increase business costs while putting trade secrets in jeopardy. Non-compete agreements have become more pervasive in the US economy, experts say, amid little oversight and a drop in unionization. Bosses can now obtain pre-packaged non-compete agreements online. Approximately one in five American workers, or 30mn individuals, are now bound by non-competes, according to the FTC. These agreements bar workers from joining a competitor for a set period of time, within a geographical area, or both. They are often associated with high-wage executives with access to trade secrets that companies fear may leak upon their departure. But experts argue they have become widespread among low-wage workers who often have no access to sensitive information. These workers are also more likely to be locked into jobs because they lack the means to negotiate with employers, they are unable to move house, or they can't afford to wait before starting a new job. The FTC argues non-competes harm competition in labor markets, discouraging businesses from competing for staff with attractive pay. The ban would increase wages by nearly \$300bn per year, according to commission estimates. Non-competes also hurt business innovation, the regulator said, by stopping the flow of ideas and the creation of competitive start-ups. Republican FTC commissioner Christine Wilson, the sole vote against the proposal — the agency's first competition rulemaking since the 1970s — described it as "a radical departure from hundreds of years of legal precedent" that would trigger a "raft of unintended consequences".

[Republicans grill ex-Twitter executives over handling of Hunter Biden story](#)

[JPMorgan CEO says too early to declare victory against inflation \(Reuters\)](#)

The chief executive of JPMorgan Chase & Co. cautioned against declaring victory against inflation too early, warning the Federal Reserve could raise interest rates above the 5% mark if higher prices ended up "sticky." Jamie Dimon's warning came after Federal Reserve officials said more rate rises are on the cards, although none were ready to suggest that January's hot jobs report could push them back to a more aggressive monetary policy stance. In reference to inflation, Dimon said "people should take a deep breath on this one before they declare victory because a month's number looked good." "It's perfectly reasonable for the Fed to go to 5% and wait a while," Dimon said. But if inflation comes down to 3.5% or 4% and stays there, "you may have to go higher than 5% and that could affect short rates, longer rates," he said. From a peak of nearly 7% in June, the Fed's preferred measure of inflation stood at 5% in December - well above its 2% target but heading steadily downward. In a wide-ranging interview with Reuters, Jamie Dimon warned stricter regulation of credit card fees could prompt lenders to extend less

credit. He also said he planned to visit China, saying it was important to maintain relations there. Dimon also said a default on U.S. debt - a prospect the country faces unless its debt ceiling is raised - would be potentially "catastrophic." "We cannot have a default," Dimon said. It could cause permanent damage to America and "could destroy its future," he said. President Joe Biden, in his address to a joint session of Congress on Tuesday, urged Republicans to raise the \$31.4 trillion debt ceiling, which must be lifted in the coming months to avoid a default. JPMorgan said earlier it plans to hire more than 500 bankers catering to small businesses through 2024, boosting the bank's workforce targeting the segment by 20% from more than 2,300 now. Asked about JPMorgan's plans for jobs given cuts at other Wall Street banks, Dimon said the outlook for hiring remains up at the bank.

Advanced Technologies

[U.S. Aims to Curtail Technology Investment in China \(New York Times\)](#)

Growing concerns about China's military and economic ambitions have lawmakers and the White House weighing yet another effort to restrict Beijing's access to advanced technologies that could be used in war. This time, the U.S. government appears poised to extend its restrictions to a new area: American dollars that are used to finance the development of such technologies within Chinese borders. For months, the Biden administration has been preparing curbs on the investments that U.S. firms can make in China, particularly in areas like advanced computing. Those measures are now largely complete and could be issued within two months. The Treasury Department has been reaching out to other governments, including the European Union, to try to ensure that they do not rush in to provide similar financing to China after the United States cuts it off, according to people familiar with the discussions. The voyage of a spy balloon across the United States has set off newfound fears about the national security threats posed by the Chinese government. This week, lawmakers on both sides warned the White House that if the administration did not move ahead with investment restrictions, Congress would propose its own. Members of the Biden administration spent much of last year weighing how broadly to apply investment restrictions, with officials reaching out to business executives to get their views on the impact that such a move might have. Details of the pending executive order remain unclear, but it is expected to require companies to report more information to the government about their planned investments in certain adversarial countries. Several people familiar with the plans said the order would most likely prohibit outright investments in some sensitive areas, like quantum computing, advanced semiconductors and certain artificial intelligence capabilities with military or surveillance applications.

