

Dentons Flashpoint

Daily Global Situation Report

February 11, 2022

Global Situation Update: February 11, 2022

KEY TAKEAWAYS

Russia has sent more forces to its border with Ukraine and could launch an invasion at any time.

Russia's central bank raised its key interest rate in response to high inflation and the threat of Western sanctions.

Cumulative global COVID-19 infections surpassed 400 million with more than 50 percent of world vaccinated.

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WHAT WE'RE WATCHING

Venezuelan opposition leader Juan Guaidó, recognized by the US and many Latin American countries as the country's legitimate president, is calling for a large-scale demonstration tomorrow, the first since the onset of the COVID-19 pandemic. The nationwide protests will demand free and fair presidential elections and attempt to build momentum after the surprise victory of one of Guaidó allies in a recent gubernatorial election.

The protest, however, is not likely to be as large as the demonstrations of 2019. Guaidó's credibility diminished after failing to dislodge President Maduro and there is a lack of popular support for main opposition leaders. Isolated clashes between opposition and government supporters are expected, but the protest is unlikely to spark widespread unrest or significant political instability.



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 402.0 million with 5.7 million deaths; more than 10.0 billion vaccine doses have been administered.

- Russia has sent more forces to its border with **Ukraine** and could launch an invasion at any time. US President Biden has repeated his warning that any Americans still in Ukraine should leave as soon as possible. Russia and Ukraine failed to reach any breakthrough in a day of talks with French and German officials aimed at ending an eight-year separatist conflict in eastern Ukraine.
- Chronic **oil supply** issues among a group of major producing nations threaten to increase tightness and volatility in the energy market and push prices higher still, per the IEA.
- A Russian doping incident in figure skating has added to the drama of the **Beijing Winter Olympics**, with Olympic Committee organizers struggling to manage public opinion on treatment of athletes COVID-19 infections and late disqualifications over skiers' suits, tarnishing the reputation of the IOC.
- The annual **Democracy Index survey** published by the Economist Intelligence Unit found that the state of democracy around the world fell to a record low last year, in part due to pandemic restrictions that have seen many nations struggle to balance a public health emergency with personal freedoms.

Global

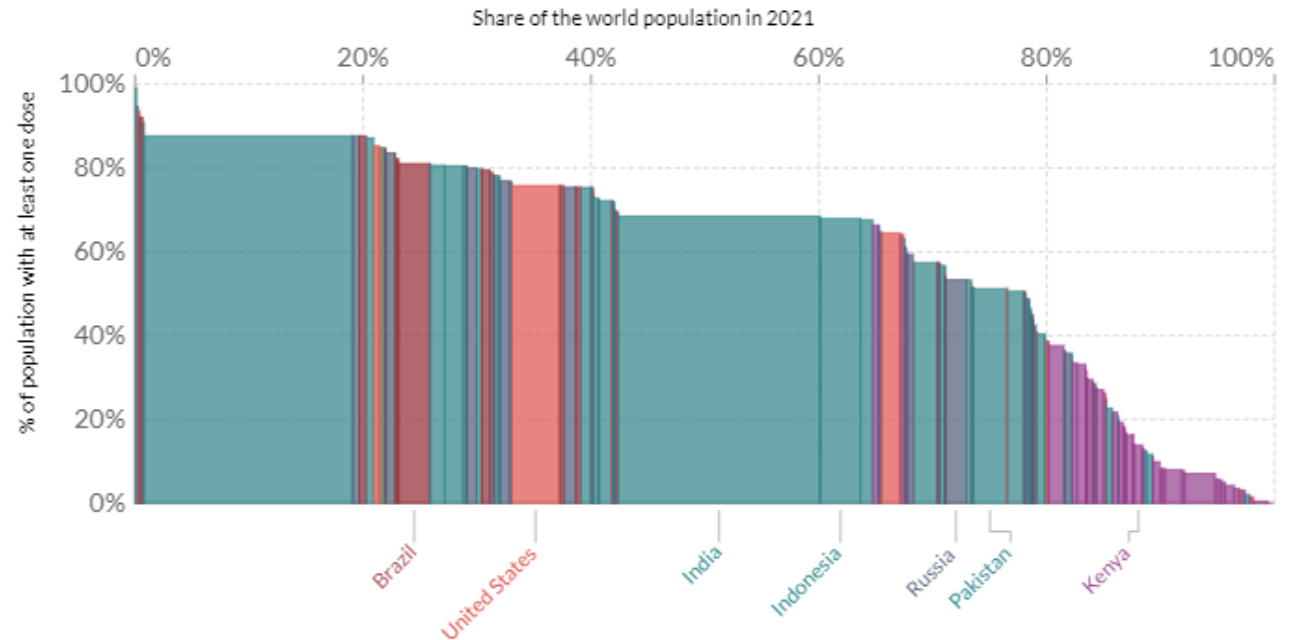
About a year after wealthier nations began rolling out coronavirus vaccines, more than half the world's population has been fully vaccinated and more than 60 percent have received at least one dose of vaccine.

