

Dentons Flashpoint

Daily Global Situation Report

October 15, 2021

Global Situation Update: October 15, 2021

KEY TAKEAWAYS

LinkedIn will shut down its localized Chinese app version, following a bout of controversy over censorship.

The US rejoined the UN Human Rights Council, creating a further arena for tensions with China.

South Africa extended its health-related state of emergency amid low vaccination rates.

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

Today, a strike by South Africa's largest metalworkers union continues as arbitration with industry employers failed once again. The 155,000-strong union and other industry workers seek a pay increase and are threatening to block supplies of auto parts unless demands are met. BMW has reported lost production at its main assembly plant outside of Johannesburg, while Ford and Volkswagen said they are not yet impacted.

The indefinite industry-wide strike since Oct. 5 has already caused an estimated loss of \$34 million to the South African economy, which is heavily dependent on auto exports. Employers are offering a 4.4 % wage increase, while workers are calling for an 8% increase in pay to keep pace with inflation worsened by the pandemic. More laborers are likely to join the strike to increase pressure on employers, but if negotiations remain unsuccessful job cuts will soon occur.



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Global

Globally, confirmed coronavirus cases topped 239.0 million with 4.8 million deaths; more than 6.4 billion vaccine doses have been administered.

- The US rejoined the **UN Human Rights Council**, setting the stage for increased tension within the UN body, which also includes China.
- Estimated deaths from **tuberculosis** increased for the first time in more than a decade last year, per the WHO, who attributed severe disruptions in treatment and diagnosis caused by the coronavirus pandemic.

Markets & Business

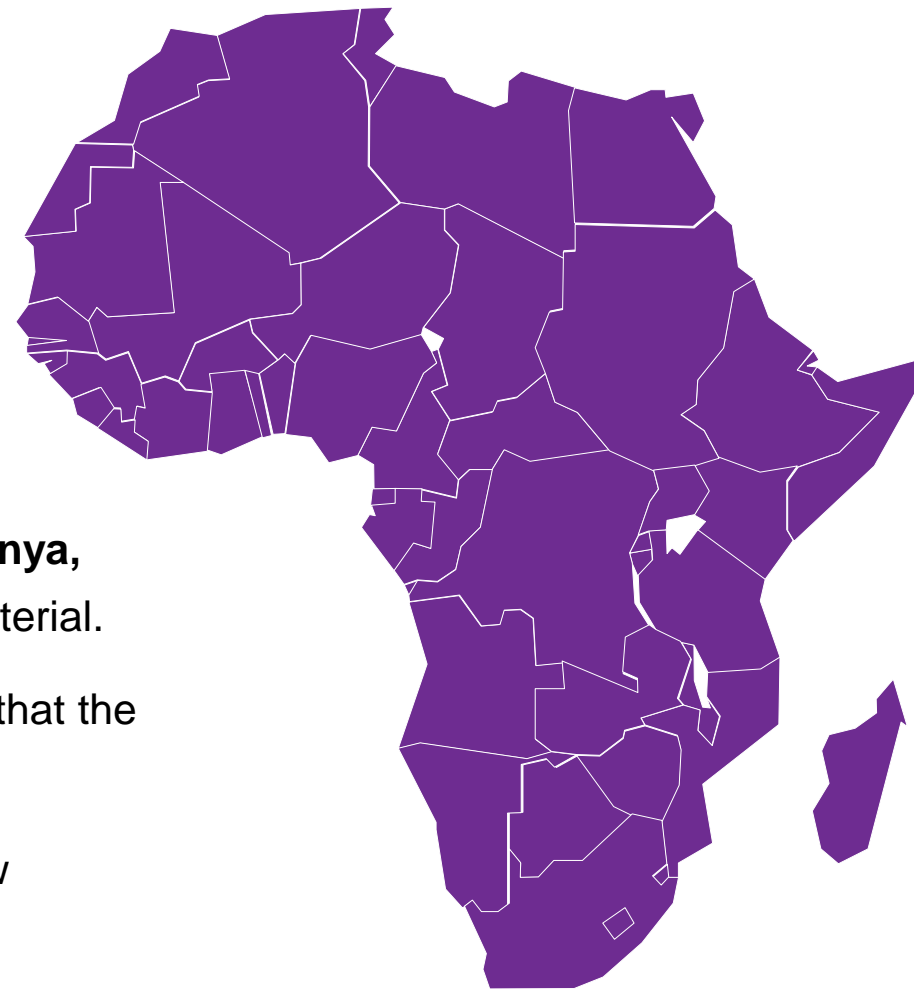
LinkedIn said it would shut down the localized version of its app in China following controversy over censorship. The company said in a statement that it is facing “a significantly more challenging operating environment and greater compliance requirements in China.”

