

Dentons Flashpoint

Daily Global Situation Report

November 10, 2021

Global Situation Update: November 10, 2021

KEY TAKEAWAYS

GE announces plans to split into three companies.

France will require booster shots for over-65s who wish to dine out or travel long distances.

UAE foreign minister meets with Syria's president Assad in sign of warming ties.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

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WHAT WE'RE WATCHING

There are growing concerns about the risk that China's beleaguered real estate sector poses to global financial markets. Yesterday, Chinese real estate developer Kaisa Group requested help to pay investors, workers and suppliers, while the day before, the US Federal Reserve warned that "financial vulnerabilities will continue to rise" in China and the collapse of large firms like Evergrande may even negatively affect the US and world economies.

Plans to help bring the housing market under control by introducing a local property tax across China are likely a little too late to fix the impending crisis and may not be politically palatable. Meanwhile, investors such as Goldman Sachs see an opportunity and are buying high-yield bonds issued by indebted Chinese property developers.



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Global

Globally, confirmed coronavirus cases topped 250.1 million with 5 million deaths; almost 7.1 billion vaccine doses have been administered.

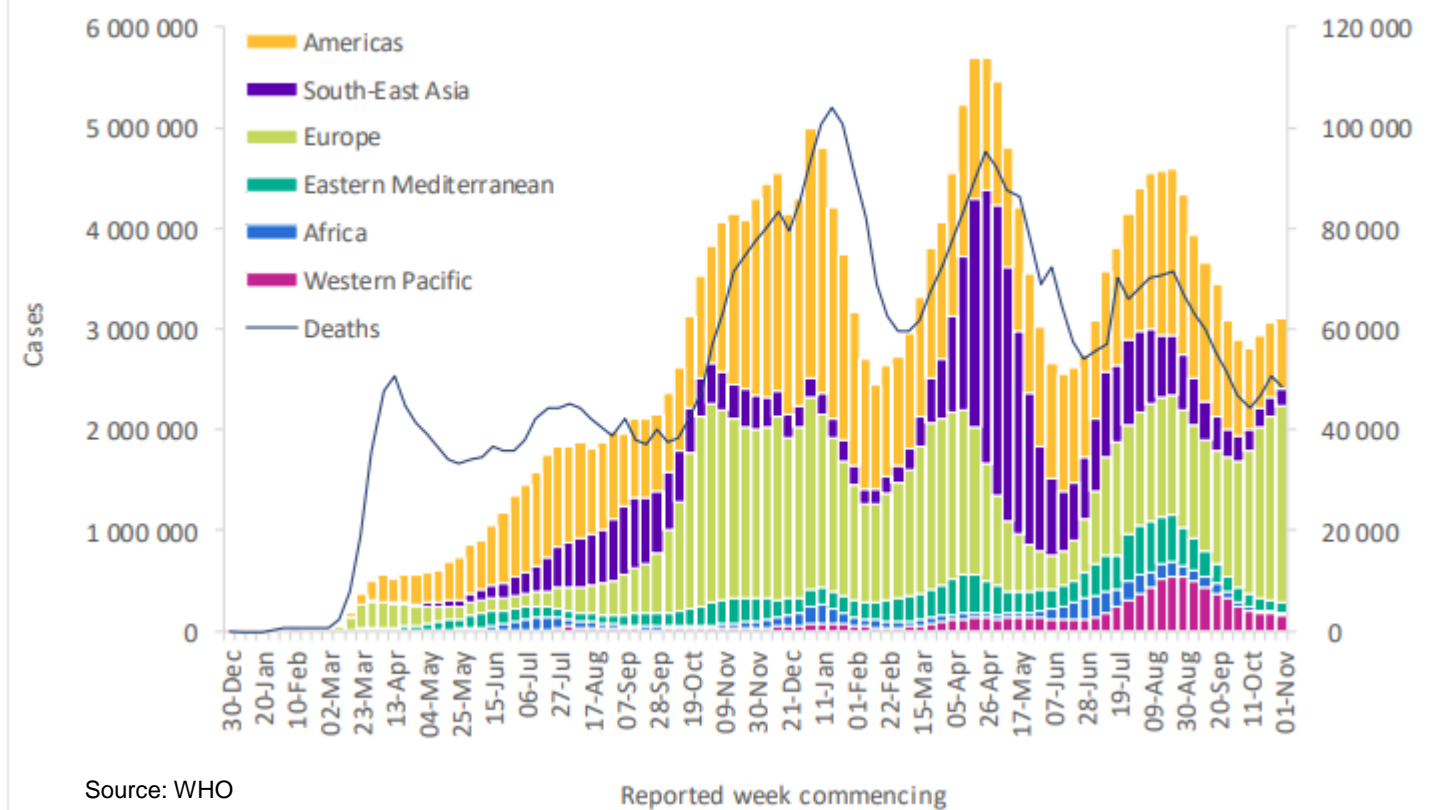
- Today's focus at COP26 is the **final political agreement** that will be negotiated over the next three days, with the draft facing disagreements over carbon market rules, the timeline for updating emissions-cutting pledges and payments to climate-vulnerable nations.
- Also on the COP26 agenda are expected announcements by six major automakers committing to phasing out the **production of fossil-fuel vehicles** around the world by 2040, as part of global efforts to cut carbon emissions.
- An updated UN tally found that **2030 climate targets** are still off track from Paris climate goals and would still lead to a temperature increase of up to 2.7 degrees C by the end of the century, despite new pledges made during COP26.
- The WHO warned that the coronavirus pandemic could result in a dangerous **global shortage of syringes** if manufacturing is not ramped up.
- The WHO has downgraded 10 COVID-19 variants under monitoring, as the Delta variant overwhelms other variants.

