

Dentons Flashpoint

Daily Global Situation Report

October 13, 2021

Global Situation Update: October 13, 2021

KEY TAKEAWAYS

Harvard University shifted its Chinese language program from Beijing to Taipei.

The IMF lowered its global growth forecast in its quarterly report and called on central banks to be “*very, very vigilant*” of hyperinflation risks.

Major aviation industry groups pledge to achieve net zero carbon emissions by 2050.

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WHAT WE'RE WATCHING

Today, there is relative calm on the streets of Bolivia after two consecutive days of protests and counter-protests from right-wing political opposition and supporters of the socialist government. On Monday, conservative business leaders and social organizations attempted to enact a national civil strike to protest 'political persecution.' Yesterday, the ruling left-wing party staged its own massive march in support of President Luis Arce, a former protégé of Evo Morales.

In addition to the detention of a popular conservative political leader, the first protests against Bolivia's socialist president, who took office in 2020, were triggered by a new law under debate in parliament that would allow the government to investigate the assets of any citizen without a court order. The bill would also force lawyers and journalists to reveal client information. Conservative Bolivians are opposed to this.



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 238.2 million with 4.8 million deaths; more than 6.3 billion vaccine doses have been administered.

- The G20 held its first meeting on **Afghanistan** since the Taliban takeover of the country, though the Russian President Putin and Chinese President Xi skipped the call. Italian Prime Minister Draghi, currently the G20 chair, emphasized the importance of dealing with the country's "*humanitarian emergency*," even if that means coordinating with the Taliban. The EU announced €1 billion in humanitarian aid for Afghanistan.
- **CureVac** will give up on its first generation COVID-19 vaccine candidate after disappointing late-stage trial results.
- China announced a new 1.5-billion-yuan fund for **biodiversity** at the UN Conference on Biodiversity, aka COP15, held this week in Kunming.
- The IEA warned that **investment in clean energy** must triple in the next decade to curb climate change.

Markets & Business

Apple Inc is likely to cut production of its iPhone 13 by as many as 10 million units due to the global chip shortage,

- **America's National Business Aviation Association** (NBAA) and other industry groups pledged to achieve net zero carbon emissions by 2050.
- **BlackRock** CEO Fink warned that transiting too quickly to net zero could cause hyperinflation due to rising energy prices.
- Abu Dhabi launched a \$1.4 billion IPO fund to strengthen the **Abu Dhabi Security Exchange's** (ADX) standing as a leading global stock market.
- Luxury brand **LVMH** said that it has seen no impact on the “luxury boom” in Chinese sales despite new moves against conspicuous consumption in the country.
- The IMF lowered its global growth forecast in its quarterly report and called on central banks to be “very, very vigilant” of **hyperinflation risks**.