Share of people who received at least one dose of COVID-19 vaccine

Our World in Data

Show 'no data' area

■ Africa ■ Antarctica ■ Asia ■ Europe ■ North America ■ Oceania ■ South America



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Markets & Business

Russia's naval exercises in the Black and Azov Seas and the closure of traditional shipping routes have so far not affected the Ukrainian grain export market, traders said on Friday. Ukraine is one of the world's leading exporters of steel, grain and sunflower oil, carries.

- **Amazon.com** informed staff at its US warehouses and logistics sites that they must report being fully vaccinated by March 18 if they wish to receive paid leave due to COVID-19.
- **BMW** has received the license from Chinese authorities to increase its stake in its Chinese joint venture BMW Brilliance Automotive to 75 percent from 50 percent.
- **Comcast Corp.'s NBCUniversal** is finalizing a plan that would drastically change its partnership with **Hulu**, shifting high-profile programming to its own Peacock streaming platform.
- China's government banned online tutoring firms from offering high-school curriculum classes during a current holiday, expanding a crackdown that has decimated a large portion of the country's \$100 billion **private edutech industry**.

Environment, Sustainability & Governance

At the One Ocean Summit in France, the US and France announce an initiative to address the full lifecycle of plastics and promote a circular economy with an agreement to be negotiated at the upcoming 5th UN Environment Assembly.

- The EU securities watchdog called on credit rating agencies to improve their **ESG disclosures**, citing a high degree of divergence between firms.
- The Canada Pension Plan Investment Board said it plans to almost double its **investment in green and transition assets** to C\$130 billion by 2030.
- Electricity provider Duke Energy, one of the largest energy holding companies in the US, said it will **exit coal by 2035**.
- France plans to build six **new nuclear reactors** and to extend the life of its existing nuclear plants as part of the country's strategy to reduce the greenhouse gas emissions that cause global warming.
- Bacardi will reduce **greenhouse emissions** from rum production by half by 2023, achieved by replacing heavy fuel-powered distilling equipment with propane gas replacements.

Africa

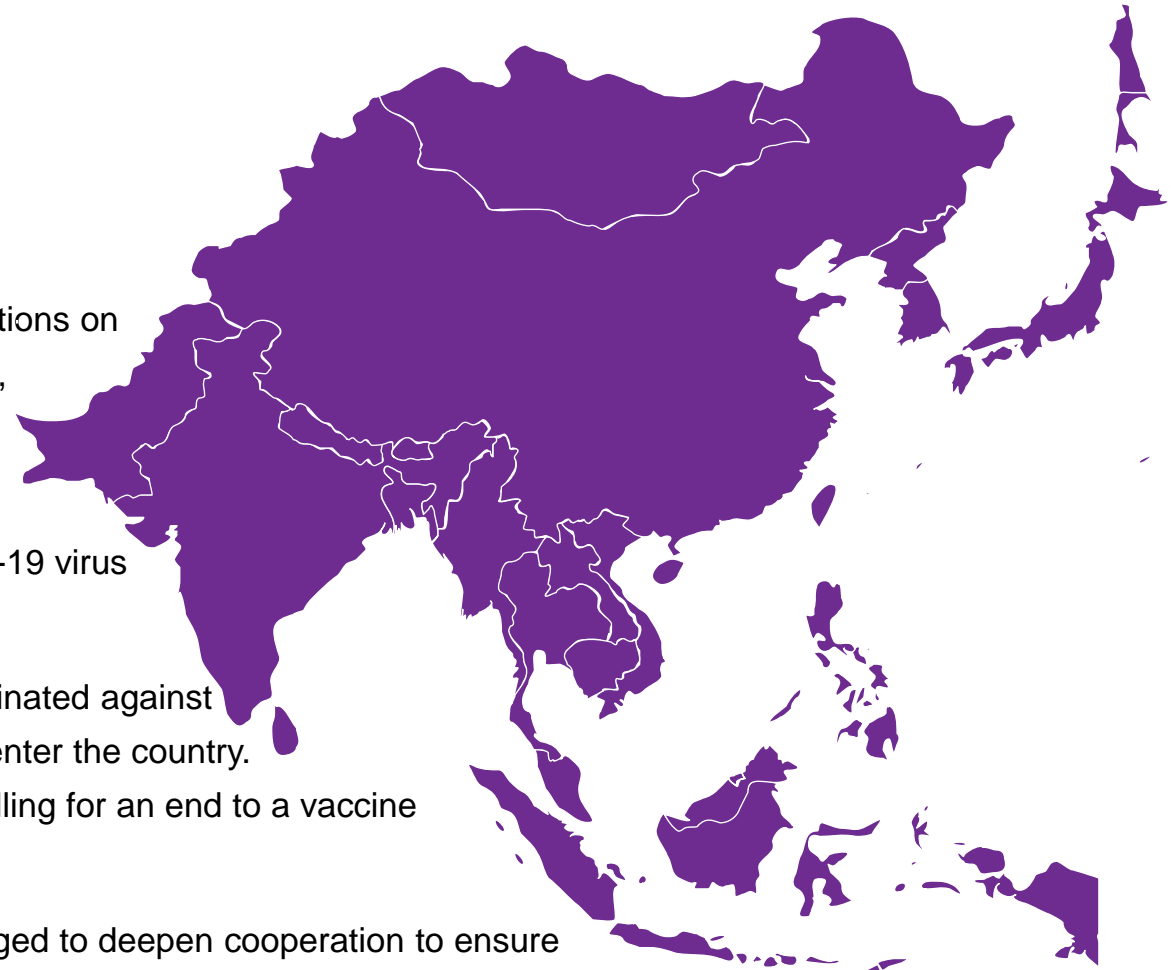
- The UN reported that intensified fighting in the Tigray region of **Ethiopia** has brought humanitarian operations to a standstill.
- **Sudanese** anti-coup protesters marched throughout Khartoum again and blocked a major road into Egypt.
- A suicide bombing killed several near the **Somalian** presidential palace, an attack that early reports are suggesting could have been an attempt to target the president.
- **Guinea Bissau's** president officially accused convicted drug traffickers of undertaking a recent unsuccessful coup attempt.