Global

During the week 1 to 7 November 2021, a slight upward trend (1 percent increase) in new weekly cases was observed, with over 3.1 million new cases reported. Over 48,000 new deaths were reported, a 4 percent decrease from the previous week.

Only the Europe region reported increased cases and deaths.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 7 November 2021**



Source: WHO

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Markets & Business

Indebted China Evergrande Group again faces default with a final deadline to make an offshore bond coupon payment today, amid growing concerns about a liquidity squeeze in the property sector.

- S&P Global Ratings downgraded property developer **Shimao Group Holdings'** rating to "BB+" from "BBB-," considered a "*speculative grade*."
- The UK Supreme Court has blocked a planned 3.2 billion pound (\$4.3 billion) British class action against **Google** over allegations the internet giant unlawfully tracked the personal information of millions of iPhone users, granting an appeal to Google on the first UK data privacy lawsuit closely watched by other tech giants.
- In Europe, the second-highest EU court dismissed **Google's** challenge to an EU antitrust ruling and 2.42 billion euro (\$2.8 billion) fine.
- **GE** announced plans to split into three companies focused on healthcare, energy, and aviation over the next few years, breaking up one of America's most prominent conglomerates.
- Today, rival electric car maker **Rivian**, backed by **Amazon and Ford**, will make its market debut.
- **Volkswagen** said it plans to build a new factory near its existing German headquarters that would be able to rival **Tesla** in production of electric cars.
- Swedish automaker **Volvo** set a price on carbon emissions from its operations of 1,000 Swedish crowns (\$116.30) a ton, part of attempts to ensure all future projects are sustainable.

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How do You Manage Cyber Risks?

Today, there are more risks for cybersecurity and a wider array of threat actors capable of doing damage to organizations due to rapid advances in technology. A single cyber breach risks dealing irrevocable harm to businesses and their critical assets.

Dentons offers business leaders a full complement of counseling and advice, regulatory and litigation services, analysis and intelligence products for cyber risk management that helps them thrive in complex operating environments, including:

- ❖ organizational cyber risk assessment
- ❖ crisis management for cyber incidents
- ❖ privacy law and compromised data advice
- ❖ self-reporting, liaising with law enforcement following cyberattack
- ❖ ransomware attack guidance
- ❖ cybersecurity readiness and remediation
- ❖ cyberattack source and method identification

All interaction with Dentons is attorney-client privileged

To learn more about the bespoke intelligence and risk services from Dentons, contact [Karl Hopkins](#).

Environment, Sustainability & Governance

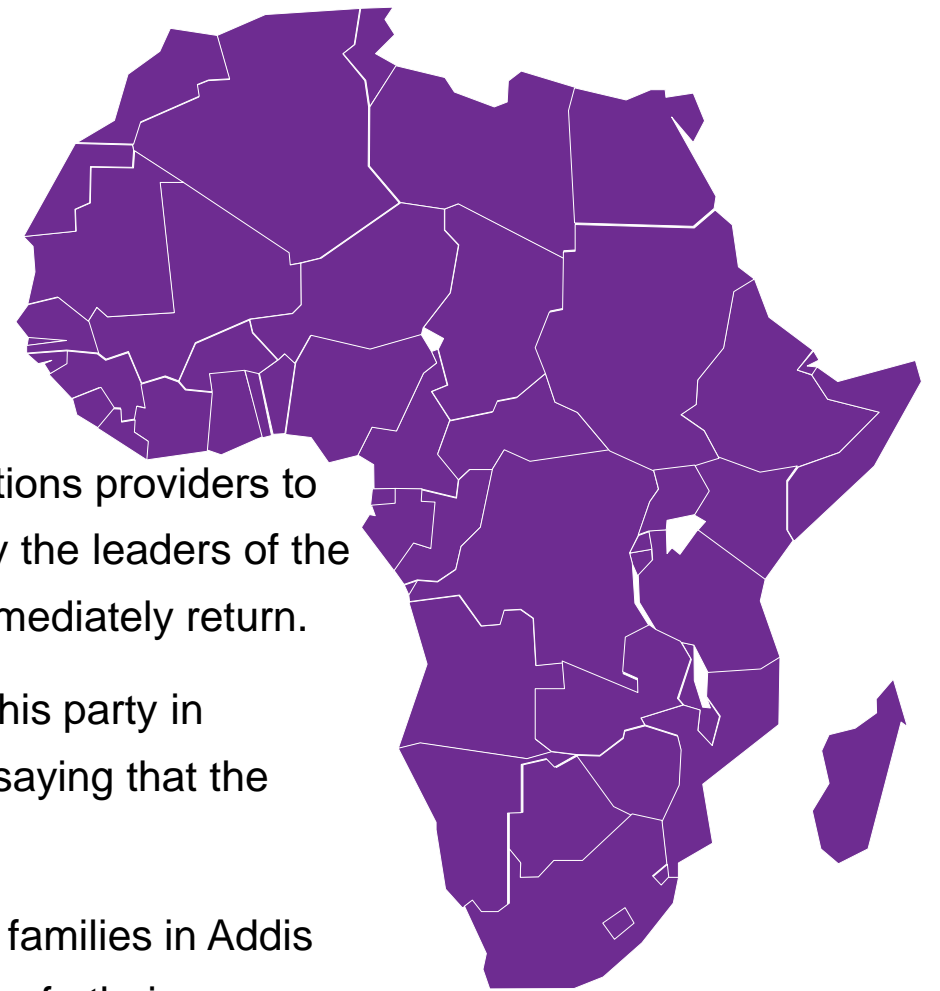
Fashion brands such as Burberry and H&M are among 130 companies that have pledged to halve their greenhouse gas emissions by 2030, but the wider industry will fall well short based on its present trajectory, according to an assessment by McKinsey.