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Africa

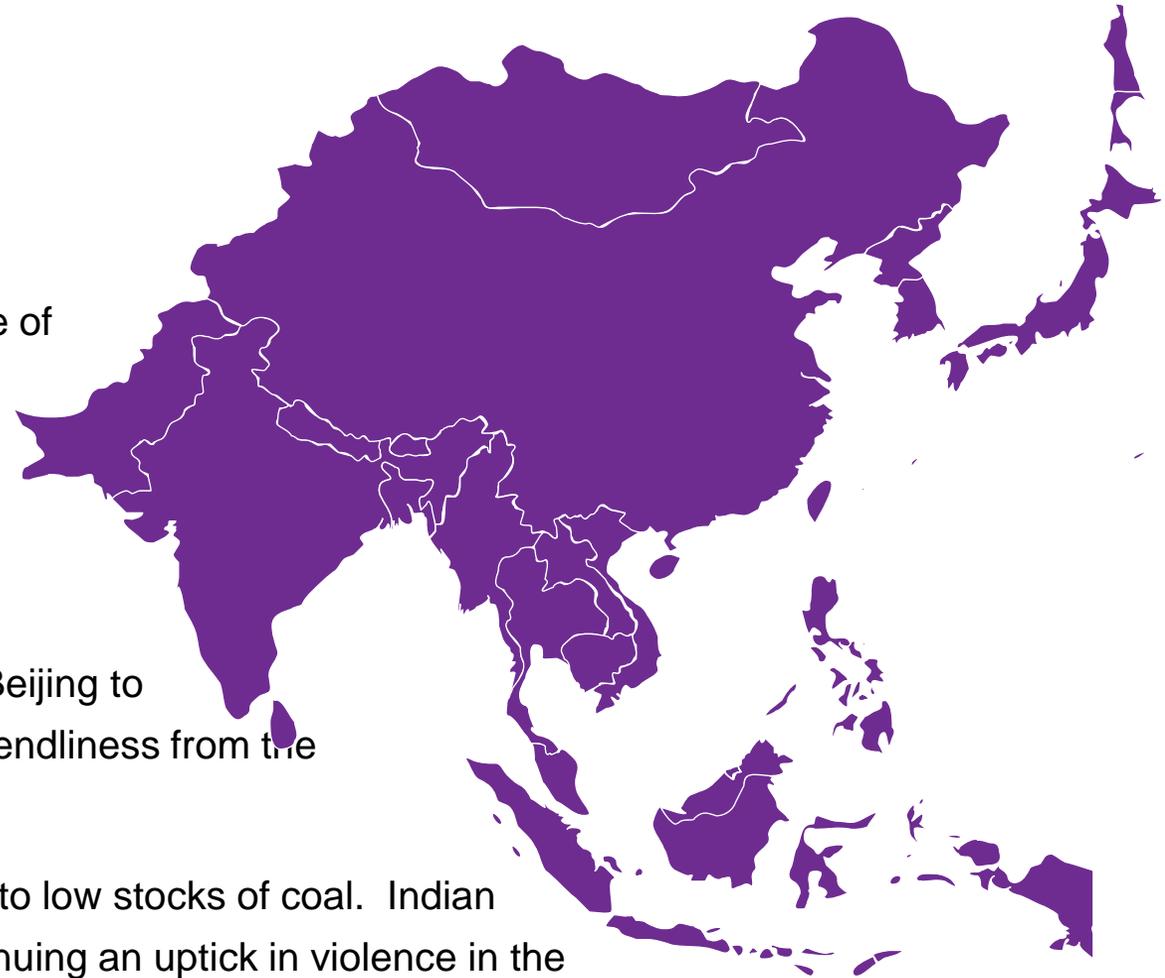
- The International Court of Justice ruled on a sea boundary dispute between **Somalia and Kenya**, creating a revised maritime border along the two countries' exclusive economic zone that largely favors Somalia's position, attributing several offshore oil blocks to the country.
- A **Burkina Faso** court postponed the highly anticipated murder trial of pan-African icon Thomas Sankara by two weeks.
- **Eswatini** has deployed soldiers and police to several schools in the last few days to quell anti-government protests calling for political reform and the release of opposition politicians.



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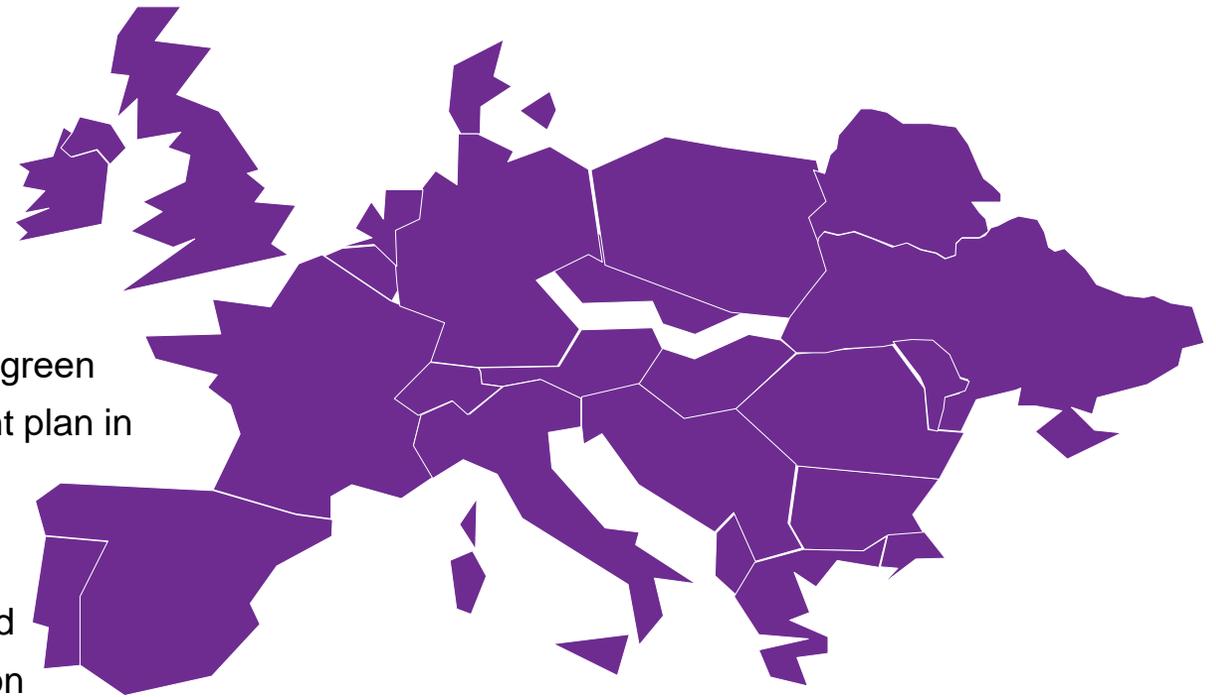
Asia

