

Dentons Flashpoint

Daily Global Situation Report

November 23, 2021

Global Situation Update: November 23, 2021

KEY TAKEAWAYS

US President Biden nominates Jay Powell for a second term as Federal Reserve Chairman sending markets diving.

Ethiopia's Prime Minister Abiy Ahmed says he will lead his country's army "*from the battlefield*" starting today.

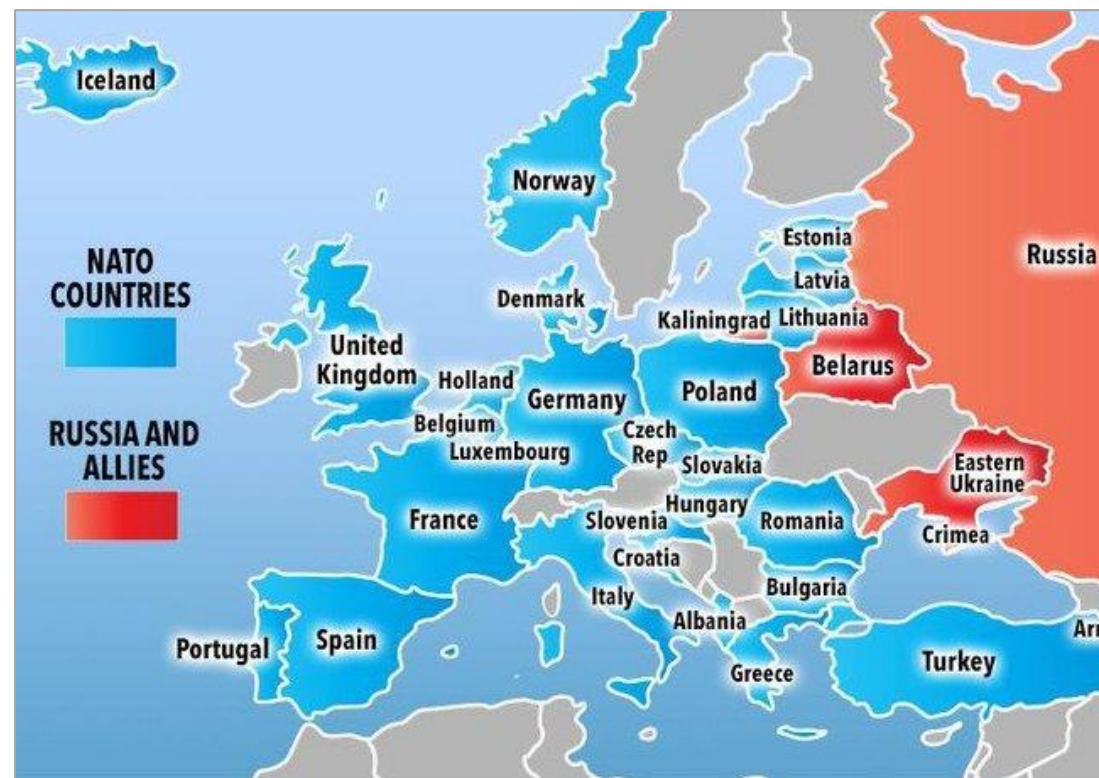
The US advised against travel to Germany and Denmark because of a rising number of COVID-19 cases.

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WHAT WE'RE WATCHING

Tensions are running high along the border between Ukraine and Russia after Ukrainian and American intelligence recently indicated that a buildup of 92,000 Russian troops could be designed to launch a military offensive on Kyiv this winter season. The Kremlin denied this yesterday, accusing the EU and US of a “disinformation campaign” against Moscow.

Ukraine conducted fresh military exercises yesterday, but the country’s foreign minister said that Kyiv is not planning a military offensive in the Donbas (contrary to Russian talking points) and seeks a political and diplomatic solution. With tensions once again elevated and Ukraine facing Russian troops on multiple fronts , the risk for miscommunication and accidental military confrontation remains high.