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Asia

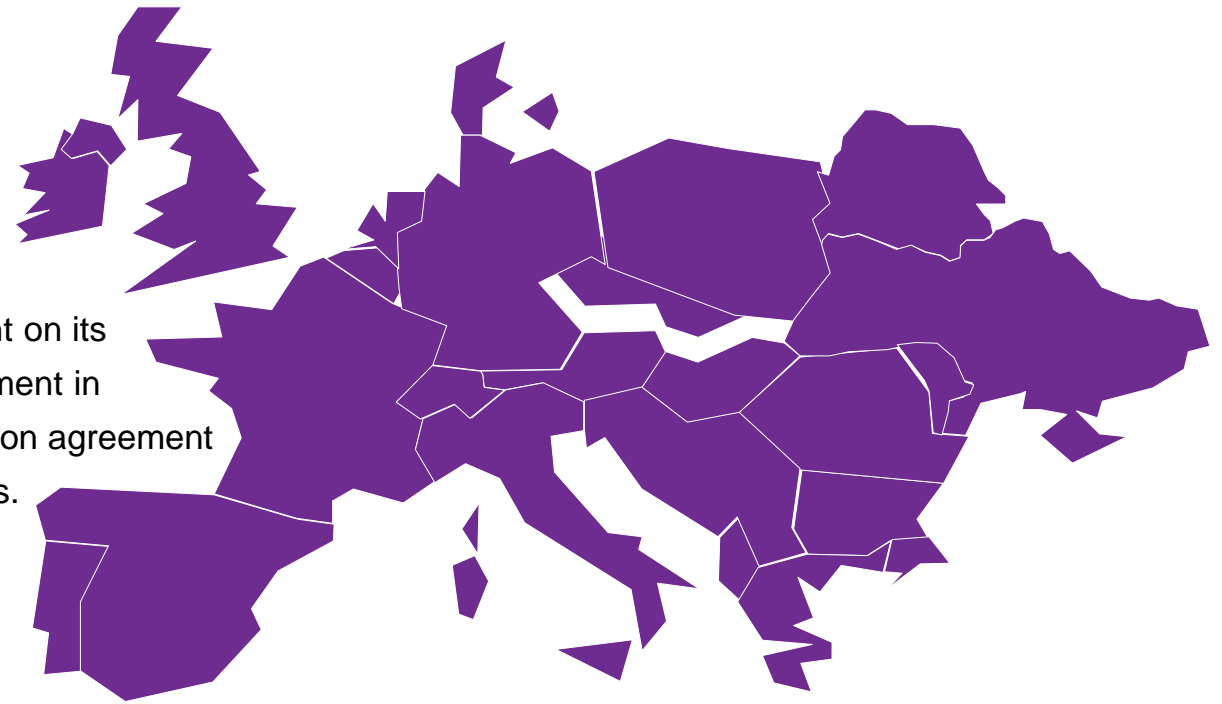
- **Hong Kong** again reported a record number of new daily COVID-19 infections on Friday, with hospital and quarantine facilities stretched nearly to their limit, raising the near-term prospect of changes to admissions and isolation policies.
- Nearly three million people in **Malaysia** have been infected by the COVID-19 virus while daily new cases have swelled to near record highs.
- **Australians** will need to receive booster shots to be considered fully vaccinated against COVID-19, while foreign travelers will continue to need only two shots to enter the country. **New Zealand** protesters occupied parliament grounds for a fourth day, calling for an end to a vaccine mandate and tough COVID-19 restrictions.
- Members of the Quad, **Australia, Japan, India and the US** met and pledged to deepen cooperation to ensure the Indo-Pacific region was free from "*coercion*" in a push back against **China's** growing economic and military expansion. The Quad also agreed to strengthen cooperation on cyber- and counter-terrorism, including on ransomware attacks.
- **China's** TV regulatory authority has reinforced a rule cracking down on premium pay for actors which have been taking up the bulk of production costs and have affected quality, setting a cap for actors' pay of 40 percent of the total production budget and stipulating top actors' fees not exceed 70 percent of all actors' earnings.



