

Dentons Flashpoint

Daily Global Situation Report

December 17, 2021

Global Situation Update: December 17, 2021

KEY TAKEAWAYS

Facebook is notifying nearly 50,000 users in more than 100 countries that they may have been targets of hacking attempts.

The UAE introduced new requirements for gold refineries to source from responsible suppliers and undergo annual audits.

Britain became the first G7 economy to raise interest rates since the onset of the pandemic.

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WHAT WE'RE WATCHING

This weekend, Hong Kong will hold elections for its Legislative Council for the first time with sweeping electoral changes in place. Under the revised system, the election committee that selects Hong Kong's chief executive will be expanded from 1,200 members to 1,500 and given new powers to nominate and select some lawmakers.

Just three of the 153 candidates contesting the election openly identify as pro-democracy. Candidates had to pass the authorities' "patriots only" vetting process to run. There are concerns Hong Kongers may boycott the election to protest the electoral changes. Authorities plan to have 10,000 police on the streets on election day to prevent anyone from encouraging a boycott.



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Global

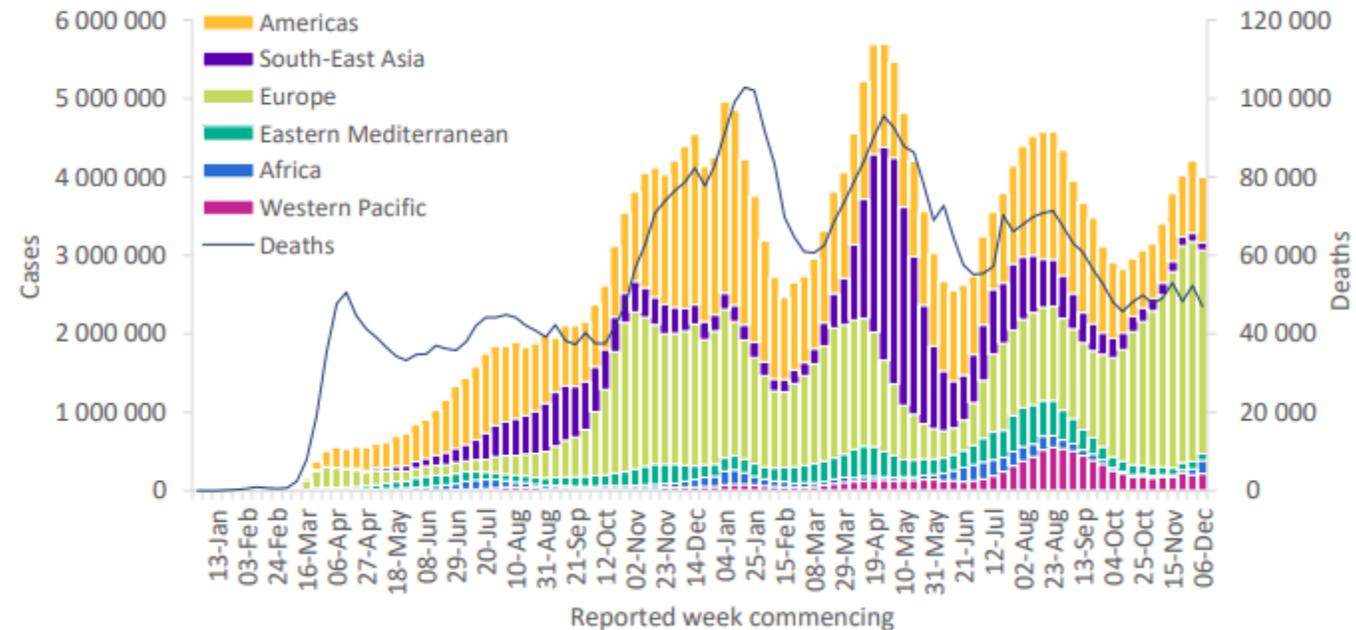
The International Energy Agency warned that rising consumption in China, India and the US could bring global coal-fired power demand to a new all-time high this year, undermining efforts to cut greenhouse gas emissions.

- The US Centers for Disease Control and Prevention said it had received reports of eight cases of **myocarditis**, a type of heart inflammation, in children aged 5-11 years who received Pfizer COVID-19 vaccine.
- **Novavax's COVID-19 vaccine** is on track to receive approval from Europe's drug regulator next week and subsequently an emergency use listing from the WHO.
- According to a third-party lab-study, **AstraZeneca COVID-19 antibody cocktail**, Evusheld, retained neutralizing activity against the Omicron coronavirus variant, showing promise for wider use of the therapy.

