

Dentons Flashpoint

Daily Global Situation Report

December 14, 2021

Global Situation Update: December 14, 2021

KEY TAKEAWAYS

British scientists find that two-dose vaccine courses induce insufficient antibodies to neutralize the Omicron variant.

OPEC raised its world oil demand forecast for the first quarter of 2022.

Russia threatens to deploy intermediate-range nuclear missiles in Europe.

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

America's top diplomat Secretary of State Blinken is on his longest overseas journey yet with visits this week in Indonesia, Malaysia, and Thailand. Today, Blinken will deliver an address on the "US approach to the Indo-Pacific" in Jakarta after a meeting with Indonesian President Joko Widodo yesterday during which he expressed US support for the world's third largest democracy and host of ASEAN headquarters.

In early 2022, the Biden administration will launch a new "Indo Pacific Economic Framework." The new economic framework will include broad partnerships with Asian countries in key areas such as the digital economy and technology, supply chain resiliency and clean energy. Ahead of this, and in conjunction with Blinken's tour, American chip manufacturer Intel Corporation will announce plans to invest \$7 billion in a new, state-of-the-art facility in Malaysia.



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Global

OPEC raised its world oil demand forecast for the first quarter of 2022, saying the Omicron coronavirus variant would have a mild and brief impact.

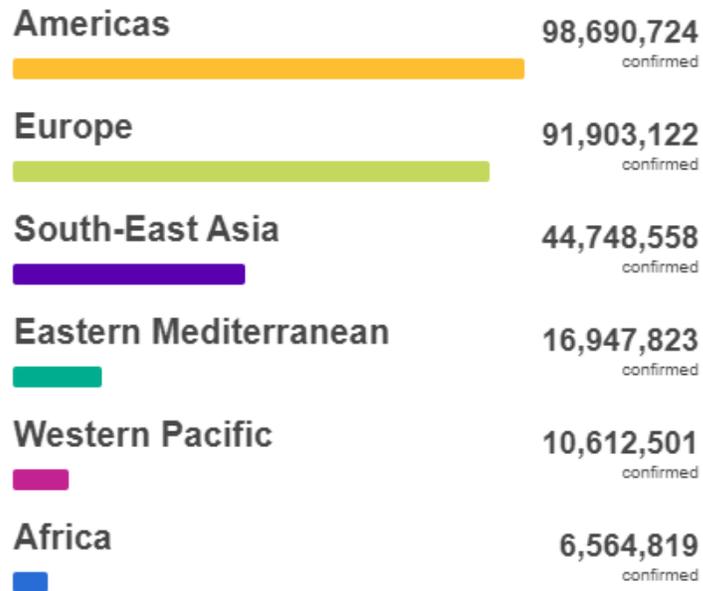
- British scientists report that two-dose vaccines induce insufficient antibodies to combat the **Omicron variant**. However, a South African study finds that two doses of Pfizer- vaccine appear to have given 70 percent protection against hospitalization in South Africa.
- More businesses are rolling back **their back to office plans**. US Asset management firm Fidelity Investments announced a paused to some voluntary return-to-office plans. Goldman Sachs International advised all UK staff who could work from home "effectively" should do so, but offices in London and Birmingham also would remain open. Deutsche Bank said that staff numbers in London will be significantly reduced from Monday.

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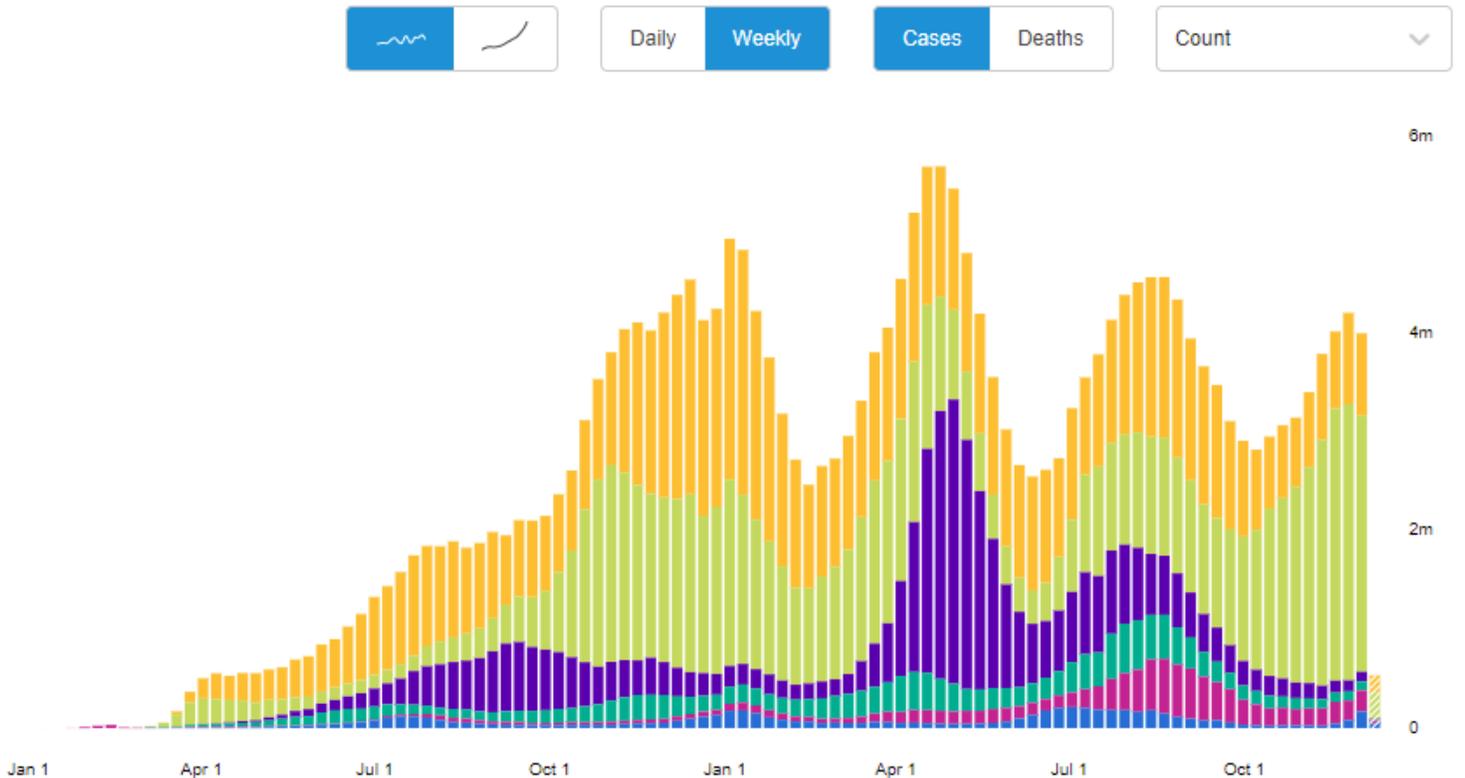
Global