[How the US Navy is creating the 'nirvana of one combat system'](#)

[FBI's Christopher Wray Wants Business to Help Fight China, Cyber Threats \(WSJ\)](#)

When FBI agents last year infiltrated the networks of Hive, a notorious ransomware group that had demanded hundreds of millions of dollars in ransom payments from some 1,500 companies, hospital networks and other targets, they made an uncomfortable discovery. Only 20% of the victims had approached law enforcement about their attacks. Over the past two decades, as the Federal Bureau of Investigation focused on pursuing terrorists in the post-9/11 world, the relationship between the FBI and companies has often been distant and marked by high-profile battles, including when the FBI in 2016 tried to force Apple Inc. to unlock the iPhone of a terrorist involved in the San Bernardino, Calif. Shooting. Now, Director Christopher Wray and other senior officials are waging an intense campaign to turn that around. His new message to the private sector: The biggest national-security threats are from the Chinese government and the cyber arena. You are often the target, and to protect you we need your help. "I'm glad you're here, in every sense of the word," Mr. Wray told a gathering of Fortune 500 executives last year, urging them to work with the FBI. The agency's top cyber official, Bryan Vorndran, frequently tells cybersecurity experts that the FBI is trying to offer "Ritz Carlton-level customer service" to companies that report to the bureau when they are victims of a cyberattack, offering to fight with regulators and deal with the media on their behalf. Only through such cooperation, the bureau says, including trusting the FBI with sensitive corporate information, can the agency marshal an effective response. Last month, Mr. Wray was among the senior U.S. officials to attend the annual gathering of the global business elite in Davos, Switzerland. Over three days, in meetings with chief executives of U.S. tech companies, venture-capital firms and others, he repeated the refrain: The FBI wants to work with them to address its concerns about the Chinese government, threats to intellectual property, cybersecurity and critical infrastructure. In the past, top Justice Department officials of both parties have centered their dialogue with business on wrongdoing, promising crackdowns on white-collar crime, excessive consolidation and serving China's business interests. Mr. Wray sees a new focus. "The more our folks are having conversations with the private sector, the more they are debunking myths about what it means to work for the FBI," he said.

[Elon Musk's SpaceX firm bars Kyiv from using Starlink tech for drone control](#)

[Microsoft will let companies create their own custom versions of ChatGPT \(CNBC\)](#)

Microsoft plans to release software to help large companies create their own chatbots similar to ChatGPT, CNBC has learned. In the two months since startup OpenAI released ChatGPT to the public, it has become a hit, impressing people with its ability to spit out comments on a wide variety of topics and in many styles. UBS analysts said last week that it's on track to reach 100 million monthly active users more quickly than video-sharing app TikTok. Microsoft is seeking to capitalize on the attention in multiple ways. The company provides the cloud-computing back end for ChatGPT, and in January Microsoft said it had invested billions of dollars in OpenAI. Microsoft has also been working to incorporate OpenAI technologies into its own products. On Tuesday, Microsoft announced that it is augmenting Bing, its search engine, and Edge, its internet browser, with ChatGPT-like technology. In addition, Microsoft plans to announce technology for companies, schools and governments to create their own bots with ChatGPT, according to a person briefed on the matter, who asked not to be named while discussing private plans. Microsoft imagines helping clients launch new chatbots or refine their existing ones with the new technology, which could suggest responses for call-center agents to use during customer service conversations, the person said. The underlying artificial intelligence model of ChatGPT cannot currently provide substantial answers about anything that happened after 2021, because it hasn't been trained on recent information. But Microsoft intends for chatbots launched with its business ChatGPT service to contain up-to-date information, the person said. The service should also provide citations to specific resources, the person said, just as the new Bing and Edge will do.