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

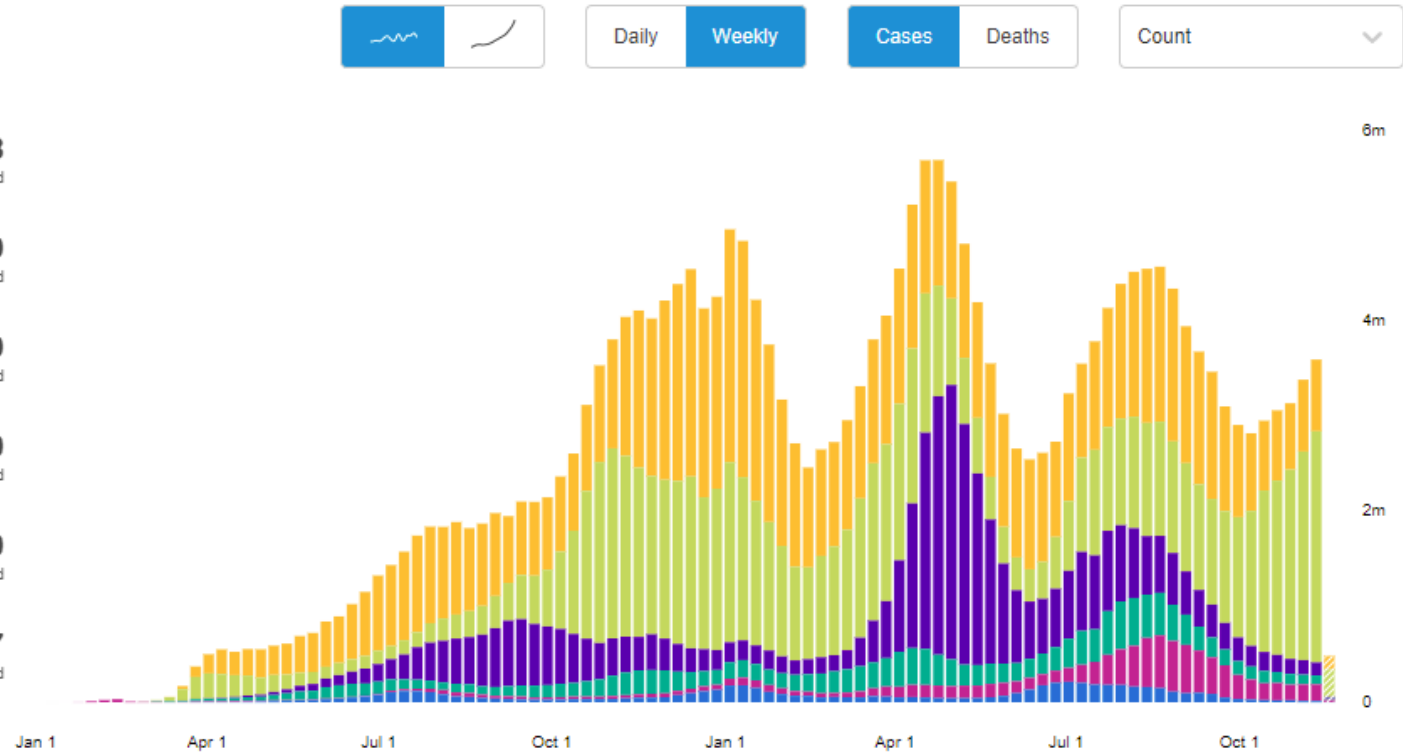
Global

Globally, confirmed coronavirus cases topped 256.9 million with 5.1 million deaths; almost 7.4 billion vaccine doses have been administered

Situation by WHO Region

Americas	95,987,918 confirmed
Europe	83,710,099 confirmed
South-East Asia	44,425,519 confirmed
Eastern Mediterranean	16,670,210 confirmed
Western Pacific	9,971,640 confirmed
Africa	6,200,087 confirmed

Source: World Health Organization
Data may be incomplete for the current day or week.



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Markets & Business

Italy's antitrust authority has fined Amazon.com and Apple Inc a total of more than 200 million euros (\$225 million) for alleged anti-competitive cooperation in the sale of Apple and Beats products.

- **European equities and US short-term government bonds fell** on Tuesday as traders weighed Jay Powell's nomination for a second term as Federal Reserve chief.
- Four major unions urged the US Federal Trade Commission to oppose **Amazon's** plan to buy **Metro-Goldwyn-Mayer Studios (MGM)**, saying it would reduce competition in the video streaming market.
- US government investigators have interviewed workers at **Goodyear Tire & Rubber Co's** Malaysian factory about their working conditions and potential labor abuses by the tire maker in the country.
- **Uber** will begin selling cannabis to Canadian customers via its Uber Eats pick-up platform.
- **EY** filed a criminal complaint over a German newspaper's publication of a classified report that detailed EY's work for disgraced company **Wirecard**.