- Climate litigation against private sector entities in Brazil has been gaining increased attention, particularly since the public civil action claim filed by 70 NGOs ahead of COP26.
- The founder of Brazilian cosmetics company Natura said Tuesday that Brazil's climate targets announced at COP26 are not ambitious enough.
- Russia's state development bank VEB announced that it will stop lending for new projects involving raw materials extraction as part of ESG efforts.
- Royal Dutch Shell and Norsk Hydro signed a memorandum of understanding to begin working on joint production of green hydrogen.
- The Sustainable Aviation Buyers Alliance announced Amazon Air, Alaska Airlines, JetBlue and United Airlines are joining the effort to development and use of sustainable aviation fuels (SAF).

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Africa

- Hundreds of **Congolese** fled into **Uganda** amid heavy fighting between government forces and M23 rebels.
- A **Sudanese** court ordered the country's three largest telecommunications providers to restore internet access after a sixteen-day blackout likely prompted by the leaders of the military coup; despite the order, internet services did not appear to immediately return.
- **South African** President Ramaphosa played down the recent rout of his party in legislative elections, which returned their worst post-apartheid result, saying that the ANC remains "*the most popular political organization in the country.*"
- The UN reported that at least 70 UN drivers and 16 UN staff and their families in Addis Ababa had been detained; the news comes amid increasing detention of ethnic Tigrayans in **Ethiopia**, although the UN refused to confirm the ethnicity of the employees.



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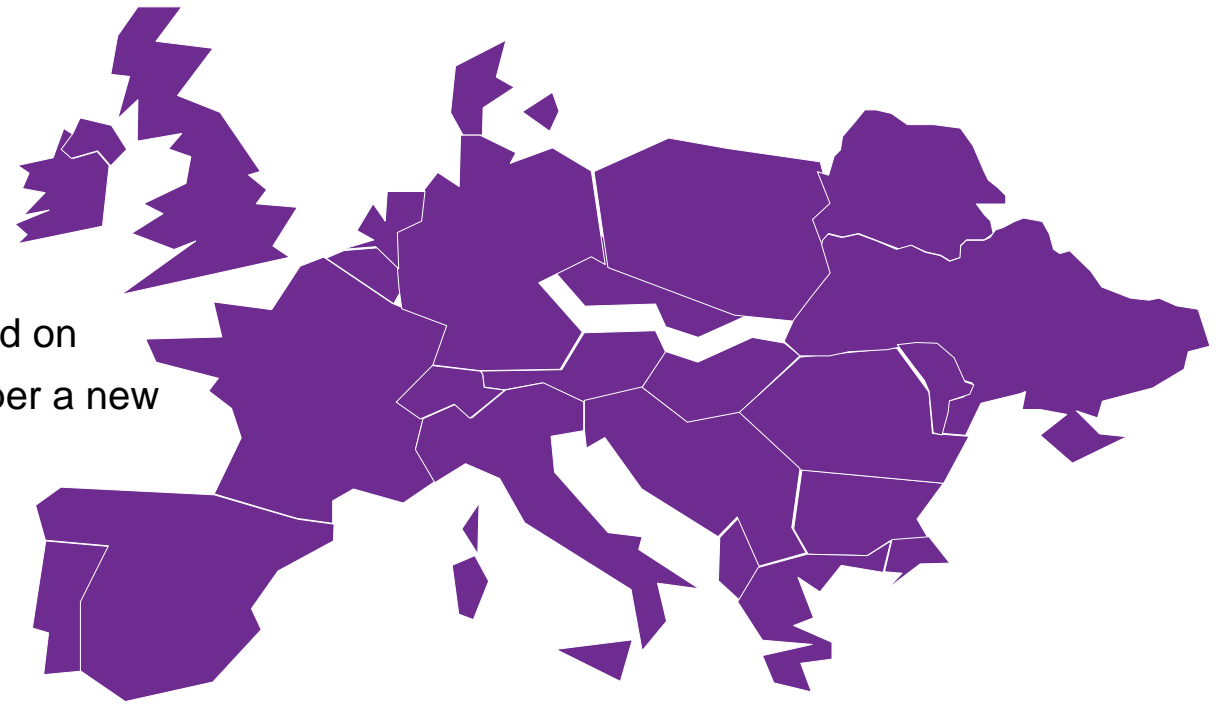
Asia