- The International Energy Agency (IEA) said that the **global energy supply** crunch could boost oil demand by half a million barrels per day, worsening inflation.
- Crypto exchange **Coinbase** called for the creation of a dedicated cryptocurrency regulator.
- **Bitcoin** hit \$60,000 for the first time in six months, as traders grew confident that US regulators would approve the launch of an exchange-traded fund (ETF) based on its futures contracts.
- **Ikea** has become the latest retailer to warn on supply chain problems, saying that stock shortages were likely to last another year.
- Republican US Senators, led by Senator Marco Rubio (R-FL), called on the Biden Administration to blacklist **Honor**, a former unit **of Huawei**, for national security reasons.
- 10,000 **Deere** factory workers went on strike for the first time in 35 years over insufficient pay, pension and work rules in a proposed labor agreement.
- **Ford Motor Co** will temporarily suspend production at its Hermosillo plant in Mexico's Sonora state due to a shortage of materials.

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Africa

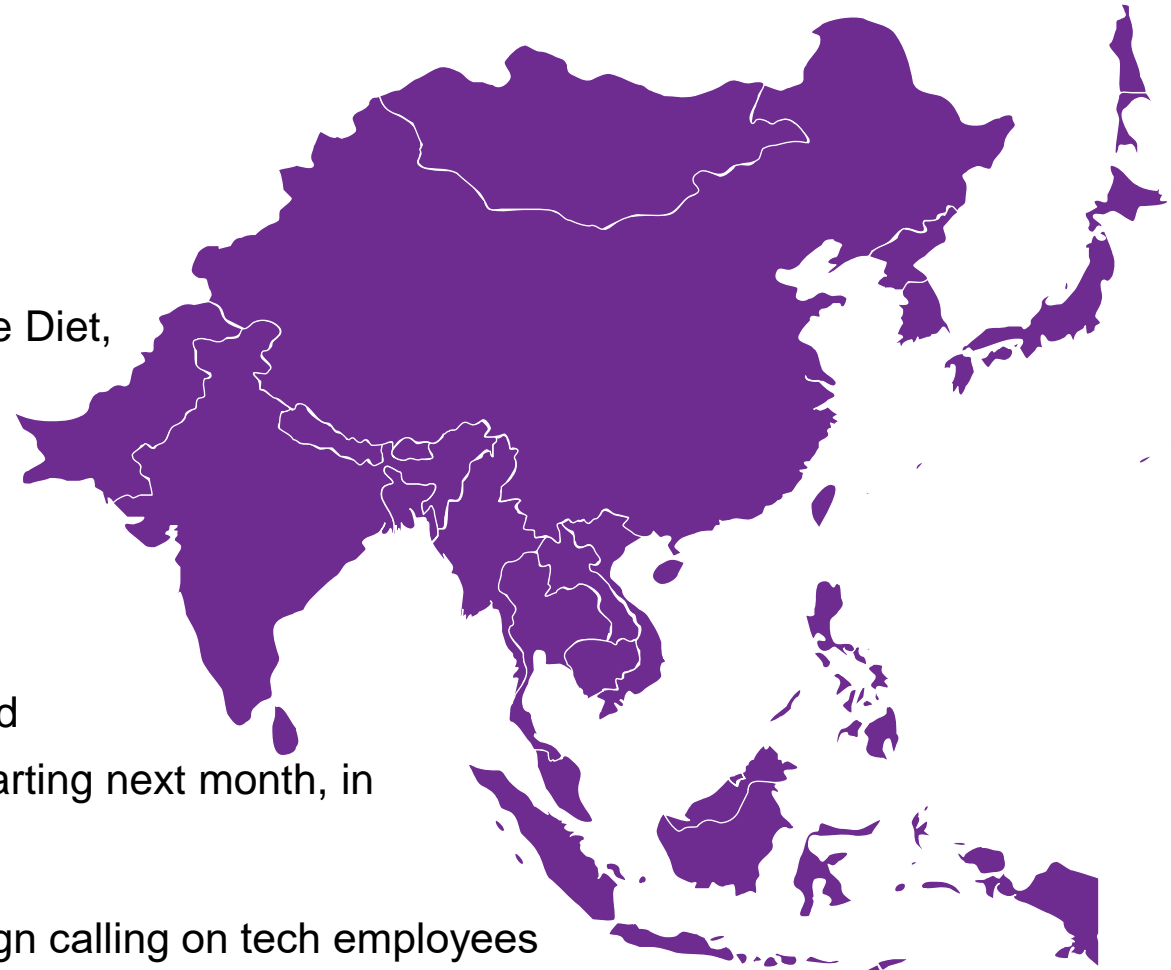
- President Biden told **Kenyan** President Kenyatta that the US would donate more than 17 million doses of the Johnson & Johnson vaccine to the African Union.
- A South African research group found that social media in **Ghana, Kenya, Senegal, Nigeria and Tanzania** is dominated by vaccine-hesitant material.
- The largest industry group for private business in **Zimbabwe** warned that the currency is near collapse.
- **South Africa** extended its health-related state of emergency amid low vaccination rates.