Environment, Sustainability & Governance

The European Central Bank found widespread shortcomings and called for urgent improvements in its first assessment of eurozone banks' preparedness to deal with climate and environmental risks.

- The EU's benchmark **carbon price** hit a record high of over 71 euros per ton.
- Former Bank of Japan deputy governor Hiroshi Nakaso called for Japan to **encourage climate-transition financing** by investors and take the burden off small and medium-sized companies.
- Singapore seeks at least 2 million tons of **carbon capture** potential by 2030 as part of a broader effort to make its Jurong Island oil refinery hub more sustainable.
- The UAE has started building "*the first green hydrogen plant in the Middle East*" and testing is currently underway. **Green hydrogen**, created by splitting water into its two components using electricity from renewable energy sources, is increasingly viewed as a fuel of the future to reduce carbon emissions from fossil fuels.

Africa

- **Sudan's** reinstated Prime Minister Hamdok said in an interview that he will have the authority to form his own independent government under the agreement he signed with the country's military. Street protesters continue to reject the recent deal.
- **Ethiopia's** Prime Minister Abiy Ahmed said he will lead his country's army "from the battlefield" starting on Tuesday, saying that "martyrdom" was needed in leading the country.
- **Kenyan** officials announced that the unvaccinated will be barred from using public transport and entering government buildings from December 21; vaccination rates in Kenya are currently less than 10 percent.
- In the **Democratic Republic of the Congo**, police arrested protesters who gathered at the electoral commission in Kinshasa to protest against the proposed appointment of President Tshisekedi to head the organization.



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Asia

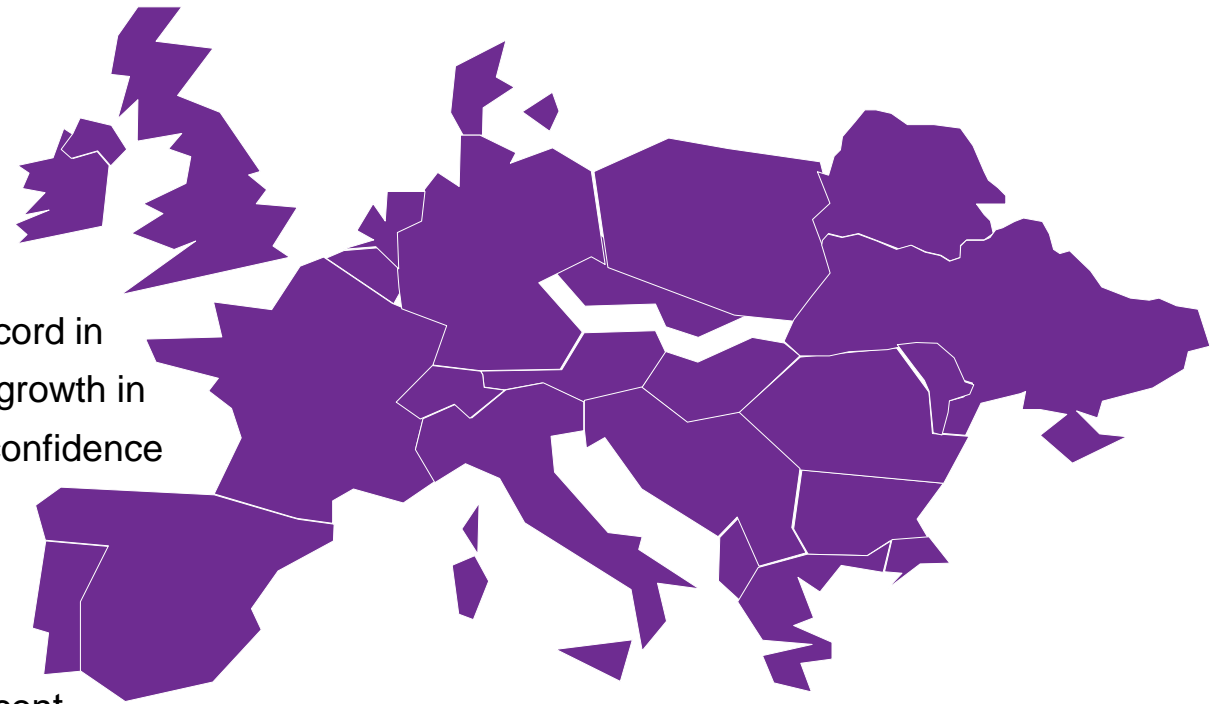
- **Thailand's** unemployment rate hit more than a 16-year high in Q3, amid tougher coronavirus restrictions.
- The **Chinese** government said that **Taiwanese** firms operating on the mainland must draw a line between themselves and supporters of Taiwanese independence, after punishing Taiwan's Far Eastern Group for a series of business violations.
- **Chinese** regulators have intensified a crackdown on celebrities and their fans on the grounds that online hordes create “*chaos*” and promote “*extravagant pleasure.*” New rules could ban fan-run pages with tens of millions of followers as part of Beijing's campaign to reshape youth culture by promoting equality and “*common prosperity.*”
- The International Olympic Committee (IOC) published a video call with **Chinese** tennis star Peng Shuai, whose whereabouts have been in question since she accused a former Chinese official of sexual abuse. The Women's Tennis Association said it is not satisfied with the video call and is seeking an investigation into her well-being.