- The **Chinese** military said it conducted a combat readiness patrol in the direction of the **Taiwan** Strait, after condemning a US Congressional delegation visit to the island.
- A junta court in **Myanmar** said it will issue a verdict next month on whether ousted leader Aung San Suu Kyi broke COVID-19 rules during last year's elections, which her party won. Suu Kyi continues to face a raft of charges, from sedition to illegal importing of walkie talkies.
- Sara Duterte, daughter of current **Philippine** president Rodrigo Duterte and a favorite to succeed him, dropped her candidacy for re-election as Davao City mayor.
- The US Holocaust Memorial Museum said it is "*gravely concerned*" that the **Chinese** government may be committing genocide against Uighurs in Xinjiang.



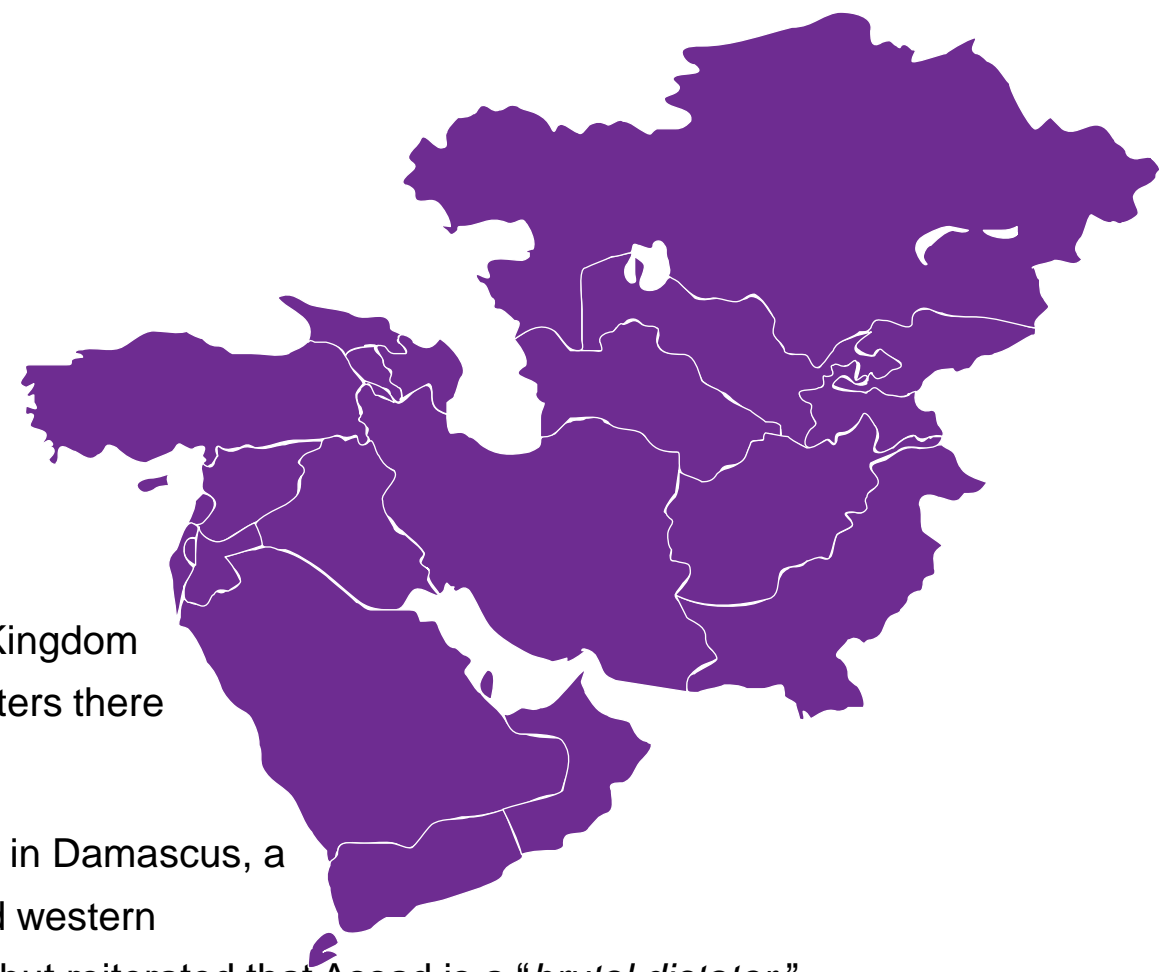
Europe

- Investor sentiment about the **German** economy has improved on increased optimism that supply chain bottlenecks will pass, per a new survey published Tuesday.
- The **EU** accused **Belarus's** President Lukashenko of “*gangster*” behavior for encouraging migrants to cross into the bloc. The EU is close to imposing more sanctions on Belarus, targeting 30 individuals and entities including the foreign minister and Belarusian airline Belavia, with approval as early as next week.
- **French** President Macron announced that COVID-19 boosters will be mandatory for over-65s to eat out or make long-distance journeys starting next month. COVID-19 shots will be mandatory for NHS staff in England starting next year, the **UK's** health secretary announced. **Czech** authorities recorded the highest daily tally of new infections since mid-March and close to all-time highs seen in January. Amid new record highs for COVID-19 deaths, the **Russian** Health ministry warned that oxygen reserves at hospitals in 12 of Russia's regions would last for two days or less, unless they were replenished.



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Middle East