Globally, confirmed coronavirus cases topped 269.4 million with 5.3 million deaths; almost 8.2 billion vaccine doses have been administered.

Situation by WHO Region



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



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Markets & Business

A newly discovered vulnerability, known as Log4j, used in a a software library has cyber defenders scrambling to fix as hackers rush to exploit the weakness.

- **HSBC and Wells Fargo** are cutting out a key part of the currency market's infrastructure from some trades after the two banks agreed to settle transactions directly on **blockchain technology**.
- Chinese social media platform **Weibo Corp** has been fined 3 million yuan (\$470,000) by China's internet regulator for repeatedly publishing illegal information, including a cybersecurity law on the protection of minors.
- Portuguese oil and gas company **Galp** is partnering with Swedish battery start-up **Northvolt** to develop Europe's largest lithium processing plant as part of a shift away from fossil fuels.
- Motorcycle maker **Harley-Davidson** is spinning off its electric bikes division and listing it on the stock market through a merger with a SPAC.
- Chinese smartphone maker **Oppo** unveiled a new self-developed chip, as the hardware company moves further into the semiconductor sector.

Environment, Sustainability & Governance

Scientists have discovered a series of worrying weaknesses in the ice shelf holding back Thwaites Glacier, one of Antarctica’s most dangerous glaciers, suggesting that this important buttress against sea level rise could shatter within the next three to five years.

- Next month, South Korea will roll out a project that will use AI and facial recognition to track the movement of people infected with COVID-19; officials deny that there are any **privacy concerns** at play.
- Business leaders increasingly faced questions on “**scope 3 emissions**,” or emissions resulting from activities in a company’s value chain but that are not owned by the company, during Q3 earnings calls.
- Support from progressive groups and financial institutions grew for a proposal from the Biden SEC to overturn a Trump-era rule limiting the ability of **retirement plans to report ESG risks**; the Sierra Club will write a letter in support in the coming weeks.
- The New York Stock Exchange announced it is co-developing **a new tradeable asset class based on sustainable enterprises** that hold the rights to ecosystem services, such as carbon sequestration, produced by natural, working, or hybrid lands.

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Africa

- Residents of the **Ethiopian** town of Lalibela claimed that the town had been retaken by Tigrayan rebels, contradicting claims by the government in Addis Ababa that it was holding the town.
- The head of ECOWAS called on the **Malian** junta to maintain plans for February polls, saying that the bloc would impose sanctions if elections were delayed.
- The head of **Senegal's** vaccination effort said that 200,000 doses had expired since October and another 200,000 will expire by the end of the month due to low demand.
- **Ghana** will begin fining airlines \$3,500 for each passenger brought into the country that is not vaccinated or that tests positive for COVID-19.
- **Gambian** presidential runner-up Darboe launched a legal challenge against the winner of the recent election, incumbent Barrow.