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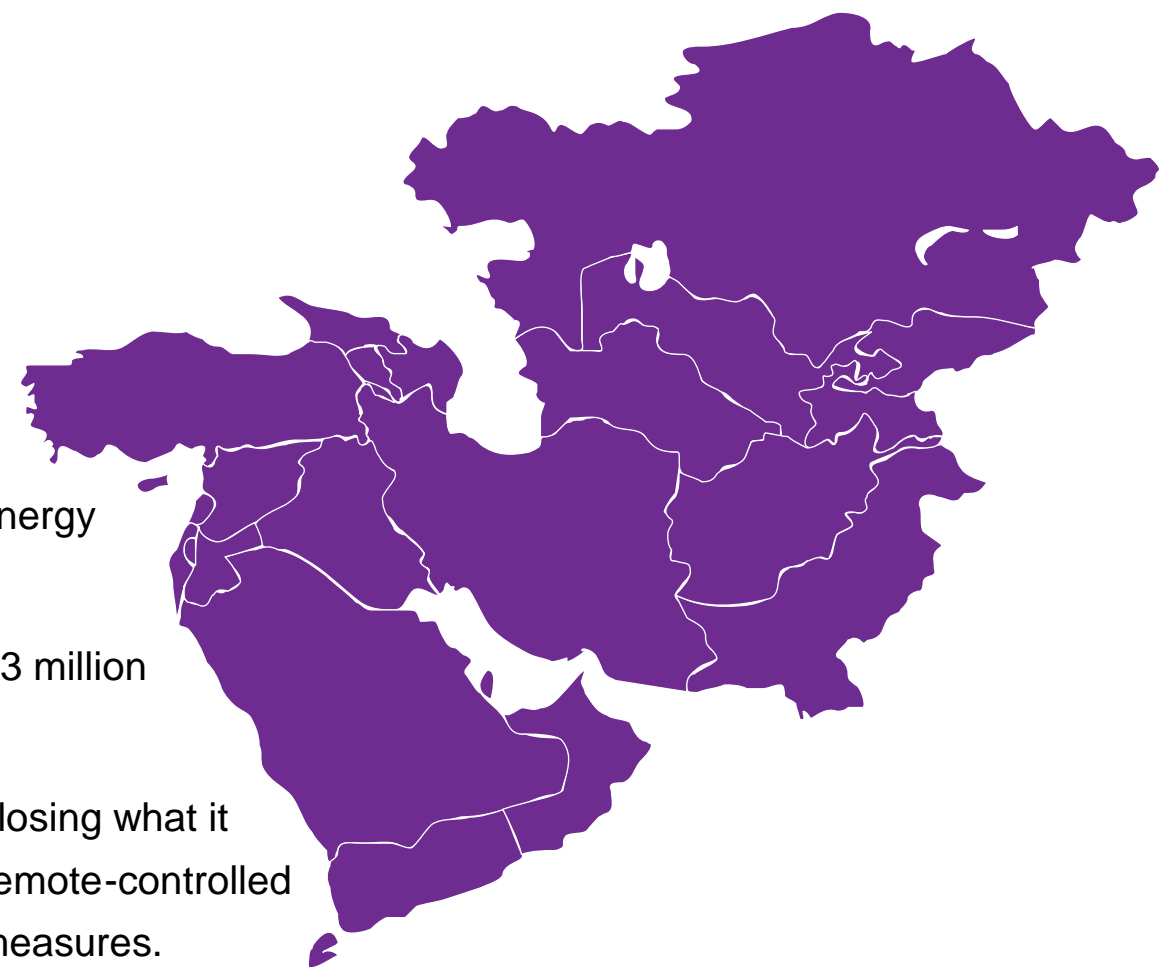
Europe