- **Iran** claimed to have “*warned off*” **US** drones near its territory amid Iranian wargames. Iranian judicial authorities banned a newspaper that visually linked the Supreme Leader to the high rate of poverty in the country.
- Demand for office space in **Saudi Arabia** is on the rise after the Kingdom called for international businesses to establish regional headquarters there earlier in the year.
- The foreign minister of the **UAE** met with **Syrian** President Assad in Damascus, a clear sign of warming Arab ties with the dictator despite continued western opposition; the **US** said that they were “*not surprised*” by the visit but reiterated that Assad is a “*brutal dictator.*”
- **Morocco** will start direct flights to **Israel**, a year after normalizing relations under the Abraham Accords.
- The UN is paying salaries to some 23,500 health workers across **Afghanistan** over the past month, bypassing the Taliban-run health ministry. According to the Norwegian Refugee Council, as many as 4,000-5,000 Afghans have been crossing into **Iran** daily since the Taliban seized Kabul in August.

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Americas

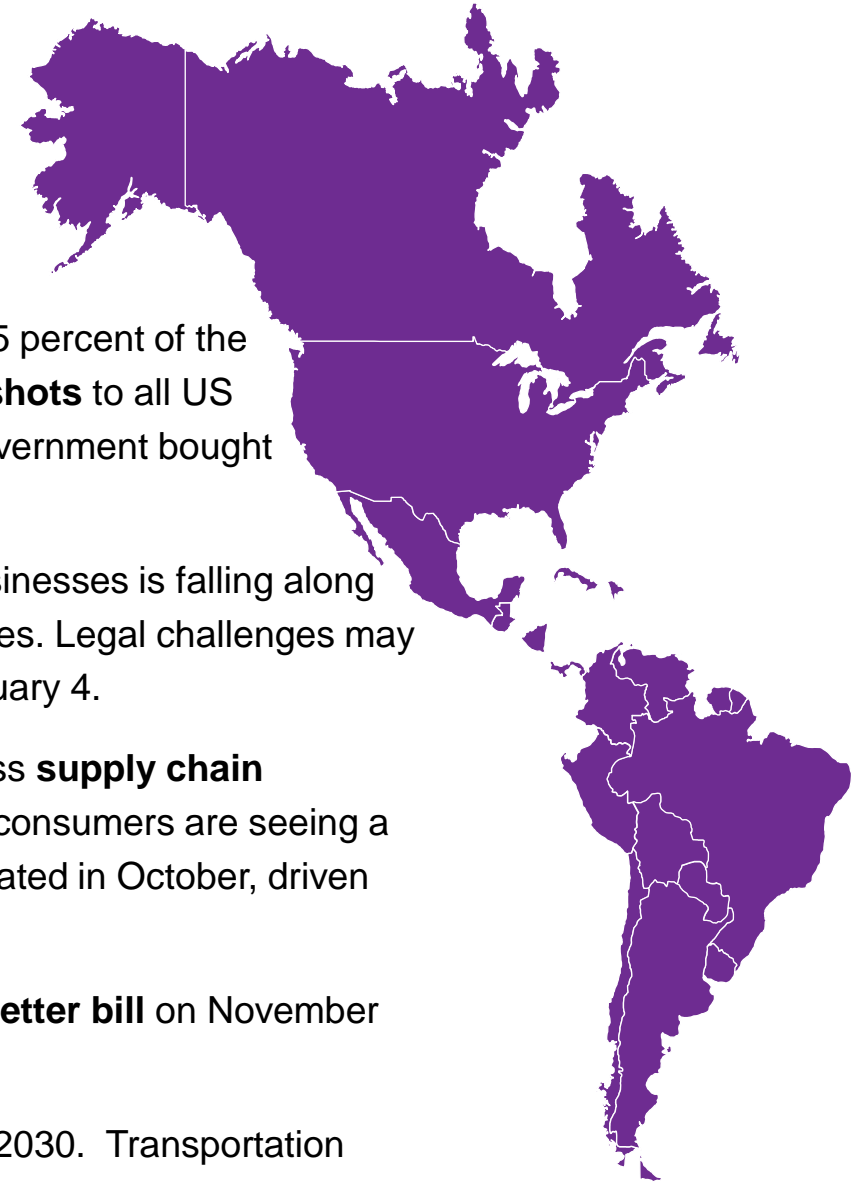
- The **US** said that it would announce new sanctions on **Nicaragua** “very soon” in response to the reelection of President Ortega for a fourth term.
- **US** President Biden is reportedly planning a summit with **Canadian** Prime Minister Trudeau and **Mexican** President Obrador on November 18 to discuss immigration, energy and trade.
- At COP26, **Mexican** President Obrador floated a global anti-poverty plan that would supply funds directly to the world’s poor, funded by G20 countries and contributions from 1,000 of the world’s richest people and corporations.
- A majority of members of the **Chilean** lower house approved impeachment articles against the president over irregularities in the public sale of a mining operation.