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Europe

- **Denmark** announced it may permit US soldiers and military equipment on its soil as part of a new bilateral agreement to facilitate the troops' movement in Europe. **Finland**, which is not a member of NATO, will sign a \$9.4 billion agreement today to buy **US F-35** fighter jets, bringing 64 radar-evading warplanes.
- **Russia's** lower house of parliament is considering delaying vote on recognizing two breakaway **Ukrainian** regions as independent, currently scheduled for Monday and viewed likely to inflame tensions over a Russian troop buildup near Ukraine that has raised fears of an invasion.
- **Germany's** top court rejected emergency petitions filed against a vaccine mandate for healthcare staff for COVID-19. Authorities in **Paris and Brussels** said Thursday that they will try to stop convoys from entering both cities, potentially thwarting plans for staging in **Europe** the type of demonstration that has paralyzed Ottawa and closed **Canada's** busiest border crossing into the United States.
- The **UK** economy expanded at the fastest pace since World War II last year after suffering a milder hit than expected in December.
- **Russia's** central bank Friday raised its key interest rate in response to stubbornly high inflation and the threat of Western sanctions targeted at the country's financial system.



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How do You Manage Political Risk?

Today, the economic and political changes affecting international business are more complex than ever. Conflicts, coups and the coronavirus pandemic continue to impact governments and people worldwide and shape the business landscape in 2021.

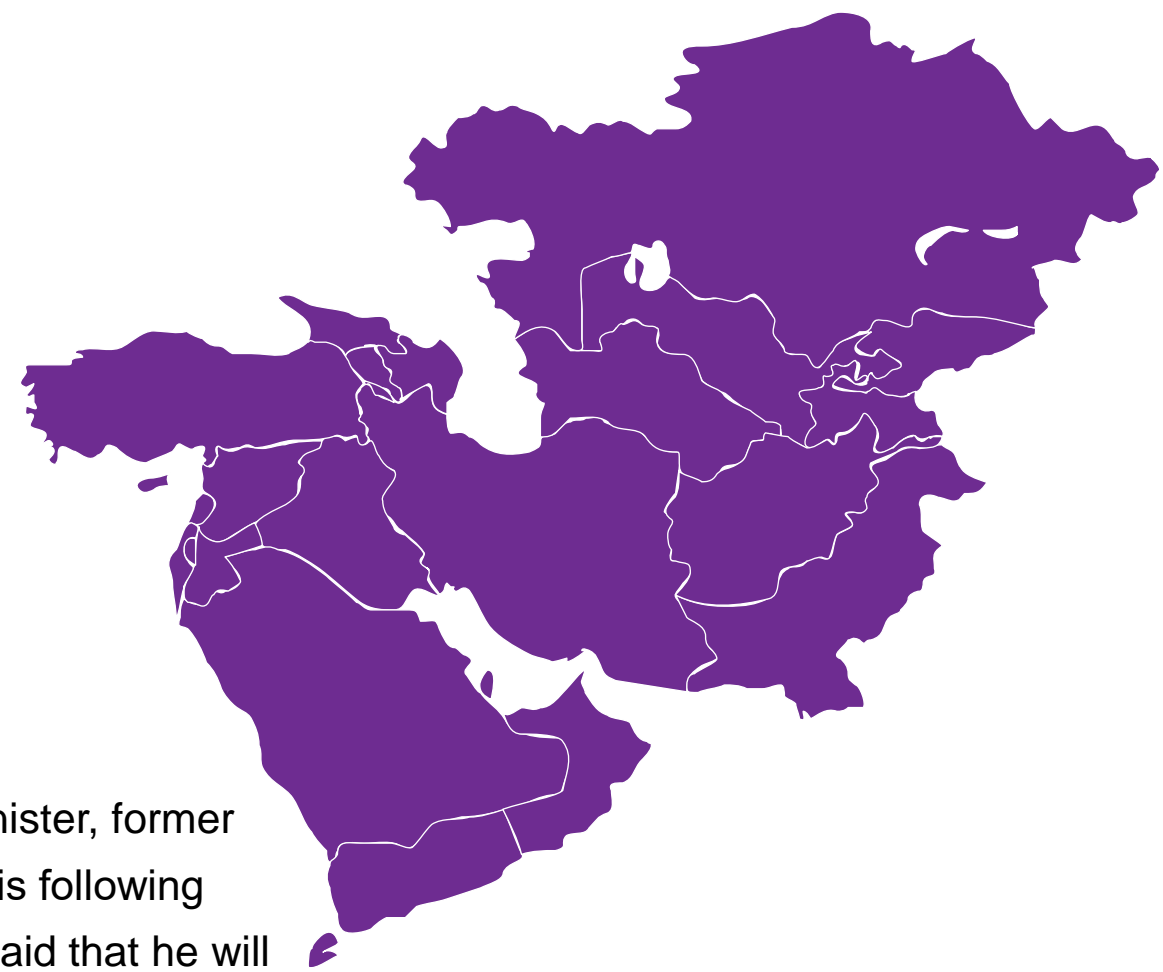
Dentons offers business leaders routine and one-off political risk assessments on specific interests. Many clients also retain our team of attorneys and former intelligence and military professionals, equipped with the latest big data analytics tools, deep substantive knowledge and extensive networks of contacts, to provide services, including:

- ❖ Political and country risk forecasts and analysis
- ❖ Market-entry assessments
- ❖ Legislative and government action forecast
- ❖ Comprehensive project analysis
- ❖ Coronavirus vaccine tracker and return-to-work monitoring
- ❖ Investment risk analysis

All interaction with Dentons is attorney-client privileged

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

Middle East

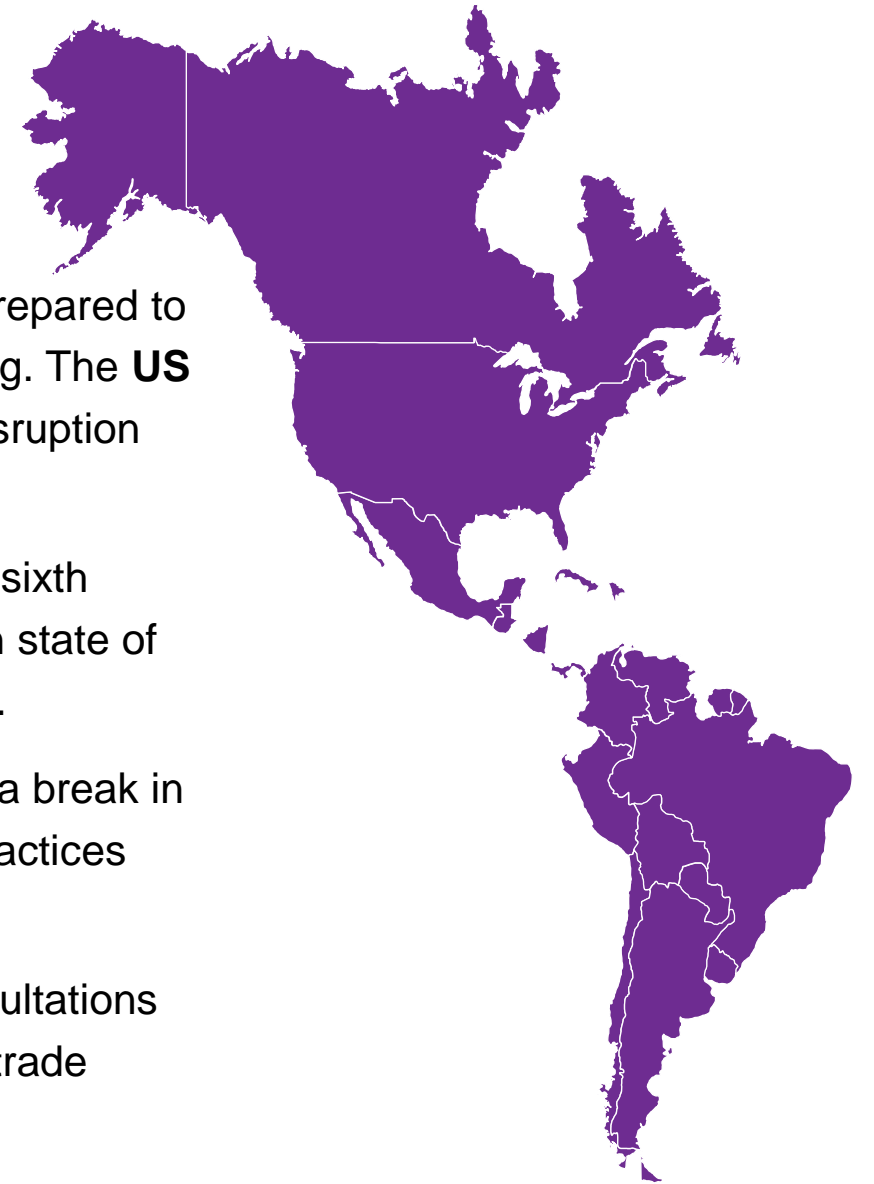


- **Yemeni** Houthis appear to have undertaken another attack on **Saudi Arabia's** civilian Abha airport, injuring 12, amid escalating regional violence by the Houthis.
- The **Lebanese** prime minister called financial recovery talks “a *Kamikaze operation*,” signaling low likelihood of successful intra-government negotiations ahead of IMF talks next week.
- **Libya's** parliament informally elected a new interim prime minister, former GNA interior minister Bashagha, deepening the country's crisis following stalled elections: former interim prime minister Dbeibah has said that he will only cede to an elected government and the UN stated that Dbeibah's government remains valid.
- **Tunisian** magistrates and lawyers protested outside of Tunis' barricaded Palace of Justice in opposition to President Saied's decision to dissolve the highest court, a move universally condemned by international donors.