Military Installations & Communities

[Biden pledges more dollars to end veteran suicides, homelessness \(The Hill\)](#)

President Biden in his State of the Union address called for more resources to curtail veteran suicides as part of a wider plea to invest in federal aid services. In Biden's speech, his first before a divided Congress, the president also asked for more financial assistance for former service members to help keep a roof over their heads as well as job training and placement for veterans and their spouses as they return to civilian life. "Let's do more to keep this nation's one fully sacred obligation: to equip those we send into harm's way and care for them and their families when they come home," Biden said. The president said the country is losing 17 veterans a day "to the silent scourge of suicide." The Department of Veterans Affairs "is doing everything it can, including expanding mental health screenings [and] proven programs that recruit veterans to help other veterans understand what they're going through and get the help they need," Biden said. He also pledged to help veterans afford their rent "because no one should be homeless in America, especially someone who served the country." Earlier on Tuesday, White House officials laid out the new veteran support efforts, with Deputy Assistant to the President for Health and Veterans Affairs Christen Linke Young telling reporters the administration will provide new resources to states and territories for programs aimed at tackling veteran suicide through mental health

and emergency support services. Officials will also focus on supporting veterans “at challenging moments that can increase suicide risk by expanding medical-legal partnerships and expanding outreach to justice-involved veterans,” in addition to expanding peer support programs.

[A Navy Command Tries Radical Transparency to Help Prevent the Next Suicide](#)

[Republicans aim at Pentagon civilian workforce to curb spending \(Defense News\)](#)

Republicans are putting the defense budget under the magnifying glass after House Speaker Kevin McCarthy, R-Calif., committed to \$130 billion in discretionary spending cuts in order to win his protracted speakership race. McCarthy vowed to cap discretionary spending – more than half of which goes to the Defense Department – at fiscal 2022 levels and did not rule out defense spending cuts in a January interview with Fox News. Republican defense hawks, who had previously argued for an annual 3% to 5% defense budget increase over inflation, are now taking a serious look at how to squeeze savings out of the Defense Department alongside outside conservative groups such as the Heritage Foundation. Proposals range from reducing the Pentagon’s civilian personnel to procurement reform to possible base closures to halting the military’s efforts to fight climate change. Rep. Ken Calvert, R-Calif., chairman of the defense appropriations subcommittee, previewed some potential Defense Department cost-cutting measures in an interview in his office on Tuesday with Defense News. “At the same time that we create these efficiencies and find ways we can save money – for instance, the number of things that we’re spending on that we shouldn’t be spending money on – we’ll find some initial cuts in the Pentagon... throughout the Department of Defense that will not hurt capability,” said Calvert. Calvert noted that reducing the size of the Defense Department’s civilian workforce alone “would save \$125 billion over five years – and that’s real money where I come from.” He vowed that the reductions would not require the Defense Department to fire civilian employees. Other measures Calvert proposed may have bipartisan buy-in, such as reforming payment processes and procurement timelines.

[Army Pacific general to aggressors: we’re battle ready in Asia](#)

[New Futures Command chief shifts main effort to designing Army of 2040 \(Defense News\)](#)