- **North Korea's** Kim Jong-un accused the US of being the source of regional tensions while attending a weapons exhibition.
- Alibaba founder Jack Ma is reportedly in **Hong Kong** meeting with business associates, in what may be his first visit to the city since he largely disappeared from public view last autumn.
- Harvard University shifted its **Chinese** language program from Beijing to Taipei, **Taiwan**, citing COVID-19 restrictions and perceived unfriendliness from the Beijing partner institution.
- Several **Indian** states again warned of potential power cuts due to low stocks of coal. Indian government forces killed five suspected rebels in Kashmir, continuing an uptick in violence in the restive region one day after militants killed five soldiers.
- **Indian** health authorities recommended use of Bharat Biotech's COVID-19 vaccine for children above age 2. India has begun using drones to deliver vaccines to hard-to-reach places.



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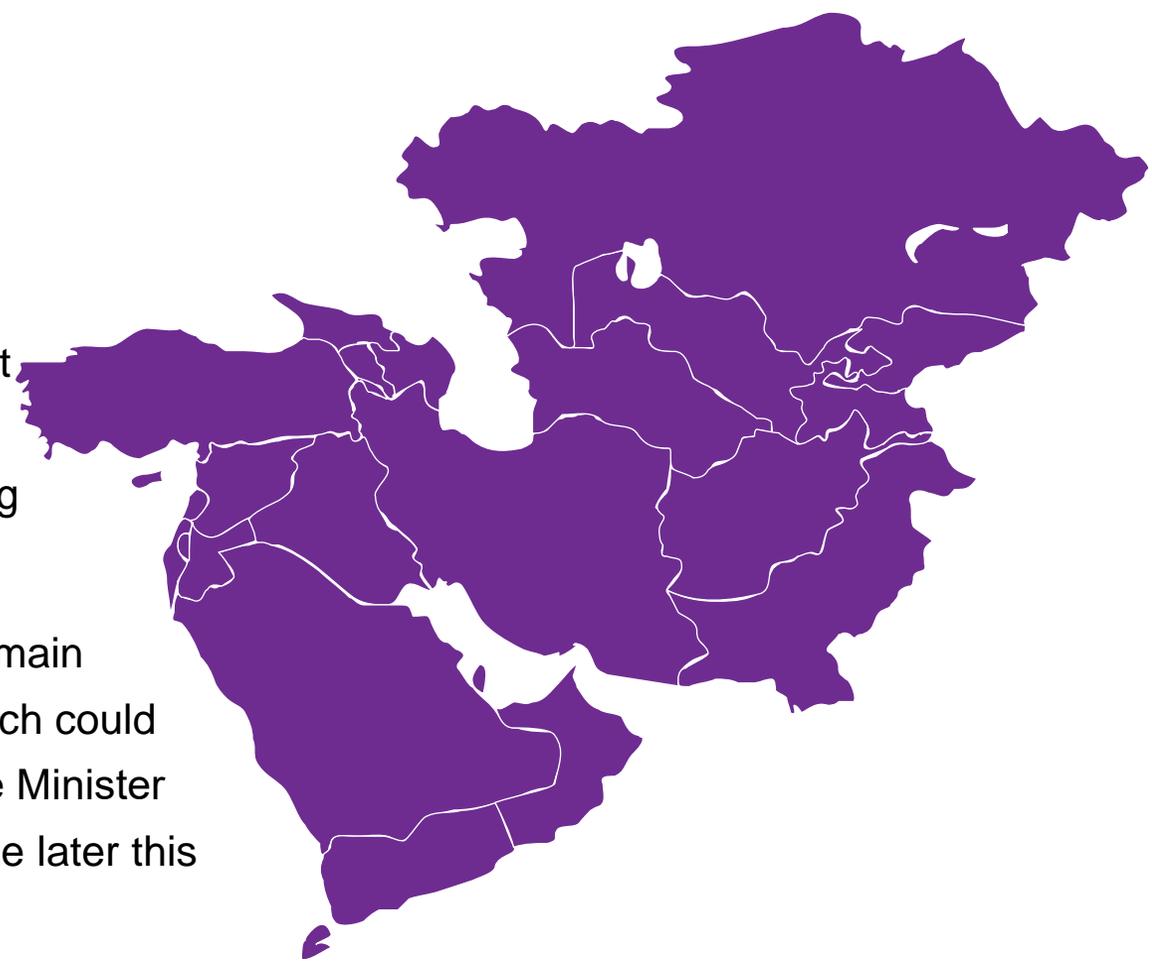
Europe