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Asia

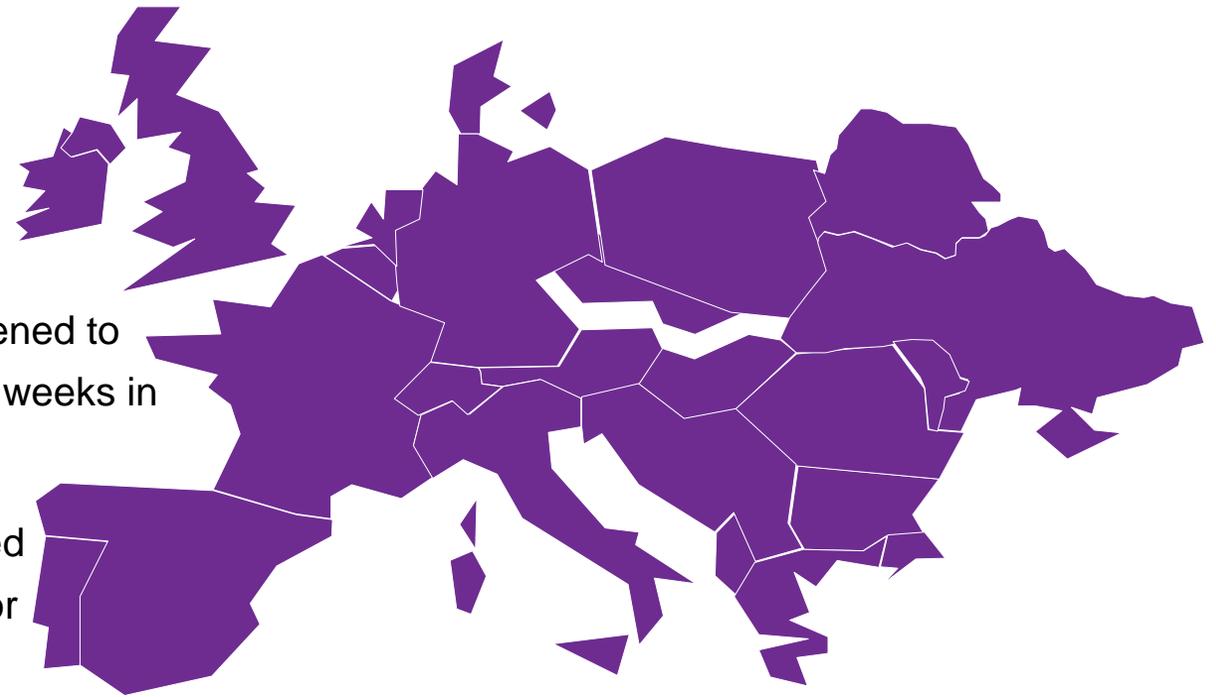
- The Asian Development Bank trimmed its growth forecasts for developing **Asia** for this year and next, to GDP grow of 7.0 percent, down from 7.1 percent, to reflect risks and uncertainty brought on by the Omicron coronavirus variant.
- Drugmaker Moderna Inc will produce millions of mRNA vaccines a year in **Australia** after agreeing to set up one of its largest manufacturing facilities outside the United States and Europe.
- **China** reported its first case of the Omicron variant. Major Chinese manufacturing province Zhejiang is tightening restrictions, with tens of thousands of citizens in quarantine and virus-hit areas suspending business operations, cutting flights and cancelling events.
- **Singapore** is considering requiring its residents to get a booster shot to qualify as fully vaccinated against COVID-19.
- **Philippine** President Rodrigo Duterte on Tuesday withdrew his candidacy for a senate seat. Duterte's term as president will end in June 2022.



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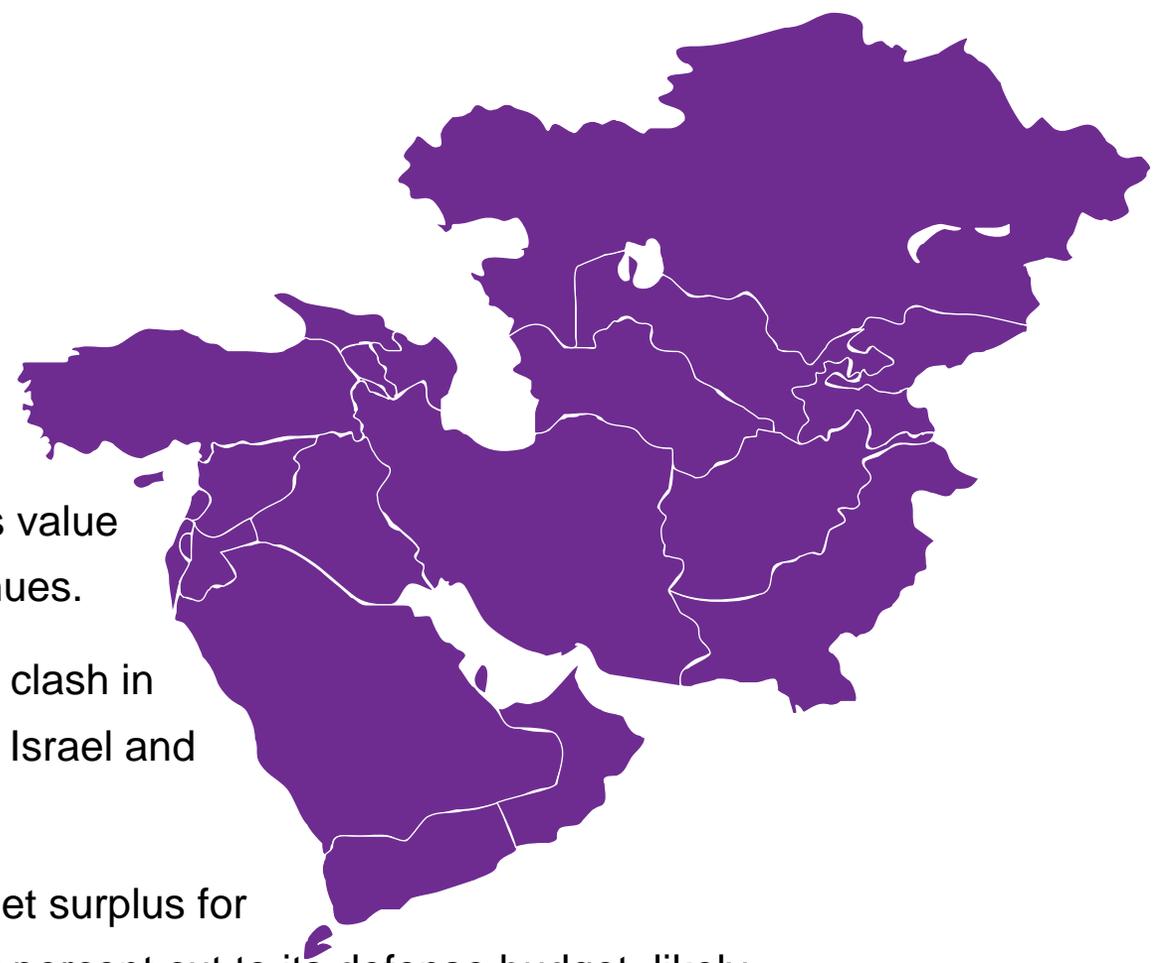
Europe