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Americas

- The mayor of a **Canadian** city near the US border said that police were prepared to physically remove anti-vaccine protesters blocking a major border crossing. The **US** called on Canada to use federal powers to ease the growing economic disruption caused by the blockage of a vital US-Canada trade route.
- **Mexico's** central bank raised its benchmark interest rate by 50 points, its sixth straight increase. A Mexican journalist was shot and killed in the southern state of Oaxaca on Thursday, police said, the latest in a string of journalist deaths.
- **Mexican** President Obrador walked back comments appearing to call for a break in ties with **Spain**, clarifying that he was criticizing historically unfair trade practices and did not want a diplomatic rupture.
- **Canada** will seek to join the **UK, US and Australia** to be included in consultations as part of the **EU's** dispute with **China** at the WTO over Beijing's alleged trade curbs on Lithuania.



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Americas: US

- The number of Americans with **new cases of the coronavirus** fell to 202,001 on February 9, down from 860,860 four weeks earlier, on January 12, per CDC data. President Biden said mask requirements for children would likely to start to fall away given federal plans to begin vaccinating children under the age of 5. Schools are not waiting, and more districts are moving ahead with lifting **mask mandates**.
- New York City plans to **fire roughly 3,000 municipal workers** by the end of this week for failing to get the COVID-19 vaccine.
- A federal judge restored protections for gray wolves in much of the country, reversing a decision by the Trump administration that stripped **Endangered Species Act protections**.
- The **federal budget** in January ran a monthly **surplus** for the first time since September 2019, as the government took in more in tax and other revenue and spent less on COVID-19 pandemic aid programs.



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Geopolitical Disruptions and Multinational Flight

By Anni Coonan

Increasingly, changing regulatory environments, security challenges, and complicated political contexts are even driving multinational companies to fully exit national markets in a bid to escape operational and reputational risks.

Geopolitical disruptions of recent years - including the COVID-19 pandemic, and the attendant economic turmoil and political upset - have made the global geopolitical landscape increasingly fraught, leading to more frequent business disruptions of all kinds. Several case studies over the last few years illustrate the challenges for multinational businesses as geopolitical divisions widen and instability grows in some regions of the world. While business environments often degrade gradually or are a known risk at the onset of operations, some disruptions take the global community by surprise, necessitating agile action and an ability to quickly pivot away from markets that are unsafe or burdened by sanctions.

China

A complicated debates around when, and how, to maintain international operations in countries with changing geopolitical

contexts is taking place in China. Evolving regulations on the ground and an increasingly charged global geopolitical context are creating uneven outcomes for multinational businesses. This fall, LinkedIn and Yahoo announced that they would end operations in the country following the implementation of a stricter new law limiting data collection by tech companies, part of Beijing's crackdown on the tech and video gaming industries (although LinkedIn announced that it will establish a separate China-only jobs board). Yahoo and LinkedIn join a small but growing list of western companies that have chosen to lean back from Chinese markets - major tech manufacturers Apple and Google have been shifting manufacturing out of China to other Asian countries for years, and Zoom opted to cease offering its services in China in 2021. In Hong Kong, long a hub for international business, the number of US-based firms with regional headquarters in the city fell to an 18-year low in 2021, with 47 foreign regional

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Geopolitical Disruptions and Multinational Flight

headquarters leaving the city in total. Analysts attribute the challenges to a variety of causes, from stricter-than-average COVID-19 restrictions to the rising cost of labor to geopolitical tension.

On the other hand, business sentiment remains strong outside of vulnerable sectors like tech. A survey released in September by the American Chamber Commerce in Shanghai found that of 338 respondents, almost 78 percent said they were optimistic or slightly optimistic about the five-year business outlook. The international financial sector in particular has thrived under the evolving regulatory environment; in August, BlackRock gained investor approval to establish a mutual fund business in China, and banks including JPMorgan and Goldman Sachs have won approval to stand up majority or 100 percent-securities owned ventures within the country.

Myanmar

The military coup in Myanmar in February of 2021, which prompted international sanctions on the military junta and companies linked to it, is a clear-cut example of geopolitical developments making national markets difficult or impossible to operate in. Immediately following the coup, several major multinationals - such as Norwegian

telecoms company Telenor, Japanese beer brewer Kirin, and South Korean steel distributor Posco - announced that they would leave the country or end business partnerships with military-linked bodies due to the reputational and legal risks of operating under a government facing international sanctions, as well as operational risks from extended internet blackouts. Since then, a flow of international businesses and investors has continued to exit the country - just last month, Total Energies and Chevron announced that they would leave the country due to deteriorating human rights conditions and rule of law. Total Energies is opting to leave without financial compensation, simply handing its 50 percent stake in its Myanmar operations to other stakeholders, while Chevron has not clarified its plan. The continued flight of multinational businesses is being spurred by continued international pressure, such as a business advisory issued by the US State Department last month that strengthened language urging businesses to exit Myanmar, saying that businesses operating in the country “*run the risk of engaging in conduct that may expose them to significant reputational, financial, and legal risks, including violations of US anti-money laundering laws and sanctions, as well as abetting human rights abuses.*”