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Americas: US

- Across the nation, 224.3 million have received at least one dose of the **vaccine**; or 67.5 percent of the total population. Pfizer asked the FDA to expand authorization for COVID-19 **booster shots** to all US adults amid concerns about a potential COVID-19 resurgence in the winter. The US government bought an additional 1.4 million **COVID-19 antiviral pills** from Merck for \$1 billion.
- The **legal battle over coronavirus vaccination** or testing requirements for private businesses is falling along the country's sharp political fault lines, with Republican-led states trying to block the rules. Legal challenges may reach the Supreme Court, perhaps before the policy is scheduled to take effect on January 4.
- President Biden held talks with the CEOs of Walmart, Target, FedEx and UPS to discuss **supply chain disruptions** affecting deliveries for consumers. Data from Adobe Analytics shows that consumers are seeing a jump in “*out of stock*” messages then shopping online. US **wholesale inflation** accelerated in October, driven by rising costs of energy and goods.
- Speaker of the House Pelosi said that the House will pass the embattled **Build Back Better bill** on November 15th.
- US Climate Envoy John Kerry said at COP26 that the US will not have **coal plants** by 2030. Transportation Secretary Pete Buttigieg set a goal of achieving net-zero **greenhouse gas emissions** from the US aviation sector by 2050.



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Emerging & Existing Hotspots: Russia & Eastern Ukraine

By Alexander Lucaci

Tensions run high once again in eastern Europe, as satellite imagery shows Russian troops and military hardware aggregating near the Russia-Ukraine border.

Ukraine's Defense Ministry this week said that it estimates 90,000 Russian troops are located within 200 miles of its eastern border, as well as in "temporarily occupied territories" referring to the Donbass, Crimea, as well as in the Black Sea. A Pentagon spokesman confirmed Ukrainian reports, stating that the US is aware of unusual Russian military activity in the region and that the Biden Administration will continue to monitor movements in the coming days and weeks.

The decision by Moscow to move military forces towards the Ukrainian border falls outside the usual pattern of troop rotations and mirrors a similar buildup that occurred in March 2021. Russian-Ukrainian tensions are further exacerbated over the past several months because of statements from Kremlin leadership, including Foreign Minister Sergei Lavrov and Russian President

Vladimir Putin, who in July suggested that Ukraine cannot exist as a real country "without the partnership of Russia". Lavrov, Russia's top diplomat, has consistently accused officials in Kyiv of "provoking" Russian aggression and attempting to drag Moscow deeper into the conflict in eastern Ukraine. Although these periods of elevated risk have previously come and gone without serious incident, the potential for miscalculations always remains high. Moscow's annexation of Crimea and its role in maintaining the frozen conflict in eastern Ukraine has come at considerable financial and political cost to Russia, factors that are exacerbated by the Kremlin's inability to control the domestic coronavirus situation.

Russia, in both words and actions, has shown that it will support what it sees as the rights of ethnic Russians across eastern Europe, including in the Donbass and in Belarus, where the Kremlin increasingly views Minsk as an extension of itself. Over the past year, Moscow has sought to further integrate and absorb Belarus as a tool to promote its own geopolitical interests. The latest manifestation of this trend occurred this week, as the European Union accused Belarusian President Lukashenko of

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Emerging & Existing Hotspots: Russia & Eastern Ukraine

of funneling migrants to the border with Poland to retaliate for sanctions against Minsk. According to reports, over 4,000 migrants are stuck at the Belarusian-Polish border, which has been shut down due to fears of a major confrontation between EU and Belarus. The migrants, who appear to be primarily from Central Asia and the Middle East, were characterized by Polish Prime Minister Mateusz Morawiecki as a “tool” to destabilize the European Union. Although analysts have long considered the possibility that Russia perceives migration from places like Syria and Libya as a tactic to undermine European stability, this most recent episode represents a more direct threat, as Polish authorities have accused Minsk of actively directing migrants into the bloc and provoking armed escalation.