Global

Globally, confirmed coronavirus cases topped 271.3 million with 5.3 million deaths; almost 8.3 billion vaccine doses have been administered.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 12 December 2021**



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Markets & Business

Data analytics firm Palantir, best known for its ties to the defense and national security communities, plans to shift its entire UK data processing operation from the US, ahead of new regulations affecting cross-border data flows.

- Britain's financial regulator fined **HSBC** 63.95 million pounds (\$85.2 million) for failings in its anti-money laundering processes.
- Credit rating agency **S&P Global** listed **China Evergrande Group** and its offshore financing arm **Tianji Holding Ltd.** in default status after the sprawling firm missed a bond payment earlier this month.
- Wall Street banks and investment firms are delaying their back to office plans, amid a spike in COVID-19 cases in New York and other financial hubs. **Citigroup Inc, Goldman Sachs Group Inc, Carlyle Group Inc, Blackstone and MetLife** are among the latest to adjust plans.
- **Facebook** is notifying nearly 50,000 users in more than 100 countries that they may have been targets of hacking attempts by surveillance companies working for government agencies or private clients.

Environment, Sustainability & Governance

Swiss Re reported that Hurricane Ida and freezing temperatures in Texas made 2021 the most expensive year on record for US insurers.

- The UAE introduced new anti-money laundering law that includes requirements for **gold refineries** to source from responsible suppliers and undergo annual audits.
- The newly-created International Sustainability Standards Board named Emmanuel Faber, former Danone CEO, as chair. The body, established at COP26, will seek to establish baseline company **climate disclosure standards** by Q3 of 2022.
- Climate-focused shareholders are filing resolutions with six of the largest US banks to accelerate promises to scale down new **fossil fuel financing**, attempting to bring the matter to board votes at annual meetings in 2022.
- BP and Maersk Tankers successfully completed trials using **marine fuel blended with biofuel** on tankers as efforts grow to tackle the shipping sector's greenhouse gas emissions.

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Africa

- The **Zimbabwean** Health Services Board reported that three times as many health professionals have left the country for employment elsewhere in 2021 as in 2019 amid economic and political instability.
- A new Amnesty International report finds that forces in the Amhara region of **Ethiopia** have perpetrated mass detentions, killings and expulsions of ethnic Tigrayans living in the region.
- **Malawi** made vaccines mandatory for frontline healthcare workers.
- **South Africa** said it would donate roughly 2 million doses of Johnson & Johnson's COVID-19 vaccine to other **African** countries.
- The **Democratic Republic of Congo** declared the end of an Ebola outbreak that emerged in early October in North Kivu province and infected 11 people, killing six of them.



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Asia

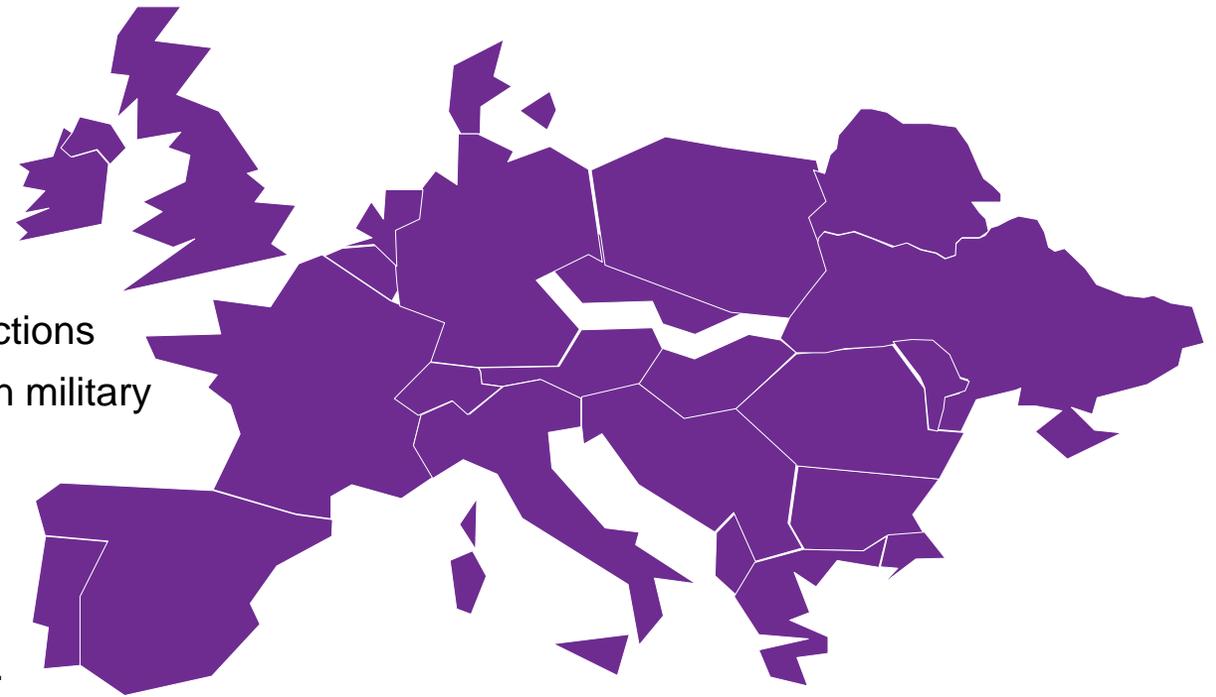
- The Bank of **Japan** scaled back emergency pandemic funding but maintained ultra-loose policy and extended financial relief for small firms.
- **Britain** has scolded **China** for its broadening use of a national security law in **Hong Kong**, detailing attacks on the city's vaunted judiciary, civil society groups and foreign diplomats.
- **Chinese** regulators are planning to ban online brokerages such from offering offshore trading services to mainland clients due to concern about data security and capital outflows.
- **Hong Kong** is preparing to hold its first election since **China's** national security crackdown, offering voters a slate of only Beijing-approved candidates.