- The **Turkish** lira hit a new low before the central bank intervened to sell dollars and buoy the currency for the second time in two weeks in another sign of deepening fiscal instability in Turkey.
- EU foreign ministers imposed sanctions on targets associated with the **Russian** Wagner Group, citing destabilizing behavior in **Ukraine** and **Africa**. Russia threatened to deploy intermediate-range nuclear missiles in **Europe** in response to what it sees as NATO's plans to do the same.
- **Bulgarian** lawmakers voted in Kiril Petkov, a Harvard-educated entrepreneur, as prime minister and approved his broad coalition government, ending months of political deadlock in the European Union's poorest member state.
- **France** is contemplating tightening controls for travelers coming from **Britain**, where the Omicron variant seems to be rapidly spreading. **Norway** will further tighten restrictions, including a ban on serving alcohol in bars and restaurants, and speed up its vaccination program in an effort to limit an expected surge of the Omicron variant. New Omicron infections in the **UK** are running at 200,000 a day, dwarfing the number of officially confirmed cases, according to an estimate from the UK Health Security Agency.



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Middle East

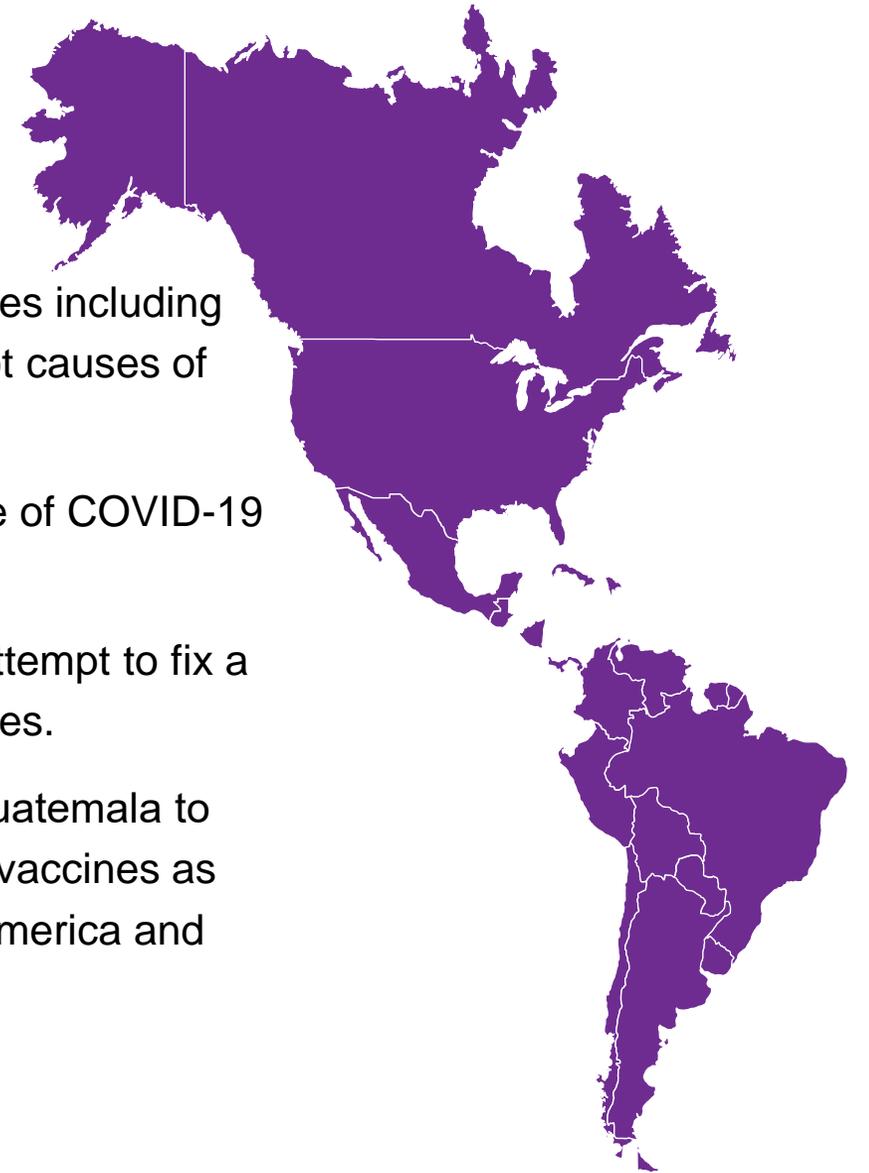


- A new media investigation found that **Israel** struck chemical weapons facilities in **Syria** twice over the last two years.
- The **Lebanese** lira hit a new low, trading at nearly 20 times its value two years ago, as the economic collapse in the country continues.
- A Palestinian man was killed by **Israeli** security forces amid a clash in the **West Bank**, another instance of raising tensions between Israel and the Palestinians.
- **Saudi Arabia** announced its 2022 budget, forecasting a budget surplus for the first time since 2013 due to high oil prices and a nearly 10 percent cut to its defense budget, likely forecasting a scaled down presence in **Yemen**. The Kingdom will also reportedly consider raising its VAT rate to 15 percent.