- **French** President Macron unveiled a “France 2030” roadmap for green industry transformation, which will include a \$35 billion investment plan in a range of technologies including green hydrogen, small nuclear reactors, and low-carbon planes.
- **Germany’s** Social Democrats (SPD), Free Democrats (FDP), and Greens will decide by Friday on whether to proceed to full coalition talks.
- **Slovak** prosecutors confirmed on Wednesday that European Central Bank policymaker and Slovak central bank Governor Peter Kazimir has been charged with a corruption-related crime.
- An **EU-Ukraine** summit on Tuesday focused on energy security, as Kyiv continued to press its concerns about the consequences of Nord Stream 2 while EU parties focused on surging gas prices and supply issues.
- **Austria’s** moderate conservative party survived a no-confidence vote days after former chancellor Kurz resigned amid a corruption probe when coalition partner the Greens chose to stay in the government.

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Middle East



- **Qatari** officials said that recognition of the Taliban government is not a current priority, but that relations with **Afghanistan** should focus on addressing humanitarian issues and engaging with the new administration.
- **Israeli** justice minister Gideon Saar pledged that Israel will remain opposed to **US** plans to reopen a consulate in Jerusalem, which could be used for diplomatic outreach to Palestinians. Israel's Prime Minister Bennet will meet with **Russian** President Putin for the first time later this month to discuss Iran and other regional issues.
- **Saudi Arabia** is reportedly set to require foreign firms working in its energy sector to use at least 70 percent local input.
- Security sources said that **Turkish** intelligence helped **Iraq** capture a senior ISIS leader earlier this month, in an indication of closer cross-border cooperation against the extremist group.

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Americas

- Hurricane Pamela strengthened Tuesday as it headed towards **Mexico's** western coast, projected to hit the state of Sinaloa, Mexico's top grower of corn.
- The **Cuban** government denied permission for opposition parties to stage a protest march for civil liberties.
- Record numbers of **Brazilians** have been arrested trying to cross the border into the **US** this year; Brazilian police believe the trend may be linked to a growing business for smugglers taking advantage of social and economic turmoil in Brazil.
- The **US** will lift restrictions at its land borders with **Canada and Mexico** for fully vaccinated foreign nationals in early November.