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Europe

- **EU** leaders agreed they would impose further economic sanctions on **Russia**, in tandem with the **US and Britain**, if the Russian military invaded **Ukraine**.
- **China** is pressuring **German** car parts giant Continental to stop using components made in **Lithuania**, amid a dispute between Beijing and the Lithuania over the status of **Taiwan**.
- **EU** countries are adopting measures to limit travel from member states, including **Italy, Greece, Portugal and Ireland**, disrupting travel within the border-free European Schengen area.
- **Britain** became the first G7 economy to raise interest rates since the onset of the pandemic. In a small step rolling back crisis-era stimulus, **European** Central Bank will end emergency bond buys next March but temporarily double the pace of its longer-running Asset Purchase Programme to ease the transition. **Russia's** central bank raised its key interest rate sharply to 8.5 percent, increasing the cost of borrowing for the seventh time this year to tame high inflation. **Turkey** will raise its minimum wage by 50 percent in 2022 in an attempt to keep up with rampant inflation due to President Erdogan's controversial easing strategy.



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Middle East

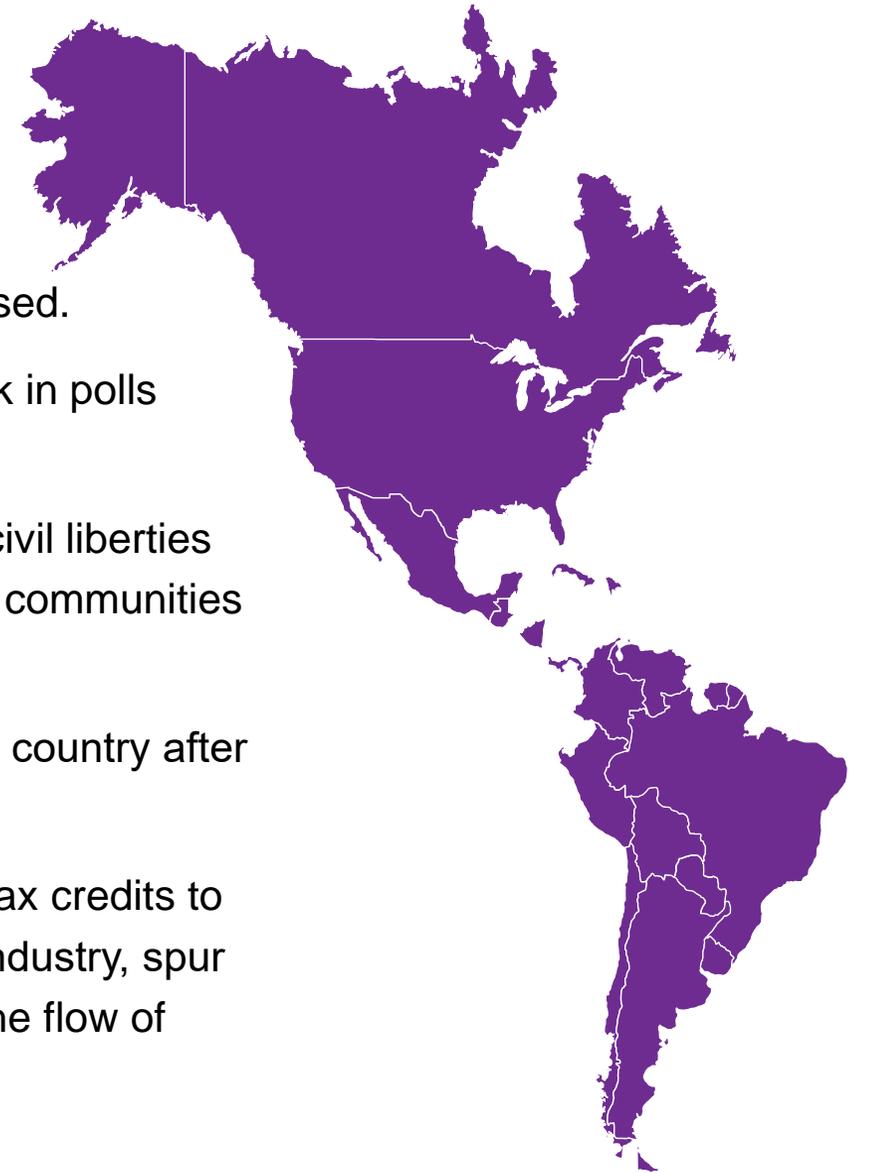


- **Saudi Arabia's** crude oil exports hit an 18-month high in November due to rising oil demand.