- **Eurozone** businesses reported the fastest pace of inflation on record in November, but business activity still exceeded expectations with growth in the services sector accelerating. However, European consumer confidence dipped below its pre-pandemic levels for the first time in eight months.
- **Turkey's** lira dropped 8 percent yesterday, widespread criticism of President Erdogan's monetary policies; the lira has lost 40 percent of its value this year, including a near 20 percent tumble since the beginning of last week.
- **Romania's** two largest parties, rivals center-right National Liberal Party (NLP) and center-left Social Democrats, agreed to form a governing coalition, ending weeks of political paralysis and designating NLP Leader Nicolae Ciuca as prime minister.
- **Greenland** stripped **Chinese** mining company General Nice of its license to an iron ore deposit near the capital Nuuk, marking a setback in efforts by Chinese companies to establish a foothold on the resource-rich island.
- **Sweden's** parliament votes on a new prime minister tomorrow; Social Democrat leader Magdalena Andersson is currently tasked with forming a coalition, but it is unclear if she has the support.



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Middle East



- **Qatar and Oman** signed a series of agreements on military cooperation, taxation, tourism, ports, labor and investment.
- **Israel and Jordan** signed a declaration of intent for a water-for-energy deal that is the first such agreement between the two countries.
- **Saudi Arabia's** Tourism Development Fund said it had spent \$533 million on tourism projects from its establishment last year.
- **Israel** sharpened its rhetoric against **Iranian** combat drones, disclosing what it said were two bases used to carry out maritime attacks with the remote-controlled planes and offering to cooperate with **Arab** partners on counter-measures.
- **Lebanon's** foreign minister said that the country received **Russian** satellite pictures of the Beirut Port blast, the first such imagery to be made available to the Lebanese government.

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Americas

- **France's** President Macron said that unrest against COVID-19 vaccine requirements in **Guadeloupe** had created a “*very explosive*” situation, as a general strike entered a second week.
- **Venezuelan** opposition leader Juan Guaido called Monday for unity among fragmented leadership after the ruling Socialist party won 20 gubernatorial races over the weekend.
- **Chileans** surprised analysts, markets and even themselves on Sunday night by favoring a right-wing presidential candidate and delivering significant gains to conservatives in Congress.



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Americas: US

- The Administration announced that 95 percent of 3.5 million federal workers are compliant with the **vaccine mandate**, ahead of yesterday's deadline. The US does not plan to impose a **lockdown** or shut down its economy to curb the spread of COVID-19 and will rely on other tools. The US advised against **travel to Germany and Denmark** because of a rising number of COVID-19 cases.
- President Biden nominated Jay Powell for a second term as **Federal Reserve Chair**, with liberal frontrunner Lael Brainard as vice chair. President Biden intends to run for **re-election** in 2024.
- Sales of **previously owned homes** rose for the second month in a row, putting them on track for the largest sales in 15 years, with the prospect of higher rates in the future driving demand. The US is expected to announce a loan of **crude oil** from its emergency stockpile today as part of a plan it reached with major Asian energy consumers to lower energy prices.
- The Labor Department announced that federal contractors will earn a **minimum wage** of \$15 an hour, effective January 30.
- A US warship again sailed through the sensitive **Taiwan Strait** on Tuesday, exercising freedom of navigation amid Chinese accusation that Washington is trying to stir regional tensions.