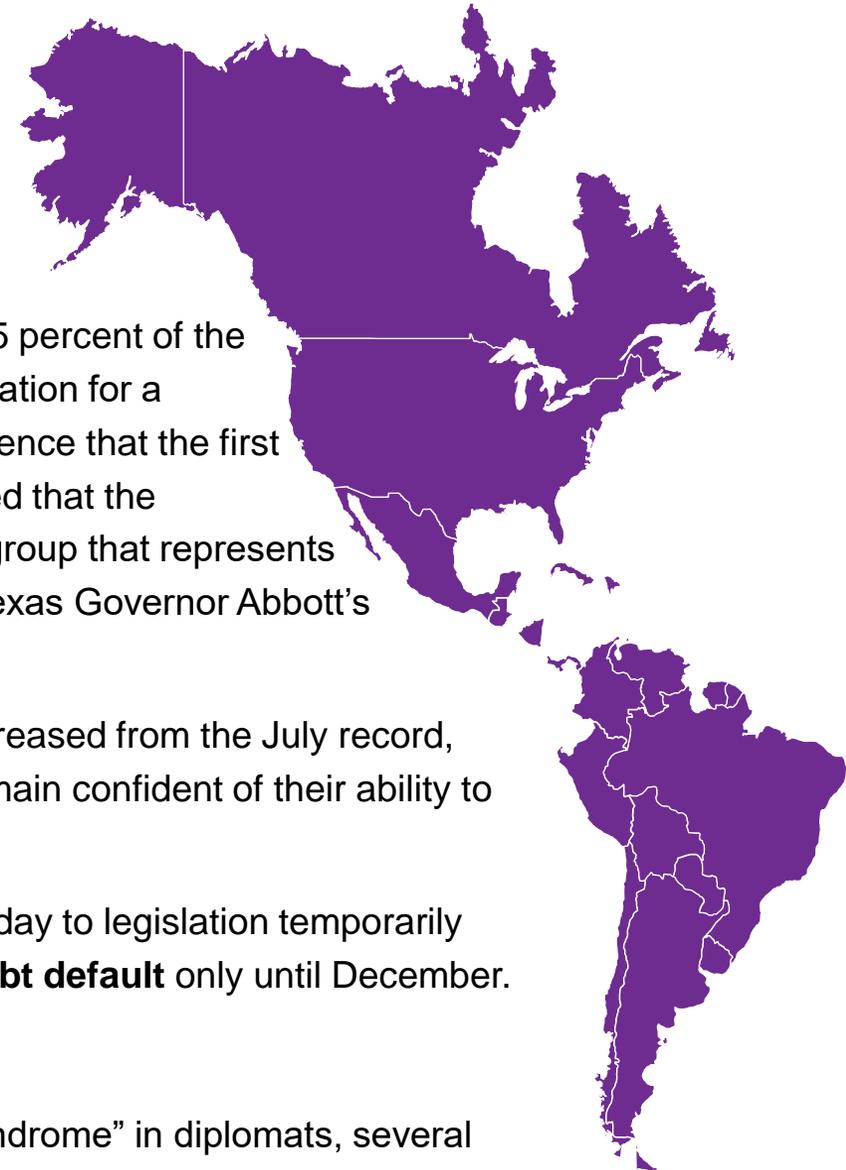


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Americas: US

- Across the nation, 217.4 million have received at least one dose of the **vaccine**; or 65.5 percent of the total population. An FDA advisory panel did not take a firm stance on Moderna's application for a **booster dose**, saying that the dose works and is safe, but that there is insufficient evidence that the first Moderna doses wane significantly enough to warrant a third. The White House asserted that the president's legal authority to issue **mandates** "overrides state law." A Texas business group that represents members including ExxonMobil, Citigroup, Chevron and Accenture came out against Texas Governor Abbott's executive order barring vaccine mandates.
- A record 4.3 million Americans quit their **jobs** in August, although unfilled positions decreased from the July record, signaling a labor market where businesses continually struggle to hire, and workers remain confident of their ability to find new positions.
- The Democratic-controlled U.S. House of Representatives gave final approval on Tuesday to legislation temporarily raising the government's borrowing limit to \$28.9 trillion, pushing off the deadline for **debt default** only until December.
- Homeland Security Secretary Mayorkas ordered ICE to halt **mass workplace raids**.
- The US embassy in **Colombia** said that it is investigating several cases of "Havana syndrome" in diplomats, several days ahead of Secretary Blinken's visit. The US did not invite **Russia** to attend a 30-country virtual meeting aimed at combating the growing threat of ransomware and other cyber crime. Many ransomware gangs operate from Ukraine and Russia.

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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

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

Lebanon on the Brink: Prospects for the New Miqati Government

Contributed by Dan Arbell, Senior Advisor to Dentons

As Miqati's government takes power in Beirut, the world is watching to see whether Miqati and his ministers will manage to tackle the biggest problems facing the country in decades, among them historic inflation and an acute energy shortage, or simply continue the dysfunctional status quo.

On September 10, Najib Miqati was able to form a government in Lebanon, thirteen months after the Beirut port explosion injured several thousand Lebanese and prompted the resignation of former Prime Minister Diab's government. With only a caretaker government in place, the past year saw Lebanon's economic and political crises spiral out of control.

Lebanon's deepening multilayered crisis

Lebanon's political, economic and social woes are myriad: a 550 percent rise in food prices, shortages of basic foods, hyperinflation with the devaluation of the lira by 90 percent since late 2019, a drop of 40 percent in the GDP, and a power crisis with electricity availability just between 1-3 hours a day. On October 9, Lebanon's electricity grid shut down, as the country's two largest power stations ran out of fuel. A 24-hour blackout ended on October 10, after Lebanon's Central Bank granted the Ministry of Energy 100 million

dollars in credit to buy fuel and restore the power in these two stations. A new report published by ESCWA found that 82 percent of the Lebanese population is impacted by "*multidimensional poverty*," as the public's trust in national institutions has hit rock bottom.