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Americas

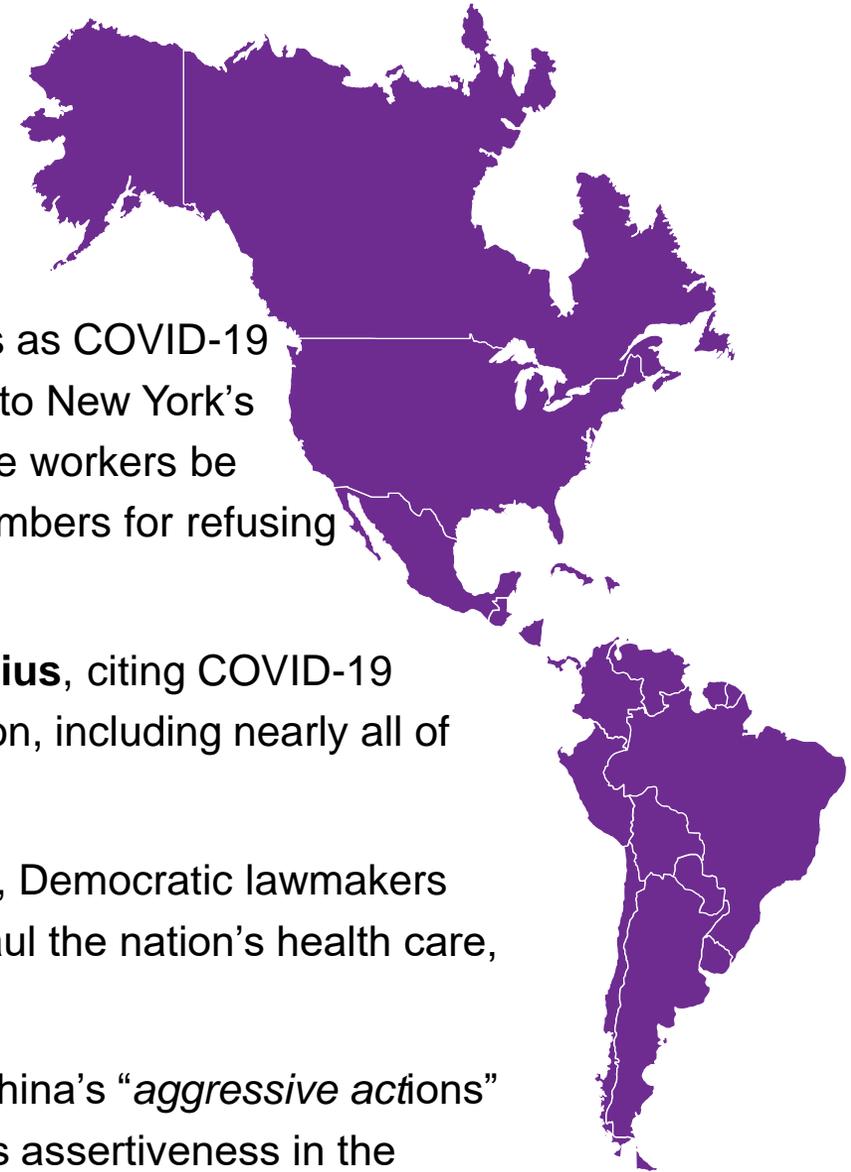
- Today, **US** Vice President Harris will announce investments from companies including Pepsi and Cargill in **Central America**, part of her effort to address the root causes of illegal immigration.
- **Canada's** top health official warned that the country could see a rapid rise of COVID-19 cases in coming days due to the Omicron variant.
- **Canada** proposed aligning its electric vehicle taxation with the **US** in an attempt to fix a dispute over the US incentivizing the purchase of US-made electric vehicles.
- **Guatemala** President Giammattei rejected Beijing's efforts to pressure Guatemala to switch diplomatic recognition from **Taiwan** to **China**, offering coronavirus vaccines as an inducement. Taiwan has only 14 diplomatic allies left, mostly in Latin America and the Caribbean.



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Americas: US

- California will impose a statewide **mask mandate** in all indoor public spaces as COVID-19 case rates soar, starting tomorrow. The Supreme Court rejected challenges to New York's refusal to allow **religious exemptions** to the state's mandate that healthcare workers be vaccinated against COVID-19. The **US Air Force** discharged 27 service members for refusing to receive a COVID-19 vaccine.
- The CDC advised Americans against **travel to Italy, Greenland and Mauritius**, citing COVID-19 concerns, bring the list to 84 destinations at "Level 4: Very High" classification, including nearly all of Europe.
- With less than two weeks until Christmas to meet the self-imposed deadline, Democratic lawmakers still appeared at odds over the scope of the roughly **\$2 trillion bill** to overhaul the nation's health care, education, climate, immigration and tax laws.
- Secretary of State Antony Blinken, on a tour of **Southeast Asia**, criticized China's "*aggressive actions*" and encourage smaller countries in the Indo-Pacific to unite against Beijing's assertiveness in the region.