- **Israel's** environmental ministry said that it would not allow tankers in the Red Sea, potentially scuttling an oil transport deal between the **UAE** and Israel that is a major product of the Abraham Accords.
- Thousands of protesters demonstrated against **Tunisian** President Kais Saied in the capital, amid growing opposition to his seizure of power and suspension of parliament five months ago.
- More than 60,000 **Afghan** interpreters and others who have applied for visas to seek shelter in the **US** after working alongside American forces still remain in Afghanistan, per a State Department report.

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Americas

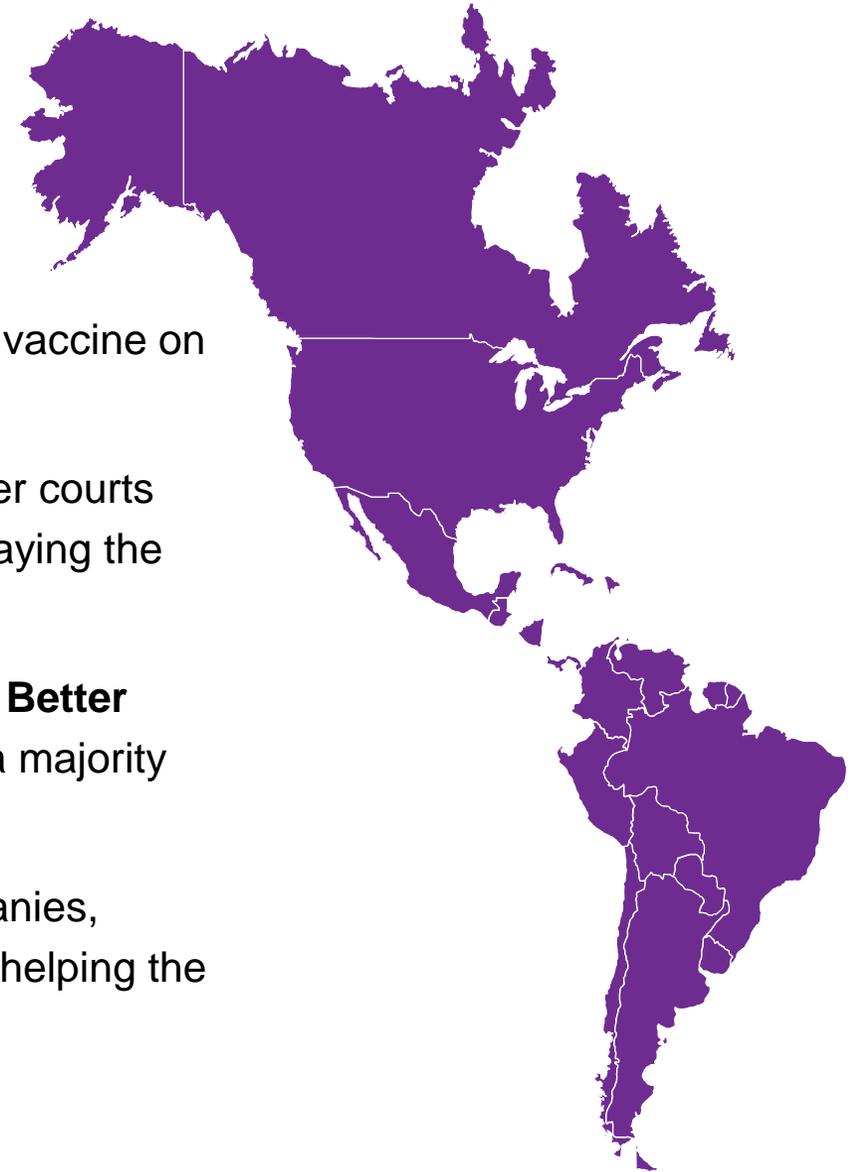
- The last 12 Canadian and US missionaries kidnapped in **Haiti** were released.
- **Chile's** ultra-right president and leftist challenger appeared neck and neck in polls ahead of runoff elections on Sunday.
- **Peruvian** President Castillo said that a state of emergency, under which civil liberties are suspended, would be a last resort amid stalled negotiations with local communities that have halted mining.
- The **Brazilian** government is closing the IMF's representative office in the country after complaints over the institution's economic forecasts.
- **Mexican** Economy Minister Clouthier warned that a US proposal to give tax credits to Americans who buy US-built electric vehicles threatens to hurt Mexico's industry, spur illegal migration and could jeopardize bilateral cooperation in controlling the flow of migration.