Leading analysts believe Miqati's government does not promise to be any different than the Diab government; a potential IMF grant in the pipeline could alleviate economic suffering but will likely just strengthen the government's position ahead of parliamentary elections in 2022 that will only strengthen the grip of the current political elite over the system. The Miqati government will be relying on the short-term relief of a cash infusion and will be banking on the short memory of ordinary Lebanese, who just endured an extremely difficult summer, to bolster the parties in the government to an election win (potentially an early one, as Miqati has expressed a desire to hold elections in March).

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The US and France; Iran and Russia

International actors have continued to press the government to take steps to stabilize the economy, root out corruption and re-establish trust with the Lebanese people. France and the US will continue to play a leading role in efforts to resolve the Lebanese conundrum; but as 2022 will be an election year in France, the Biden Administration may be expected to "pick up some slack," an uncertain proposition as the US attempts to pivot away from the Middle East. Both countries agree on the need for internationally-monitored parliamentary elections in 2022, to support, train and equip the Lebanese Armed Forces (LAF), and to provide humanitarian assistance to the Lebanese population that does not go through the Lebanese government. Economic deterioration leading to refugee surges is also a concern; note continued efforts to involve Saudi Arabia in economic rehabilitation (despite the Kingdom's clear opposition to the status quo) and the US's current approach of practically ignoring Iranian fuel shipments to Hizballah through Syria. Interestingly, Iran and Hizballah do not want this scenario to materialize either and are notably not publicly criticizing US-backed proposals from Egypt and Jordan to supply energy, despite likely Israeli involvement. While

Qatar has been sympathetic to the humanitarian crisis, it has conditioned its support and assistance on the formation of a new government and the implementation of structural reforms. Iran, through Hizballah, continues to cast a huge shadow over Lebanon. Russia has become more active and involved in the Lebanese domestic arena, as it views continued deterioration in Lebanon as undermining Russian interests in the Eastern Mediterranean and Syria and hopes to take advantage of the Lebanese banking system's networks in Africa.

Deep skepticism among Lebanon watchers and analysts

There is a consensus among International Lebanon-watchers and Lebanese analysts of deep skepticism toward the Miqati government, its plans and intentions. It remains an open question whether Miqati can, or even wants to, bring about real changes to a broken and corrupt system. It is certainly too early to determine the direction his government will take. In the coming months, the US and France will keep the pressure on the new government to deliver on its promises. Miqati's comments on holding elections earlier than originally scheduled are a positive signal for reform, except that many worry he

Lebanon on the Brink: Prospects for the New Miqati Government

will do all he can in the lead up to elections to help sustain the power of the political class after elections are held.

A failed state scenario

The events of recent days, as Lebanon's power grid was shut down for nearly 24 hours, are a preview to what may likely occur if Lebanon's continued political, economic and social crises further deepen. The power crisis was temporarily resolved, but if the Miqati government (with the support of the international community) does not begin a process of reforms and gain the public's trust, the country will likely continue spiraling downward.

The negative economic indicators, the acute food and energy shortages, the failed banking system and the struggling healthcare and education systems are already showing Lebanon is on the verge of becoming a failed state, with some experts arguing it already fits the criteria. Lebanon's importance extends beyond its borders and its instability negatively impacts the rest of the Middle East and Eastern Mediterranean, as the repercussions of a failed Lebanese state will not only be felt by its immediate neighbors Syria and Israel but will

also make the Levant more vulnerable and exposed to threats emanating from Iran and its proxies.

The Israeli angle

A senior Israeli official who recently visited Washington and spoke in a closed session reflected the growing concern in Jerusalem over the deterioration of the situation in Lebanon, noting that another failed state on Israel's doorstep (in addition to Syria) is a negative development. Deterioration risks not only a potential humanitarian crisis on the Lebanese-Israeli border, but also a political vacuum in which the actors most likely to take advantage are Iran and Hizballah.

Iran-backed Hizballah, which has already been described as "a state within a state" in Lebanon, has a force of over 30,000 fighters, over 100,000 rockets and missiles, vast (although declining) economic assets and a wide social welfare and education network. Since the last confrontation between Israel and Hizballah (aka the Second Lebanon War) in 2006, the Islamic militant group has been deterred, and does not seem to be interested in another full-scale war with Israel. In a failed state scenario, Hizballah may be pushed by Iran to

Lebanon on the Brink: Prospects for the New Miqati Government

adopt a more provocative approach toward Israel. Visiting Beirut on October 8, new Iranian Foreign Minister Amir Abdollahian stated Iran stands by Lebanon is ready to provide additional financial and energy assistance and supports Lebanese resistance in face of the “Zionist regime”. Nonetheless, Israeli officials assess that at this stage Iran and Hizballah do not want to see Lebanon become a failed state, as it will place the burden of responsibility, as well as the blame, on their shoulders. Israel would like to see a stable Lebanon, where Iran and Hizbullah will be kept at bay. In this context, Israel has agreed to the resumption of US-sponsored negotiations with Lebanon over the delineation of the Israeli-Lebanese maritime boundary. If asked to support the regional plan to provide Lebanon with natural gas and electricity, Israel will most likely agree to do so.