The new head of Army Futures Command has shifted the organization’s focus from

delivering a modernized force by 2030 to designing the Army of 2040, he said Feb. 8 at an Association of the U.S. Army breakfast. The four-star command — based in Austin, Texas, developed in 2017 and stood up in 2018 — was tasked to modernize the force by 2030. Army leadership developed priorities and lists of weapons systems that would be developed within each priority area to fully flesh out a force capable of successfully fighting near-peer adversaries Russia and China. Gen. James Rainey became the second Army Futures Command chief in the fall of 2022, almost a year after the first commander, Gen. Mike Murray, retired. Now, in Rainey's view, the command's part in the servicewide modernization effort is "transformation." "Modernization is part of transformation, but modernizing and not transforming is going to end up with a bunch of kit without the right leaders, without trained units, without formational lethality," Rainey said. Now that the Army is locked in and not much will change between now and 2030, Rainey said focusing beyond that is what he is "really excited about" and where big opportunities lie. The command is already working on a concept for 2040, Rainey said, which is taking place at its Futures and Concepts Center. But, he added, "I think we have a little bit of time to slow down ... and make sure that we've got the assumptions right." The key to preparing for a future fight, according to Rainey, is assessing what might and might not change between now and 2040, and the implications of that. The service will go after rapidly fielding some capabilities "aggressively," but some others will not be possible yet and pursued through research and experimentation, he said. Rainey stressed the need to move now to pursue a force design for 2040, even though a big focus is turned to meeting the goals set out for 2030. To deliver capability by 2040 means fielding must begin in 2035, Rainey added, which means bending metal in 2030 and developing funding plans even earlier.

Homeland Security

[Russian Cybercrime Group TrickBot Subject of US, UK Sanctions \(Bloomberg\)](#)

The US and UK have imposed sanctions on seven alleged members of a Russia-based cybercrime gang, the first such joint action from the two countries. The sanctions target accused members of TrickBot ransomware group, which officials say developed a virus first identified by researchers in 2016. Members of the group are allegedly associated with Russian intelligence services and have carried out malicious cyber activities targeting non-Russian victims since 2014, including a wave of ransomware attacks against critical infrastructure, hospitals and medical facilities in the US, UK and elsewhere, according to the US Department of Treasury. Researchers from Microsoft Corp. [temporarily disrupted TrickBot hacking tools](#) prior to the 2020 US presidential election amid concern that Russians would somehow try to interfere with US infrastructure. "Members of the TrickBot group publicly gloated over the ease of targeting the medical facilities and the speed with which the ransoms were paid to the group," the Department of Treasury said in a statement on Thursday, citing ransomware attacks against three Minnesota medical facilities that disrupted computer networks and telephones, and caused a diversion of

ambulances. A statement from the UK government on Thursday said the sanctions effort “marks the start of a campaign of coordinated action against ransomware actors being led by the UK and US.” The new US sanctions block any property owned or controlled by any of the seven Russian nationals targeted in Thursday’s actions, and prohibit any transactions within the US or with American entities. The UK sanctions freeze any assets in the UK and impose travel bans. It was not immediately clear whether the seven people targeted have holdings in the US or UK. An indictment against one of the seven was also unsealed in the US District Court for the District of New Jersey on Thursday. He’s described as a senior member within the TrickBot group and has been charged with bank fraud predating his involvement within the organization.

[Swalwell to be Top Dem on House Homeland Security Cyber Panel](#)

[DHS limits no-knock warrants, bars chokeholds in updated use-of-force policy \(The Hill\)](#)

The Department of Homeland Security (DHS) is limiting its use of no-knock warrants and banning chokeholds in its activities as part of its updated use-of-force policy. DHS said in a release Tuesday that it adjusted its policies to be in line with an executive order that President Biden issued in May that requires the department to meet or exceed the Department of Justice’s (DOJ) guidance on use of force. “Our ability to secure the homeland rests on public trust, which is built by accountability, transparency, and effectiveness in our law enforcement practices. Today’s policy announcement is designed to advance those essential values,” Homeland Security Secretary Alejandro Mayorkas said in the release. The updated policy also prohibits carotid restraints unless deadly force is authorized and updates requirements to collect and report data on the use of force. And it bans the use of deadly force against someone who is only a threat to themselves or property, provides for “wellness resources” for officers involved in use-of-force incidents, and updates training in areas such as deadly force, less-than-lethal force, de-escalation techniques, duty to intervene and implicit bias and profiling. The update comes after the DOJ announced similar policies on no-knock warrants and chokeholds in September 2021.