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Disrupted: The Future of Fashion

For the retail fashion industry, understanding and planning for the next normal will be the Darwinian differential.

The pandemic disrupted the industry, from sourcing materials to finding customers. Stores closed by the thousands, with record numbers entering bankruptcy protection or permanently shuttering. Lockdowns changed how people shop, boosting e-commerce while reordered consumer preferences along way. The question is how “sticky” will the pandemic-induced changes of behavior be?

As Americans go into 2022, with larger portions of society vaccinated and resuming activities outside the home, bent up consumer demand is fueling shopping sprees, with the US National Retail Federation forecasting sales to increase between 8.5% and 10.5% (between \$843.4 billion and \$859 billion) during November and December 2021. As in other sectors, technology adoption is positioned to have significant impact on shaping consumer behavior, and the ability of fashion retailers to retain their customers and find new ones, regardless of whether they operate through brick and mortar or e-commerce platforms.

AI, Machine Learning and Augmented Reality Revolutionizing Fashion Retailing

Consumers want choices, personalized experiences and immediate availability. While some will have developed

preferences for in-store or online shopping, there is a strong trend for omnichannel behavior. For example, consumers conduct research online and then go to a store to make the purchase based on price and availability or see an item in a store and search for the best price or right size online. Brand loyalty has been shaken by the pandemic, the younger generations far more likely to seek out new or different labels as they explore the latest trends, discounts and ethical/sustainable options. These evolving expectations from consumers present different challenges to retailers.

The main challenges for online retailers are how to increase sales in retail clothing, reduce shopping cart abandonment rates, and create brand loyalty. On-line shoppers struggle with the “browsing experience,” trying to find what they want without fruitless

Disrupted: The Future of Fashion

searches and making selections without the option for trying clothes on to test the fit. Some consumers resist buying clothing online because they do not want the hassle of returning items. Other have embraced the free return policies. It is estimated that between 30 and 50 percent of all purchases are returned, which cuts heavily into retailers' margins.

Developments in AI, machine learning and augmented reality are providing better solutions for both online retailers and consumers. Proactive AI chatbots ask about the client's preferences to speed up search. Image searches create faster pathways to find similar products, which increasing customer engagement. Machine learning algorithms analyze customers' behavior, gathering information on preferences in style and fit, becoming on-line stylists. If the user experience is positive and gets better with each personalized interaction, the shopper is more likely to return. Virtual fitting rooms allow customers to upload their image and see how products look on their own body. The technology is advancing from still images to video so that very soon, an on-line customer will be able to wear an outfit to see how it moves and drapes.

With the lines between the physical and virtual world blurring, in-store shoppers in 2022 are going to expect greater personalization and experiences that they cannot obtain through on-line shopping. This could take the form of exclusive in-store access to certain selections or by-appointment-only personal shopper experiences in which the customer pre-selects outfits from on-line closets and the store personal shopper pulls together similar collections using AI algorithms and previously collected data on the shopper's preferences.

Stores are starting to have high quality 3D body scanners for the ultimate personalization of clothing and foot apparel. The designs are literally made to fit. One shoe company can map 20,000-unique data points with just six images, producing footwear that is priced under \$200, with more comfort than a mass-produced shoe.

Sustainability and Ethical Retailing

For the socially-conscious generation, clothes shopping is not just about finding that perfect outfit and the best price. Supporting

Disrupted: The Future of Fashion

sustainability and ethical retailing is moving beyond stated values into shopping habits. A report from thredUP and GlobalData projects that in apparel alone, resale is expected to grow 11 times faster than the broader clothing sector over the next five years, with the secondhand market reaching \$77 billion by 2025. Retailers are expanding into “resale” to join the circular economy. Innovative retailers, such as H&M, are adding platforms that offer customers new and recycled choices, for seamless shopping experiences.

The demand for supply chain transparency is growing among consumers who want to know the source of items beyond “Made in [insert country].” They want access to the details, such as the origins of materials like cotton, the name of the textile manufacturing factory and piecework factories and warehousing and shipping channels. Blockchain technology can track the supply chain, making the trail accessible to the consumer through QR codes or NFC enabled labels, readable on Apple and Android devices. Increased transparency and activist buying patterns will make it more difficult for jurisdictions known to use forced or child

labor to slip their products into the fashion supply chain. Supply chain transparency is also good for businesses, reducing reputational risks that opaque sourcing poses or product seizures by border customs agencies for alleged illegal sourcing. Additionally, transparency also allows improved risk management for supply chain disruptions, which has been a constant during the pandemic, with factories, ports and containing ships closing or delays due to COVID-19 outbreaks.