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Geopolitical Disruptions and Multinational Flight

However, while the immediate response to the coup was swift, the logistics of leaving the country or ending military partnerships has, in reality, been less than smooth. Telenor is still operation in Myanmar after the military junta denied its application to sell to a Lebanese

firm, and is facing difficulties finding a Burmese buyer with requisite funds as the country's economic slump deepens; Kirin is still brewing in the country after being unable to find a suitable buyer for its operations, despite persistent lobbying from international investment firms with stakes in the country; and Posco changed its tack and is now seeking to buy out military-backed group that jointly owns its Myanmar operations, despite uncertainty on whether that would eliminate the risk of sanctions exposure. Even if such firms manage to avoid international sanctions, pressure from investors and the public may continue to damage their business.

Mozambique

In April of last year, French oil major Total Energies was forced to declare force majeure on construction of a \$20 billion liquid natural gas project in the Mozambican region of Cabo Delgado after jihadist insurgents occupied a nearby town and blocked roads to and from

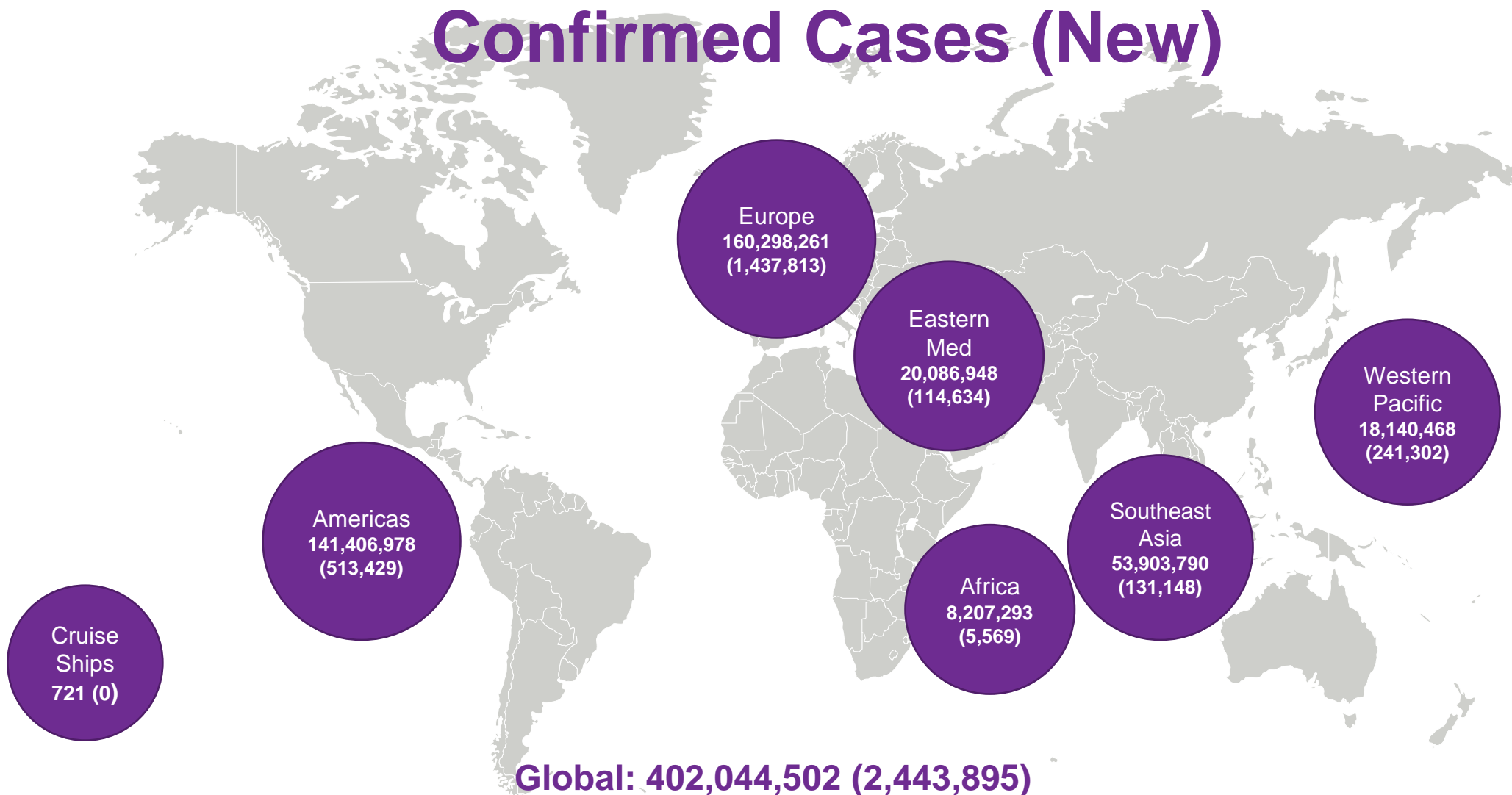
the site. The withdrawal was a major blow both for Total and for Mozambique, which had suffered a significant recession during the COVID-19 pandemic and had hoped to reap profits of up to \$100 billion from the project during its first few years of operations. In recent months, renewed efforts by Mozambican forces and supplemental troops from the South African Development Community have enabled the military to retake Cabo Delgado and mostly push the militants out of the region. As a result, Total announced last week that it will resume fulfillment of the contract sometime this year. The situation in Mozambique demonstrates challenges that may face international investors in the resource-rich continent as regional governments continue to struggle to contain the security threat from militant Islamists. These groups continue to pose the greatest threat to the stability of countries throughout Africa, and the inability of many regional governments to contain them have spurred more than one military coup in recent months.