[Biden weighs border deal that would deport non-Mexicans to Mexico](#)

[Number of migrant border crossings drops to lowest level in two years, DHS says \(NBC News\)](#)

The number of encounters U.S. Border Patrol agents had with undocumented migrants

crossing the southern border between legal ports of entry dipped below 130,000 in January, their lowest monthly number in two years, according to a spokesperson for the Department of Homeland Security. Overall border crossings, which include undocumented migrants who present themselves at legal ports of entry, also fell from December's record monthly high of more than 250,000 to 156,000. Homeland Security Secretary Alejandro Mayorkas told reporters last week that he credits new Biden administration policies that opened legal pathways for some migrants to apply from their home countries, while also blocking more migrants from entering at the border under Title 42 Covid restrictions. A senior Homeland Security official told NBC News that while daily numbers at the border are down to 2021 levels at just over 4,000 a day, the problems driving migration have not been solved. Migrants fleeing desperate situations in failed states throughout the Western Hemisphere will continue to congregate in Colombia, northern Mexico and elsewhere on their journeys north, the official said. As NBC News has previously reported, Title 42, which has blocked more than 2 million border crossings, is likely to end in May barring a successful court challenge.

Transportation & Infrastructure

[White House unveils plan to boost use of U.S.-made goods in infrastructure \(Reuters\)](#)

The White House on Wednesday released proposed guidance to boost the use of American-made goods in government-funded infrastructure projects. President Joe Biden in his State of the Union address Tuesday touted the effort to require that construction materials used in federal infrastructure projects be made in the United States. "When we do these projects ... we're going to buy American," Biden said. "It's totally consistent with international trade rules." The new proposed guidance, first reported by Reuters, was released by the White House Office of Management and Budget (OMB) and directed by Congress under the \$1 trillion 2021 infrastructure law. The proposed guidance "will strengthen implementation of domestic content standards, while also improving federal financial assistance management, consistency, transparency, and oversight," said Livia Shmavonian, who runs a White House office aimed at spurring U.S. government purchases of more American goods. The proposed OMB guidance sets standards to ensure manufacturing processes for construction material occur in the United States, including standards for "plastic and polymer-based products, glass (including optic glass), lumber, and drywall," Shmavonian added. OMB is seeking input on whether to include additional construction materials, including paint and stain, bricks and engineered wood products. The public will have 30 days to comment on the proposed guidance.

[US infrastructure back in a bruising spotlight after freight train derailment in Ohio](#)

[Southwest executive tells Senate 'we messed up' in holiday travel chaos \(CNBC\)](#)

Southwest Airlines Chief Operations Officer Andrew Watterson apologized before a Senate panel Thursday for the carrier's December meltdown that stranded thousands of passengers over the holidays. Watterson said the carrier will have a key software upgrade in place on Friday to avoid a similar event. "Let me be clear: we messed up. In hindsight, we did not have enough winter operational resilience," Watterson said in prepared testimony. Southwest CEO Bob Jordan had a scheduling conflict and couldn't attend, according to the company. Southwest has said it canceled more than 16,700 flights between Dec. 21 and Dec. 31. The issues started with severe winter weather around the U.S., but the carrier lacked the technology to keep pace with the numerous flight changes, prompting the airline to scrap most of its schedule for several days to reset its operation. The chaos pushed Southwest to a loss in the last quarter, costing it \$800 million in pretax earnings. The incident capped a year of chaotic travel for many passengers as airlines struggled to ramp up to meet a rebound in demand. Pressure on the industry has grown over the last year while some lawmakers and the Biden administration seek stronger consumer protection. Some lawmakers outlined Thursday the hundreds, if not thousands, of dollars their constituents were forced to pay to get home during the holiday travel chaos. Casey Murray, president of the Southwest Airlines Pilots Association, which is in contract negotiations with the company, also testified and told the panel that the carrier ignored warning signs about its operation.