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Americas: US

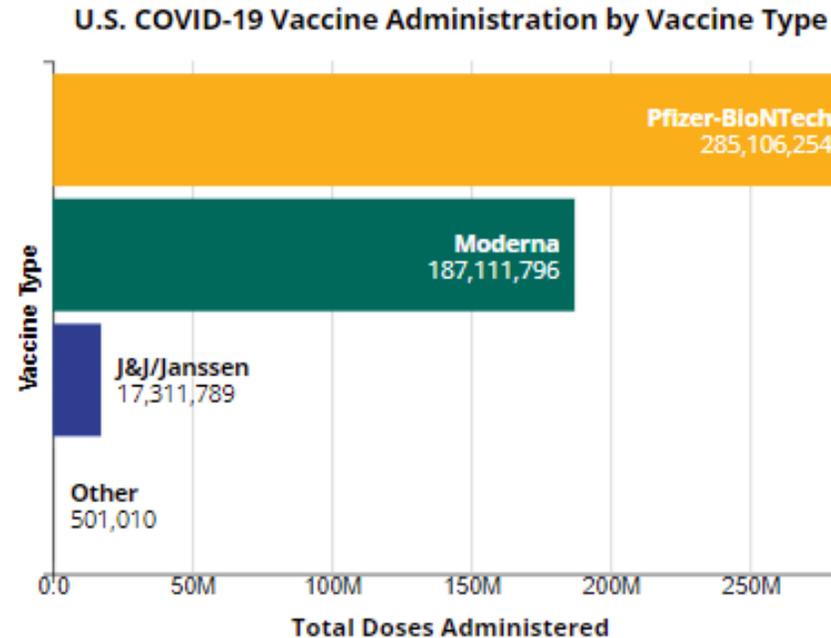
- Pfizer has asked the FDA to grant **full approval** for use of their coronavirus vaccine on children ages 12 to 15.
- The Biden administration asked the Supreme Court to lift rulings by two lower courts that put the **COVID-19 vaccine mandate** for healthcare workers on hold, saying the shots were crucial before an expected winter spike in cases.
- President Biden appeared to acknowledge that his \$1.75 trillion **Build Back Better spending bill** may not pass Congress in the remaining weeks of this year, a majority vote blocked by Democratic Senator Joe Manchin.
- The US put investment and export restrictions on dozens of **Chinese** companies, accusing them of complicity in the oppression of China's Uyghur minority or helping the military.



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Americas: US

CDC recommended American obtain the COVID-19 vaccines made by Pfizer and Moderna over the shot made by Johnson & Johnson.



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Turkey: Regional Rapprochement and Domestic Turmoil

By Dan Arbell, Special Advisor to Dentons

As Turkish President Recep Tayyip Erdogan is facing tough domestic challenges, he is also trying to repair some of Turkey's damaged relations abroad. Erdogan fears the loss of political ground due to his economic policies and is investing greater efforts to improve the country's foreign ties to boost the economy and regain international and regional standing in the hopes of shoring up his domestic approval.