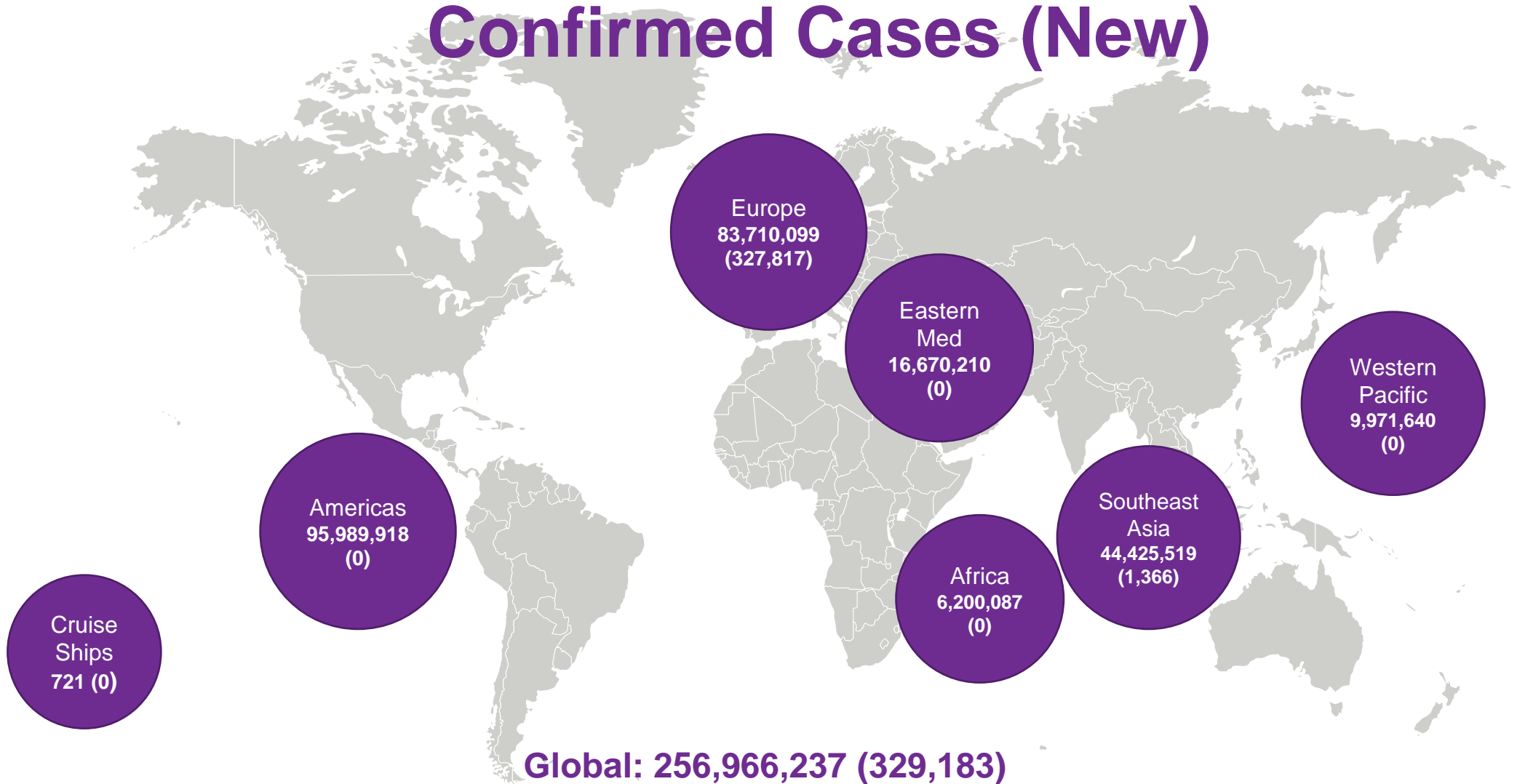
For fashion retailing in 2022, the trend to follow is not just the length of the hemline, but the AI and AR-enhanced user experience.