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Coronavirus Condition Updates

As of 5:13 pm CEST on February 10, 2022

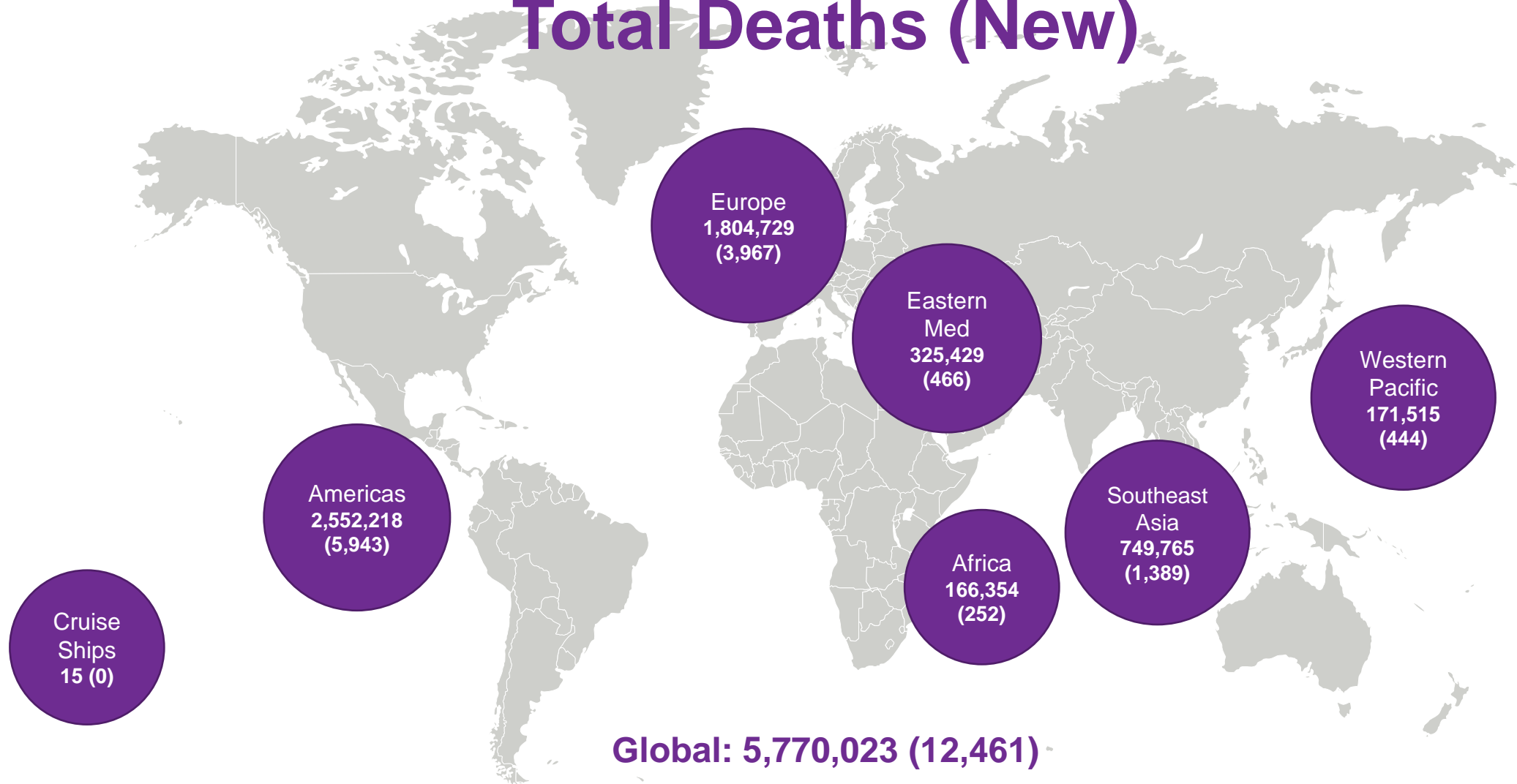
Confirmed Cases (New)



Reflects data as of 5:13 pm CEST on February 10, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:13 pm CEST on February 10, 2022.
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.

To read additional analysis, visit the [Dentons Flashpoint portal](#) for insights into geopolitics and governance; industry and markets; cyber and security; science, health and culture; and economic and regulatory issues.

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