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Future of Work: Commercial Real Estate Sector Adapts to the New Normal

Return to office plans are once again being put on hold due to the new COVID-19 Omicron variant and the still-untamed Delta variant. While some employers are announcing new target dates later in 2022 or even 2023, many are leaving a return date as an open question. The longer the workforce remains dispersed, the more permanent changes in work patterns and expectations become for both employers and employees. Few now expect the workforce to return to the 2019 workplace model.

While the pandemic has upended the demand profile for commercial real estate sector, the changes were not really unexpected. Shopping malls and large box stores had been reporting declines in foot traffic for years as consumers discovered the convenience of ecommerce. Work-from-home Fridays were a growing trend, with employers and employees benefiting by increasing flexibility in the 9-to-5 office cycle. The pandemic simply accelerated the pace from gradual to warp speed.

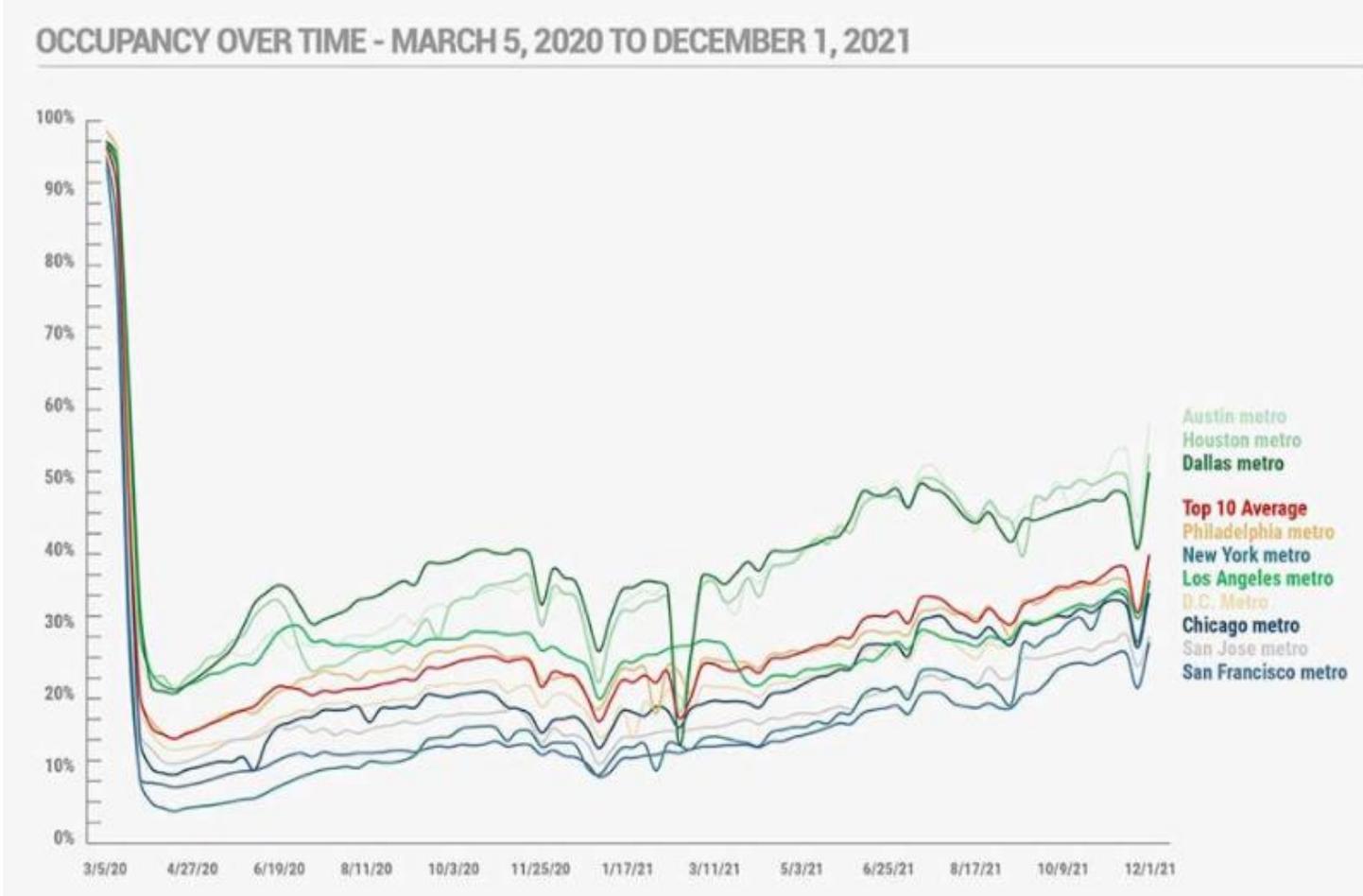
For the commercial real estate sector, the outlines of the new normal are beginning to emerge. For example, commercial real estate firm CBRE estimates that ecommerce will grow to a quarter of all retail sales by 2025. As a result, shopping malls and business parks are being converted into warehouses as retailers, general wholesalers, and third-party logistics providers demand facilities closer to their clients. With the move away from “just in time” inventory

management to increase supply chain resiliency, retailers are maintaining much larger inventories that require more square footage.