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Coronavirus Condition Updates

As of 6:10 pm CEST on November 22, 2021

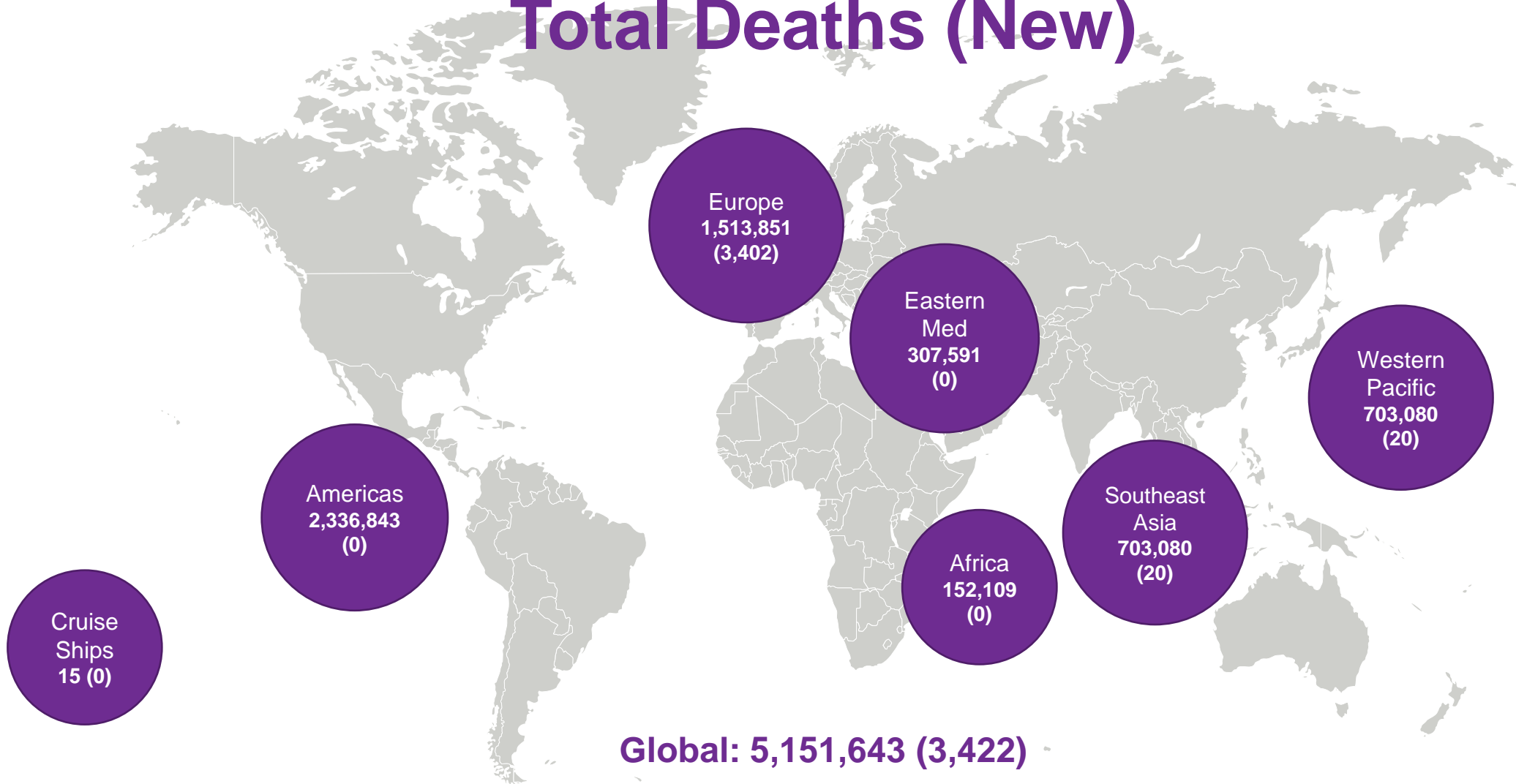
Confirmed Cases (New)



Reflects data as of 6:10 pm CEST on November 22, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:10 pm CEST on November 22, 2021.
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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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