In response, the Biden Administration appears to be taking a dual-track approach to Russia by acknowledging the range of threats posed by Moscow while also seeking diplomatic progress in areas of mutual interest. The White House dispatched CIA Director Bill Burns to Moscow last week for talks on Ukraine, Russian ransom and cyber-attacks, as well as Afghanistan and cooperation on reviving the Iran nuclear deal. Although Washington broadly has continued to maintain pressure on Moscow through an expansive

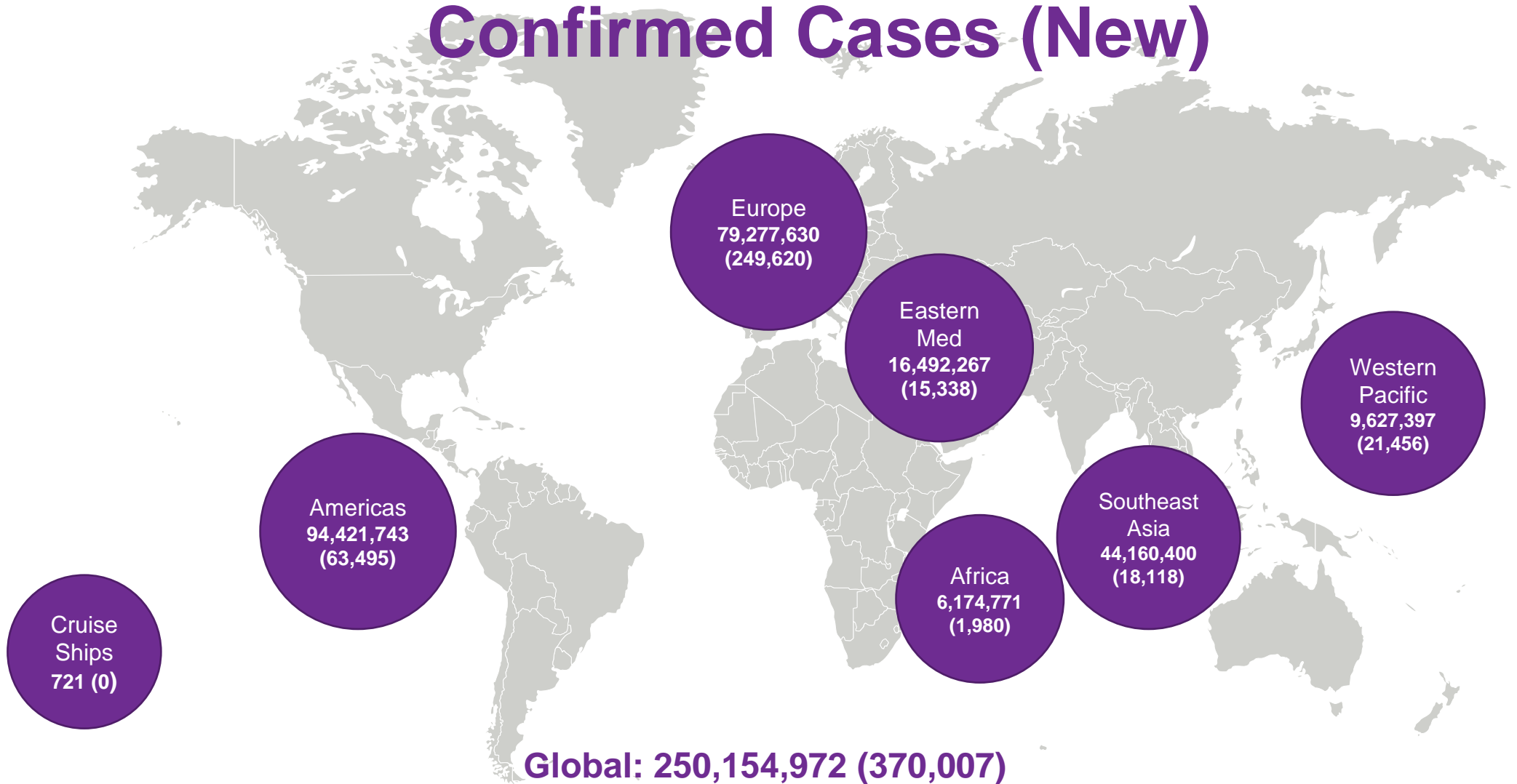
sanctions program, President Biden himself has adopted a measured approach to Russia and his counterpart President Putin both in rhetoric and action. The clearest examples of the “strategic stability” sought by the two leaders have been in the significant progress made in nuclear arms control, but also in the American acknowledgement of the completion of Nord Stream II as a geopolitical and economic reality. This stability is already being put to the test, as Europe begins to face an energy shortage and increasing natural gas prices. In the coming days and weeks, Moscow will likely use elevated energy prices and Europe’s demand for gas as a leverage point for pressuring EU regulators into approving Nord Stream II. Meanwhile, the US-Ukraine Strategic Partnership Commission will meet in Washington, DC to discuss a range of issues. In addition to inflated energy prices, further delays in the pipeline’s certification could trigger further Russian diplomatic or military aggression in Ukraine, Poland, and southeast Europe.