Turkey's Economic Crisis

December 13 saw the Turkish lira hit its all-time-lowest point, with the dollar selling at 14.75 lira to the dollar. In order to prevent a further drop in the lira's value, the Central Bank intervened by selling off foreign currency, thus reducing its foreign currency reserves. This drop represents a slide of 50% in the value of the lira since early 2021, with the official rate of Turkish inflation at 21%, although the true rate is believed to be much higher. Other economic indicators are reflecting the dire state of Turkey's economy: growing debt, a high unemployment rate (including 25% youth unemployment), and a soaring price index, resulting in Standard & Poor downgrading its outlook for Turkey.

Turkey's economy has been on a downward trend long before the breakout of COVID-19, and the supply chain crisis and the pandemic

only further deepened the country's economic and societal faultiness. Analysts and experts attribute the recent nosedive of the lira and the rising inflation to Erdogan's controversial fiscal policy centered on low interest rates.

Erdogan has consistently pushed for lowering interest rates, even firing Central Bank Governors and Finance Ministers who opposed his policy. The Turkish president believes that maintaining low interest rates will lead to a surge in exports, investments and employment and will ultimately stabilize the lira and contain the rise of inflation. However, this policy yielded opposite results, as Turkey's foreign currency reserves have dwindled, ordinary Turks are struggling to make ends meet amid rising prices of medicine and basic food products, as well as gasoline shortages, and foreign investments in Turkey have decreased. Still, Erdogan has doubled

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Turkey: Regional Rapprochement and Domestic Turmoil

down on his approach, vowing to never compromise and not opt for higher interest rates.

On December 16, the Central Bank announced the lowering of the interest rate for the fourth month in a row, leading to a record low rate of the lira selling at 15.595 to the dollar. Despite the harsh criticism from leading economists, the Central Bank is aligned with Erdogan's approach and is certainly not challenging it. Public support for Erdogan and the ruling party, AKP, is declining, however, leading Erdogan to announce a significant increase in the country's minimum wage and move to shake his economic team in attempt to reverse this erosion.

Turkey's Foreign Relations

An important element in Erdogan's efforts aimed at containing the political fallout of the economic crisis is changes in his foreign policy. Most notably, Erdogan is seeking a rapprochement with the UAE after a decade of rivalry over regional influence in the aftermath of the Arab Spring and the conflicts in Libya and Syria. Erdogan hosted UAE Crown Prince Sheikh Mohammed bin Zayed (MBZ) in Ankara in November, the first visit by an Emirati leader in years. The Crown

Prince and Erdogan spoke of a new era in the relationship and the two sides signed a number of memorandums of understanding launching investments and cooperation in technology, energy, and health. In addition, the UAE announced the establishment of a \$10 billion fund to support strategic investments in Turkey and the two central banks signed a cooperation agreement. The visit was followed by a visit to Abu Dhabi this week by Turkish Foreign Minister Cavusoglu, and Erdogan has stated he plans to visit the UAE in February 2022. These are commitments on paper, however; the real test is whether they are implemented.

Erdogan has also been on a charm offensive with Egypt and Saudi Arabia and has made clear he intends to work to improve relations with Israel. In the aftermath of the Emirati Crown Prince's visit, Erdogan told reporters that Turkey will take steps to improve relations with the three countries and suggested Turkish ambassadors may be sent back to Cairo and Tel Aviv in the coming months. Turkey and Egypt broke off relations in 2013 after the military coup which overthrew President Mohamed Morsi, and divisions deepened when the countries backed opposing sides in the Libyan civil war. Despite this, earlier this year Turkey initiated

Turkey: Regional Rapprochement and Domestic Turmoil

diplomatic contact with Cairo for the first since 2013. In September, talks were held between the two sides, and while Turkey's Foreign Minister heralded a new era in the relationship, Egypt's Foreign Minister Shoukry was more guarded, stating that there is still a way to go before relations can be normalized and criticizing Turkey's aggressive regional behavior. The relationship with Saudi Arabia has been more acrimonious and will be more difficult to normalize. Earlier this year, in May, the foreign ministers of Turkey and Saudi Arabia met in Mecca and agreed to develop "a positive agenda" and work to advance issues of mutual interest. There has been little progress since, with Erdogan failing to get a meeting in Riyadh during his recent Gulf trip.