Not just shopping malls are being repurposed. In late November, Allstate Corp. announced the sale of its metro Chicago headquarters campus to an industrial development and investment firm which plans to redevelop the 186-acre campus, constructed in the 1960s, into a Class A logistics and distribution hub. Allstate stated that the company made the decision to sell because of shifting patterns in the office environment and a preference for remote working. Allstate is not the only major company to sell its headquarters; outdoor retailer REI sold its Washington State headquarters in 2020 and pharmaceutical company Pfizer is trying to sell the 340-acre campus in Pennsylvania that it shares with Dow Chemical Co., also citing changing work habits.

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Future of Work: Commercial Real Estate Sector Adapts to the New Normal



[Kastle Back to Work Barometer](#)

With the preference for remote working going strong, occupancy rates for office space remain low – but there are signs of recovery. According to commercial real estate and investment management services firm JLL, leasing volume is up 39% from a year ago, but is still 25% lower than the third quarter of 2019. Average occupancy rates are increasing, according to Kastle System’s Back to Work Barometer. The 10-city Back to Work Barometer reached reaching 40.6% occupancy, a rise of 8.1 points over the Thanksgiving holiday week, and 1.8 points higher than the pre-holiday level of two weeks ago.

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Future of Work: Commercial Real Estate Sector Adapts to the New Normal

Several trends are emerging. Companies are embracing a hybrid work environment where some workers are in the office, while others remain remote. This provides an opportunity for companies to consolidate their space – for example, taking four partially occupied office floors and downsizing to two– and sublease the real estate they do not need. Subleases during turbulent economic times are attractive because of the shorter lease period.

Further, companies want more flexible space to accommodate the changing number of employees who do work onsite. The office of the future will be a space for collaboration – or “heads up work.” “Heads down work,” on the other hand, can be done remotely. In the traditional pre-2020 office, most of the square footage was devoted to private offices with about 10 percent collaborative space. The new work model is flipped, with corporations looking for space that is 80 to 90 percent interactive and collaborative.

To retain and find new talent, employers are also prioritizing environmentally friendly buildings with the latest technology, with the sector seeing a bump in demand for higher end Class A buildings (which offer smart meeting room management, employee health, contactless controls, and energy consumption). Factors such as

indoor air quality, automatic doors and touch-free equipment/installations are desired by employer and employee alike. The green trend is also having an impact. Large real estate asset management firms such BlackRock Inc. and Brookfield Asset Management Inc. have pledged to get their assets to net-zero emissions by 2050.

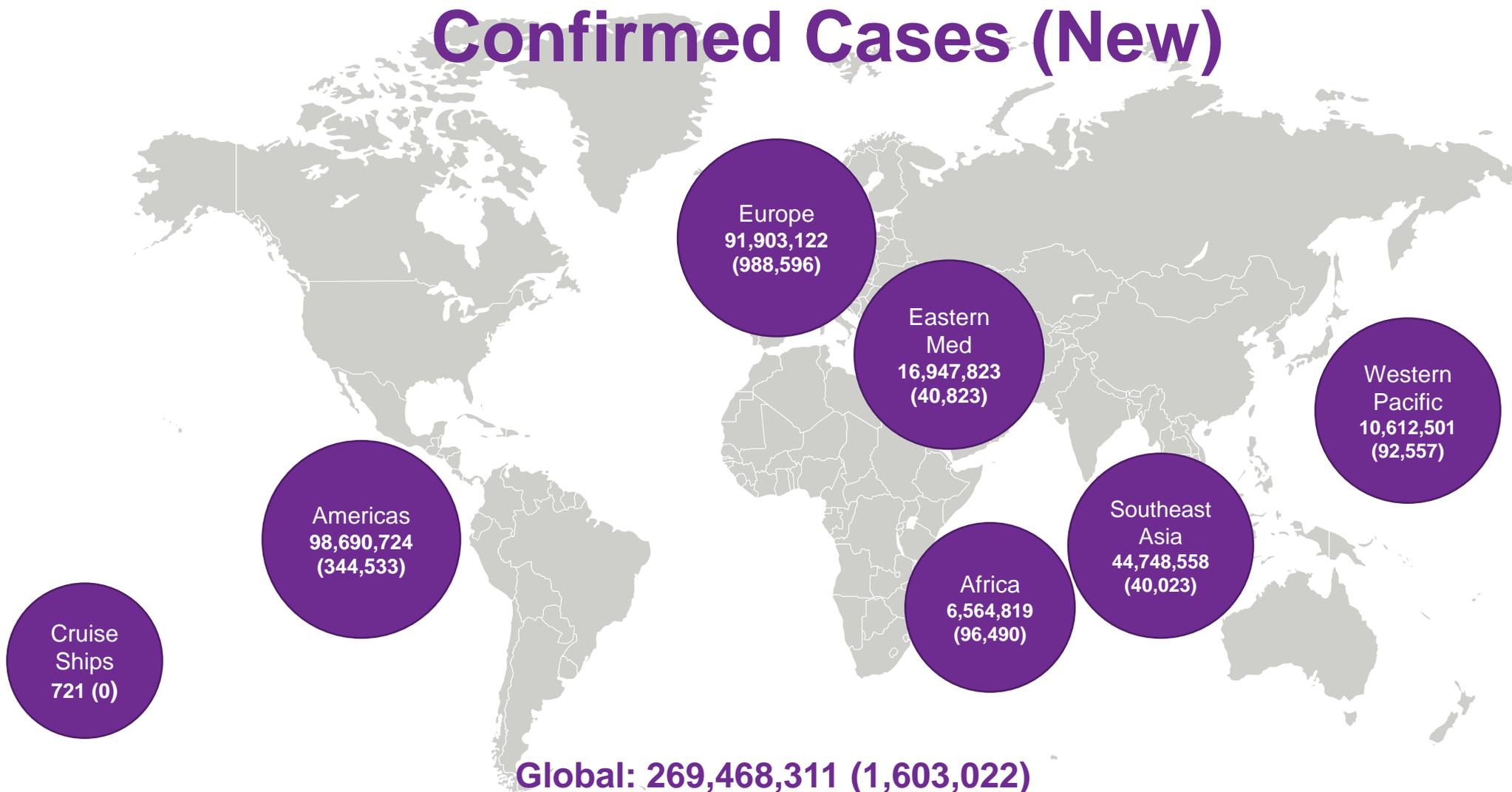
In the new normal, commercial office space is not going away. Rather, it is already transforming to fit the new vision of what the interconnected, technology-driven, and convenience-desiring workforce of the future demands.