[Pilot shortage puts pressure on airline operations](#)

[MARAD Will Provide \\$662M in Port Infrastructure Grants in 2023 \(Maritime Executive\)](#)

The United States Maritime Administration will be making an additional \$662 million in grants in FY 2023 under its Port Infrastructure Development Program (PIDP) as part of the Biden Administration's commitments to strengthen the supply chains after the port delays that resulted over the past few years. This year's grants are in addition to over \$700 million awarded in 2022 and more than three times the \$2300 million in 2020 grants. MARAD says the PIDP investment will modernize the nation's ports and help strengthen supply chains for generations to come, helping to reduce shipping time, costs, and ultimately the costs of goods for the American people. They noted that the funding exceeds the \$450 million annually in funding for the program under the 2020 infrastructure package.

MARAD's Port Infrastructure Development Program provides discretionary grants to help port authorities, states, local governments, and other eligible entities complete critical port and port-related infrastructure projects. Grants are awarded on a competitive basis to support projects that improve the safety, efficiency, or reliability of the movement of goods through ports and intermodal connections to ports. MARAD will also consider how projects address climate change and sustainability, equity, and workforce development objectives. Recent projects funded include funding for the installation of fast charging stations and other port electrification components and the development of a scalable plan for transitioning port and local maritime industry to zero-emission technologies. They also supported intermodal projects and port expansion. A total of 41 projects in 22 states and one territory received grants in 2022 to improve port facilities. Applications for port projects are due by April 28. In addition, the Federal Highway Administration is also going to make \$160 million available under its Reduction of Truck Emissions at Port Facilities program. Those projects will target efforts to test, evaluate, and deploy projects that reduce port-related emissions from idling trucks, including through the advancement of port electrification and efficiency improvements.

Biotechnology & Healthcare

[Spread of antibiotic resistance revives interest in bacteria-killing viruses \(Financial Times\)](#)

Bacteria-killing viruses can provide a crucial extra tool in the fight against antibiotic resistance, researchers believe — leading to increased interest in their use, alongside the development of new drugs. Bacteriophages, or phages, were first discovered and used to treat infection about a century ago. But they were quickly supplanted by antibiotic drugs, which are easier to make and can work against many different bacteria. Estimates of the size of the phage market today range from \$42mn to \$1.1bn — much smaller than the roughly \$43bn market for antibiotics. However, in recent years, interest in phages has grown as bacteria evolve to become resistant to antibiotic drugs — a development branded a “pandemic” by public health experts and one that caused 1.27mn deaths in 2019. Bacteria and phages are naturally occurring and in constant competition with each other. Every species of bacteria is continually evolving mechanisms to leave its predator phage redundant — prompting the phage to evolve, in turn, to overcome this resistance. But the great potential for phages as a treatment lies in the fact that there are usually several for each species of bacterium being targeted, and they are specific to it — leaving beneficial bacteria in the body unharmed. While antibiotics can often destroy many types of bacteria by disrupting one of their internal processes, phages attack a specific species of bacteria and can overcome resistance.

[Why Antibiotics Should be Treated as a National Security Imperative](#)

[Why the Odds Are Stacked Against a Promising New Covid Drug \(New York Times\)](#)