On Israel, Turkey pulled its ambassador from Tel Aviv and expelled the Israeli ambassador in Ankara in 2018. Relations between the two countries have been rocky since, especially due to Turkey's harsh criticism of the Israeli government's policies vis-a-vis the Palestinians. When a new president was elected and a new government came into power in Israel, Erdogan initiated a telephone call to Israeli president Herzog. Additionally, Erdogan ensured the smooth release of an Israeli couple jailed for taking photos of

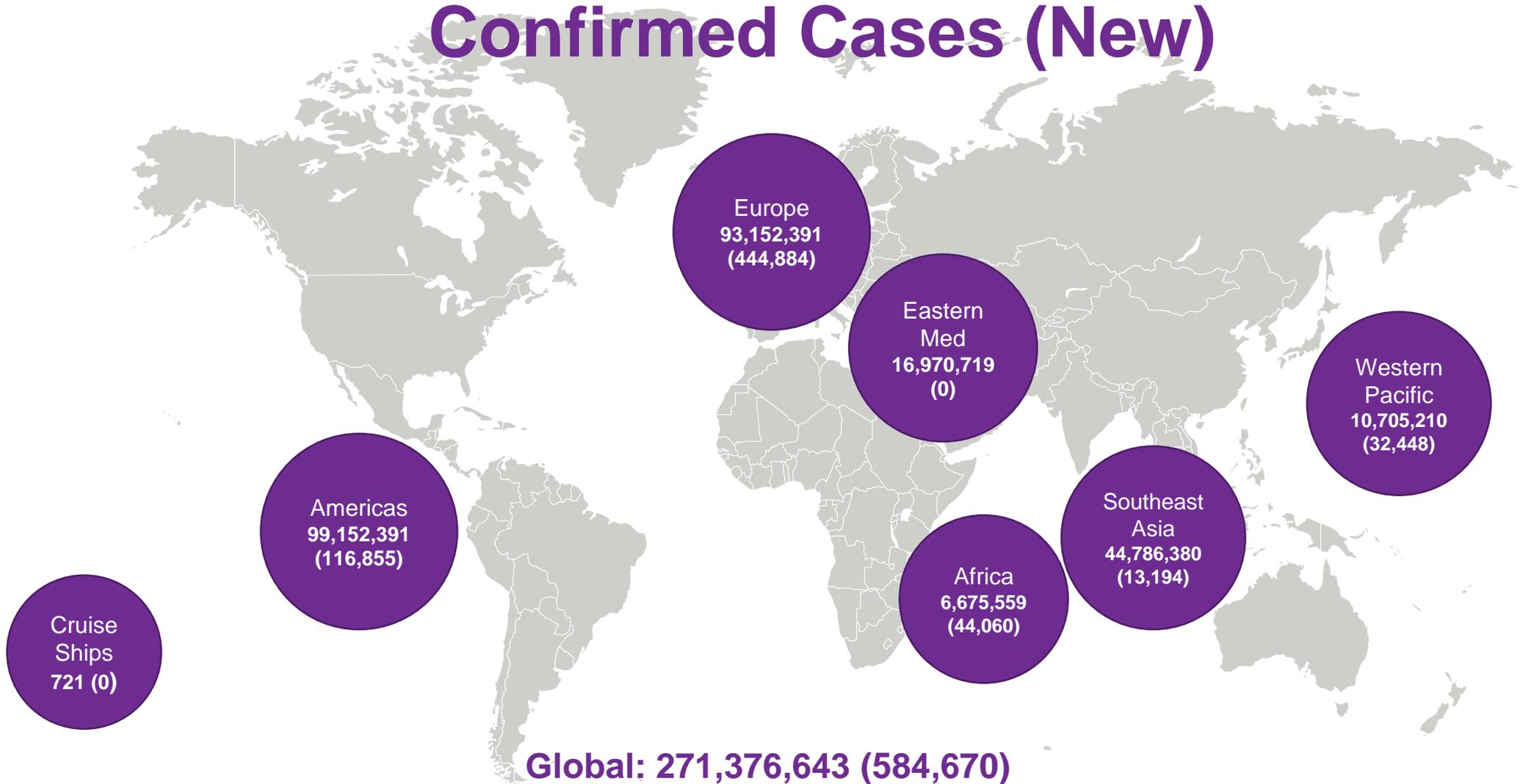
Erdogan's residence in Istanbul and received words of praise and gratitude from Israel's leadership, with Prime Minister Bennett apparently not ruling out a possible thaw in relations.