Next Steps

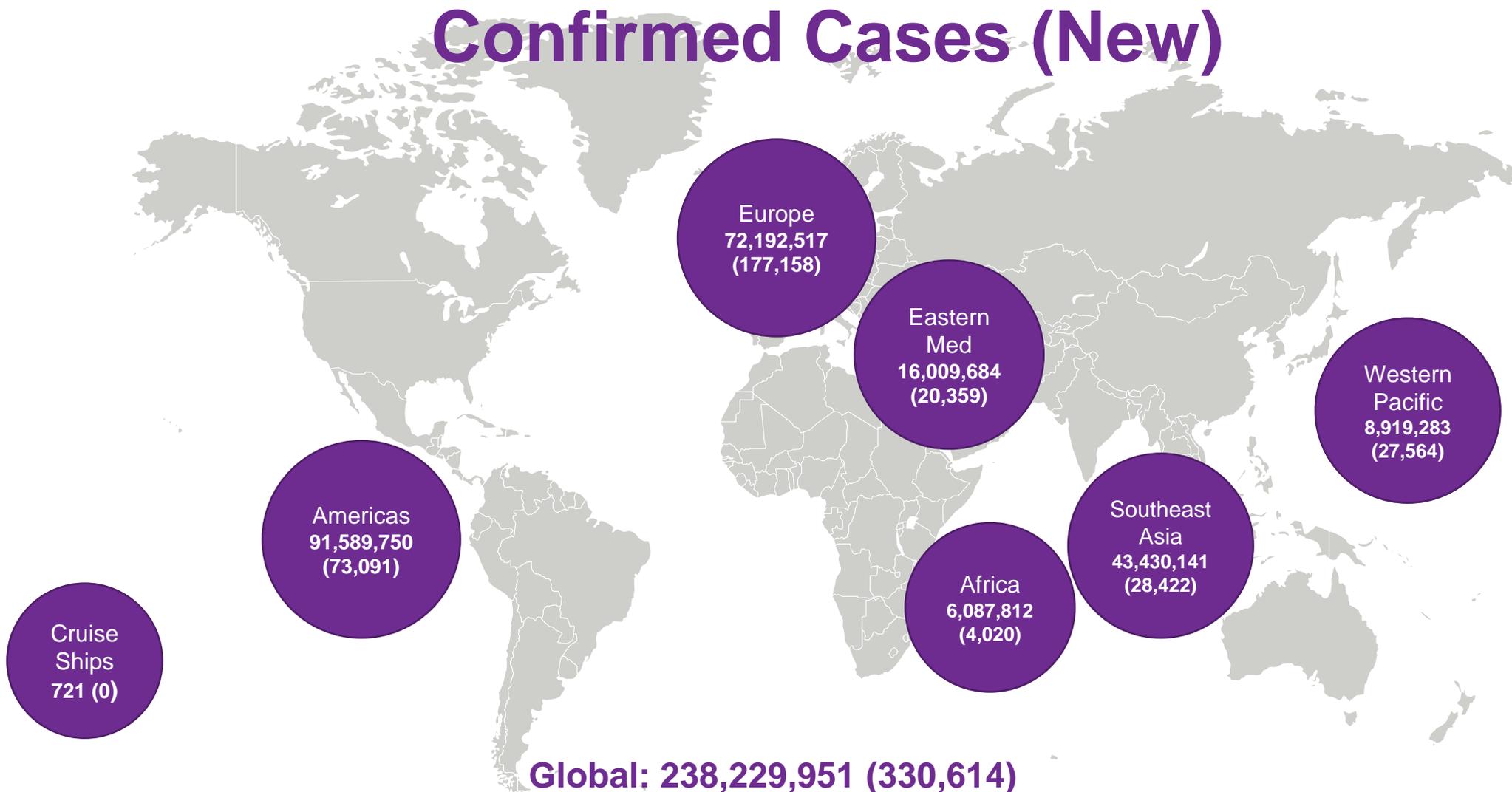
One month after being sworn in and winning the Lebanese parliament’s vote of confidence, the Miqati government faces tremendous domestic challenges, as exemplified by the recent power grid crisis. While Lebanon’s problems are a product of two decades of failed government policies, mismanagement and corruption, the

depth of Lebanon’s current crises means that the status quo of sustained by previous Lebanese governments might not be good enough going forward. PM Miqati has pledged to end the fuel crisis and restart talks with the IMF aimed to provide a lifeline for the Lebanese economy, yet it is too early to assess whether his government will be able to deal effectively with the crises or just manage to alleviate some of the economic and societal pressures until parliamentary elections in spring 2021.