Over the past year, America's arsenal of Covid treatments has shrunk as new variants of the coronavirus have eroded the potency of drug after drug. Many patients are now left with a single option, Paxlovid. While highly effective, it poses problems for many people who need it because of dangerous interactions with other medications. But a new class of variant-proof treatments could help restock the country's armory. Scientists on Wednesday reported in *The New England Journal of Medicine* that a single injection of a so-called interferon drug slashed by half a Covid patient's odds of being hospitalized. The results, demonstrated in a clinical trial of nearly 2,000 patients, rivaled those achieved by Paxlovid. And the interferon shots hold even bigger promise, scientists said. By fortifying the body's own mechanisms for quashing an invading virus, they can potentially help defend against not only Covid, but also the flu and other viruses with the potential to kindle future pandemics. For all of its promise, though, the drug — called pegylated interferon lambda — faces an uncertain road to the commercial market. Regulators at the Food and Drug Administration late last year told the drug's maker, Eiger Biopharmaceuticals, that they were not prepared to authorize it for emergency use. Eiger executives said part of the problem seemed to be that the clinical trial did not include an American site, but rather only sites in Brazil and Canada, and that it was initiated and run by academic researchers, rather than the company itself. The regulators suggested that only a large clinical trial conducted at least in part in the United States and with more involvement from the company would suffice, Eiger executives said, a scenario that would require several years and considerably more funding. An F.D.A. spokeswoman said disclosure laws prevented the agency from commenting. Those barriers are indicative of problems that some experts worry are threatening the development of a wide range of next-generation Covid treatments and vaccines — products that may help address the ongoing toll from Covid and also give scientists a head start in preparing for the next pandemic.

[EuMentis Therapeutics Inc. Receives \\$3 Million DoD Award](#)

[The Biden administration quietly eliminated a barrier to medication for opioid addiction \(NBC News\)](#)

In his State of the Union address on Tuesday, President Biden highlighted a recent policy change aimed at increasing access to a medication for opioid use disorder. "Together, we passed a law making it easier for doctors to prescribe effective treatments for opioid

addiction," he said. He was referring to a provision wrapped into the omnibus funding bill, which Biden signed into law in December. It eliminated a requirement that medical providers obtain special waivers to prescribe buprenorphine, a painkiller that also reduces opioid cravings and withdrawal symptoms. That requirement had been in place for two decades, and its reversal had been a priority for some activists because the policy discouraged doctors from prescribing the drug. To get the waiver — known as an "x-waiver" — providers had to do either an 8- or 24-hour training, depending on their levels of experience. Once they'd obtained the waiver, they were subject to random Drug Enforcement Administration audits and the number of patients they could prescribe buprenorphine for was capped. The bulk of scientific evidence suggests that medicine is the most effective treatment for opioid use disorder; buprenorphine and methadone are the two leading options. A 2018 study found that methadone decreased opioid overdose deaths by 59% and buprenorphine by 38% relative to the absence of medication-assisted treatment. Unlike methadone, which until the pandemic had been administered in-person through opioid treatment programs, buprenorphine is generally taken at home like other prescription medications, usually as a tablet or thin strip that dissolves under the tongue. Because of the recent policy change, any provider can prescribe buprenorphine as long as they have a DEA number, which allows them to write prescriptions for controlled substances.

Climate & Development

[France and Germany claim assurances from US over green subsidies \(Financial Times\)](#)

The economy ministers of France and Germany said the US had agreed to address European concerns over the Inflation Reduction Act, the \$370bn support programme for US clean tech, but acknowledged that their talks with US officials had not yielded any concrete proposals. Bruno Le Maire, France's economy minister, said he and his German counterpart Robert Habeck had achieved "substantive progress" in their talks in Washington and won "assurances" that the US would seek to assuage European concerns. But few specifics emerged from the meetings, apart from an agreement on full transparency over the level of subsidies on offer under the IRA so that Europe can match them if necessary. The EU has grown anxious that the targeted support now on offer in the US might cause a stampede of business and investment away from the EU to America. The unusual decision by Habeck and Le Maire to go together to Washington was meant to underline the full extent of European disquiet over the US support measures. Habeck said that the meetings — with US trade representative Katherine Tai and Gina Raimondo, the commerce secretary, as well as Treasury secretary Janet Yellen — conveyed the "European view of a few problems" with the IRA, as well as the EU's concern that the act could usher in a "bidding war on subsidies". Both he and Le Maire insisted that the message had got through. Le Maire said an agreement had been reached with US officials that the implementation of the IRA "should include as many EU components as possible,