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Coronavirus Condition Updates

As of 4:51 pm CEST on December 13, 2021

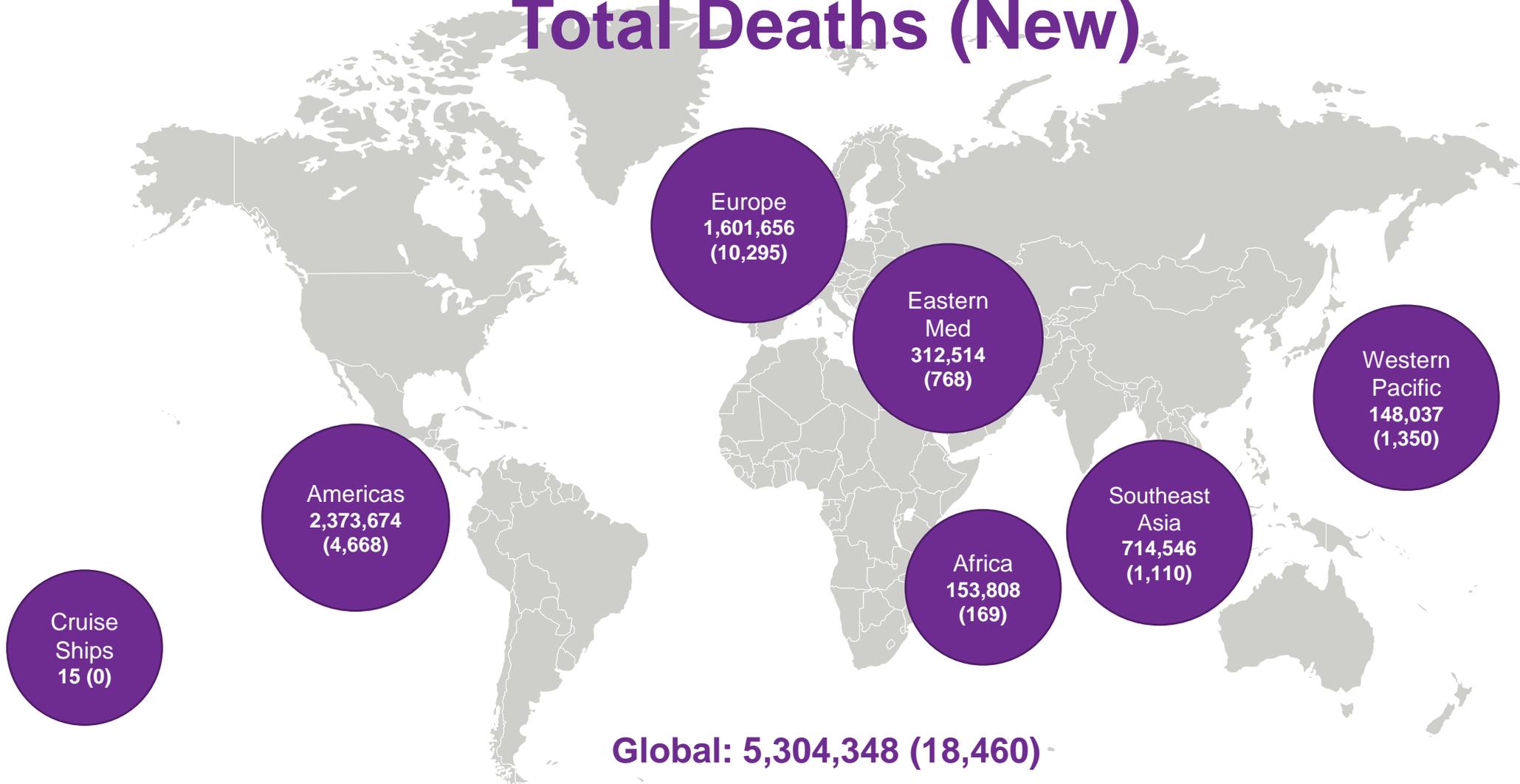
Confirmed Cases (New)



Reflects data as of 4:51 pm CEST on December 13, 2021, with new cases including data from Saturday and Sunday
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 4:51 pm CEST on December 13, 2021, with new cases including data from Saturday and Sunday
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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