The shift in Erdogan's approach on foreign policy is clear, attempting to move beyond past rivalries, seeking a renewed regional status. The region's balance of power has been shifting as a consequence of protracted wars and associated fatigue, emerging new alliances, namely the Abraham Accords, marking greater integration of Israel into regional architecture, and renewed diplomatic engagement to address opportunities and manage tensions. Not only does Erdogan want to burnish his regional leadership credentials in the misplaced belief that it will shore up his domestic standing, in the current situation, Turkey is at real risk of being left behind in the post-conflict Middle East.

Coronavirus Condition Updates

As of 5:51 pm CEST on December 16, 2021

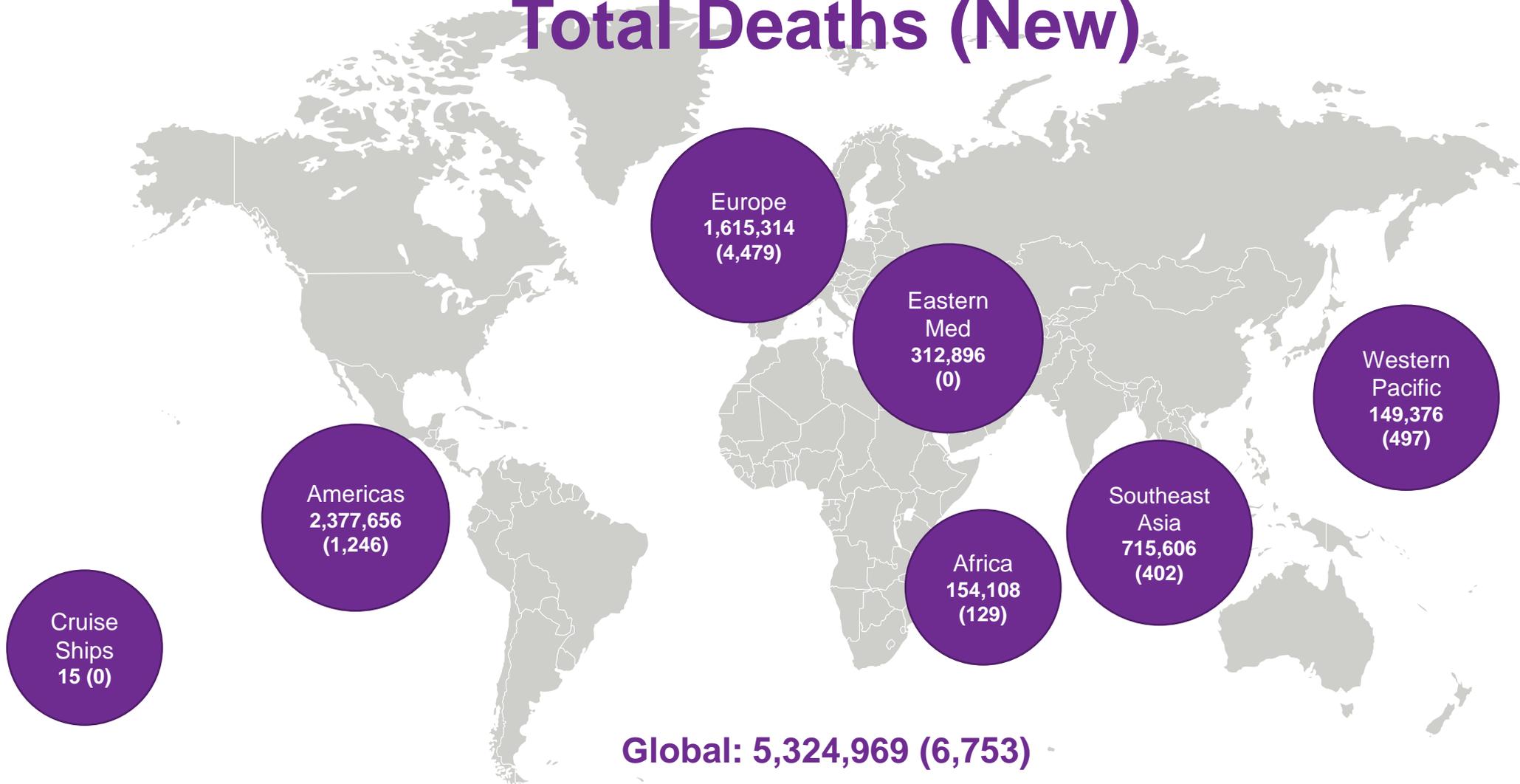
Confirmed Cases (New)



Reflects data as of 5:51 pm CEST on December 16, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:51 pm CEST on December 16, 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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