for example electric vehicles, electric batteries and critical minerals". The IRA offers companies billions of dollars in tax credits to boost investment in clean- energy technologies, with the aim of boosting the homegrown development of everything from hydrogen and electric-car batteries to solar panels and sustainable aviation fuel. Companies will be rewarded for locating their supply chains either in the US or with allies and partners. European officials complain that the domestic content requirements run counter to World Trade Organization rules that are meant to bar discrimination against products based on their country of origin. The act has triggered fears in the EU that companies will decamp from Europe to the US to take advantage of the subsidies. It has also raised concerns over the danger of a damaging subsidy race that will skew the competitive playing field in international trade.

[Big subsidies and 'shovel ready' sites: US states woo clean energy firms](#)

[BP scales back climate targets as profits hit record \(BBC News\)](#)

Energy giant BP has reported record annual profits as it scaled back plans to reduce the amount of oil and gas it produces by 2030. The company's profits more than doubled to \$27.7bn (£23bn) in 2022, as energy prices soared after Russia invaded Ukraine. Other energy firms have seen similar rises, with Shell reporting record earnings of nearly \$40bn last week. It has led to calls for energy firms to pay more tax as people's bills soar. BP boss Bernard Looney said the British company was "helping provide the energy the world needs" while investing in the transition to green energy. But it came as the firm scaled back plans to cut carbon emissions by reducing its oil and gas output. The company - which was one of the first oil and gas giants to announce an ambition to cut emissions to net zero by 2050 - had previously promised that emissions would be 35-40% lower by the end of this decade. However, on Tuesday it said it was now targeting a 20-30% cut, saying it needed to keep investing in oil and gas to meet current demands. As well as announcing record profits, BP increased its payout to shareholders by 10%. BP's results follow similarly strong profits announced by rivals Shell, Exxon Mobil and Chevron last week.

[What is Electrochemistry, and Why is it so Important to a Green-Energy Future?](#)

[Manchin 'raising hell' over White House handling of marquee Dem bill \(Politico\)](#)

President Joe Biden and Joe Manchin met at the White House about a month ago on a

topic that's critically important to the West Virginia senator: implementing the sweeping tax, climate and health care law that both men shaped. And if you ask Manchin, things have not gone well since that huddle. That's because the West Virginia Democrat is livid about how his party's president and his administration are rolling out a party-line bill that served as a crowning achievement for both men — and he's particularly peeved at a delay in new guidelines on who gets the law's generous electric vehicle tax credits. In addition to lobbying the president at the previously unreported Jan. 3 sitdown, Manchin has introduced a bill that would halt the credits until Treasury Secretary Janet Yellen implements strict requirements for electric-vehicle battery sourcing. As Manchin sees it, using the credit to boost U.S.-manufactured rather than overseas-made vehicles is essential to making the law succeed. He's even talked directly to Yellen several times about the matter. Summing up his approach of late, Manchin said: "I've been raising hell." A frustrated Manchin is nothing new for Democrats, but the current situation is plainly untenable for them. He's still undecided on reelection next year in a state that's critical to keeping their Senate majority. And as Energy Committee chair, he has the power to wreak havoc by slowing down nominees, hauling in Biden officials for public testimony and pushing legislation against the administration's wishes. What's more, Manchin's grievances go beyond just the tax credit. He dislikes the public perception of the law he insisted on calling the Inflation Reduction Act, which he sees as an energy security measure rather than a climate change-fighting one — a distinction with a political difference in a deep-red, fossil-fuel state like West Virginia.

Next Week's Hearings

Armed Service Committees

House: None Listed

Senate: Wednesday, February 15th at 9:30am ET; [To Receive Testimony on Global Security Challenges and Strategy](#)

- Witnesses:
 - Dr. Bonny Lin
 - Dr. Fiona Hill
 - Mr. Roger Zakheim

Appropriation Committees

House: None Listed

Senate: None Listed

Homeland Security Committees

House: None Listed

Senate: None Listed

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