Coronavirus Condition Updates

As of 9:17 am CEST on October 13, 2021

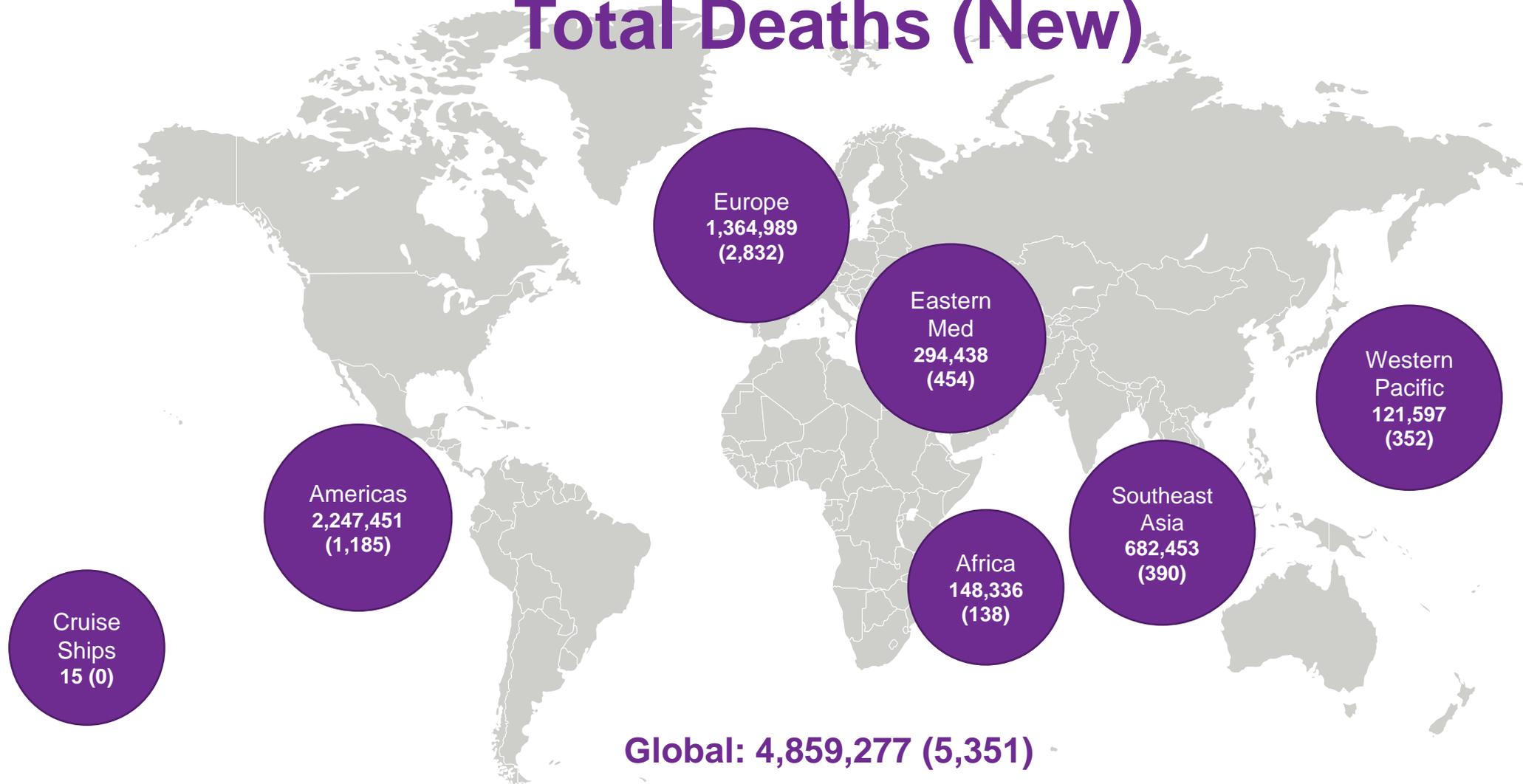
Confirmed Cases (New)



Reflects data as of 9:17 am CEST on October 13, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 9:17 am CEST on October 13, 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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