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Coronavirus Condition Updates

As of 4:38 pm CEST on November 9, 2021

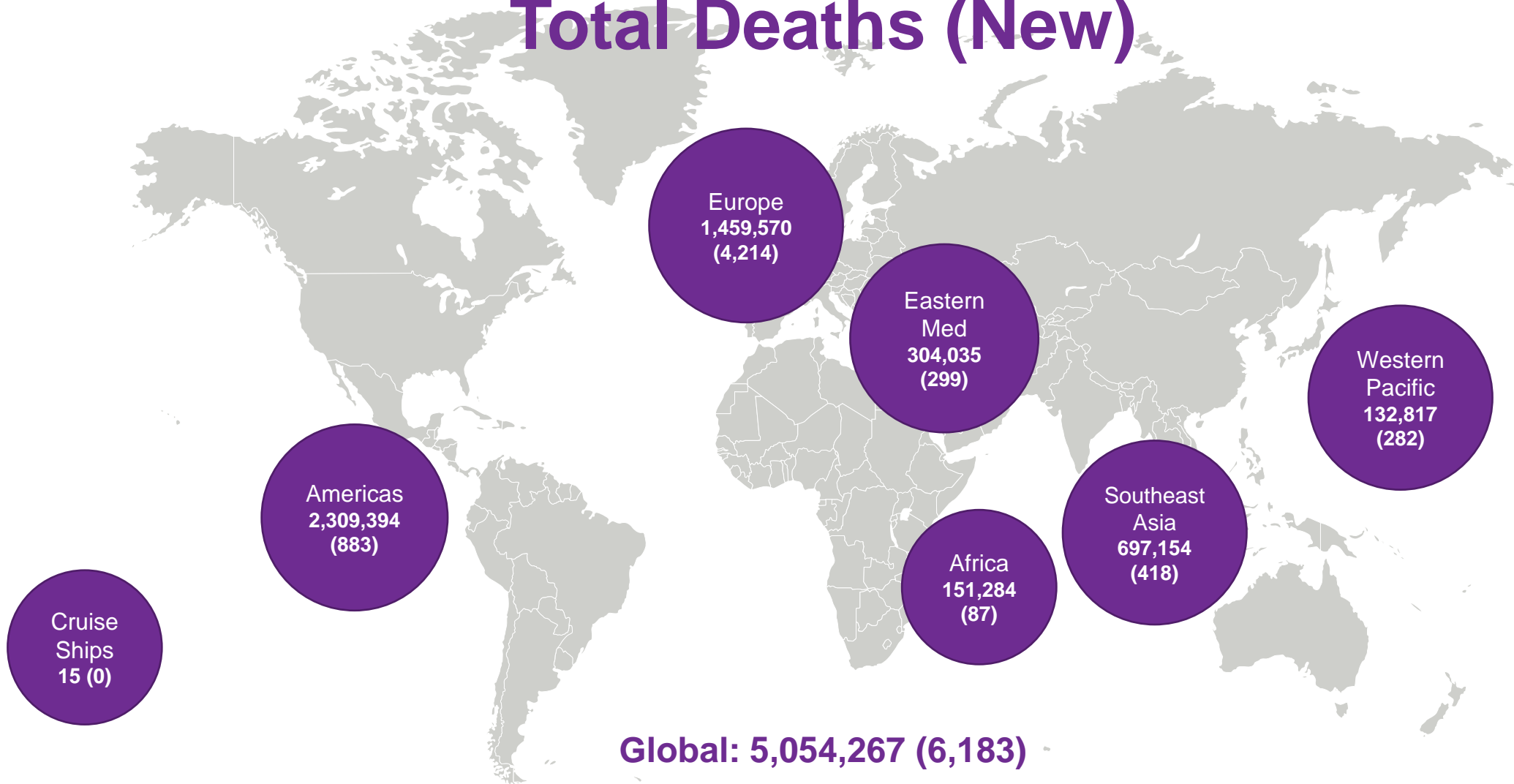
Confirmed Cases (New)



Reflects data as of 4:38 pm CEST on November 9, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 4:38 pm CEST on November 9, 2021.
Data Source: World Health Organization

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Contacts

This summary is based on reports sourced from among the 75 countries in which Dentons currently serves clients as well as from firms in other locations, some of which will formally join Dentons later in 2020. We are pleased to share this complimentary summary and contemporaneous assessment, with the caveat that developments are changing rapidly. This is not legal advice, and you should not act or refrain from acting based solely on its contents. We urge you to consult with counsel regarding your particular circumstances.

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