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Asia

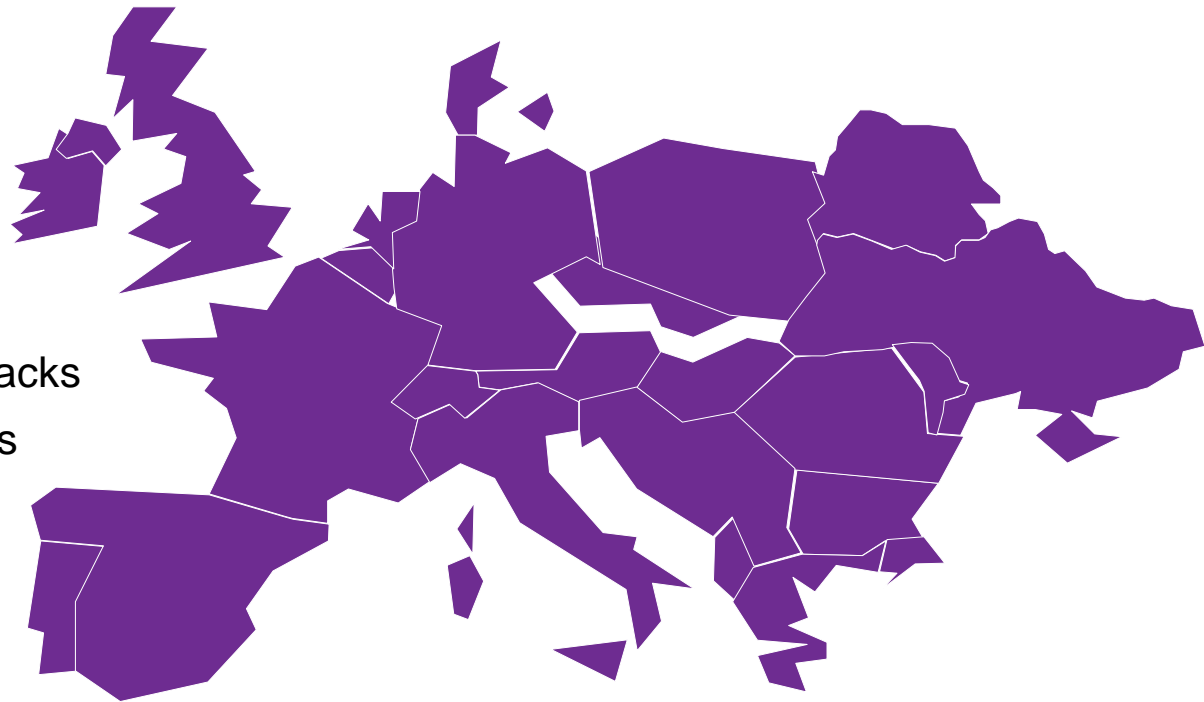
- **Japan's** new prime minister dissolved the lower house of the Diet, Japan's parliament, in preparation for October 31 legislative elections.
- **Hong Kong** suspended schools and the city's stock market cancelled morning trading due to typhoon Kompasu.
- **Thailand's** main COVID-19 task force approved plans to end quarantine for vaccinated travelers from certain countries starting next month, in a bid to revive the country's tourism sector.
- Netizens in **China** created a "*Workers Lives Matter*" campaign calling on tech employees to post their company name, position, and working hours on a GitHub open-source spreadsheet, in protest of "996" overwork culture; over 4,000 people had already posted their information by Thursday morning.



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Europe

- **Poland's** parliament passed legislation to legalize pushbacks of migrants across its borders, which human rights groups have criticized as a breach of international law.
- **Scottish** rail and trash workers voted to strike during the upcoming COP26 climate summit over pay disputes.
- The **Turkish** lira hit a new record low after President Erdogan dismissed two deputy central bank governors.
- Members of the **EU** are pressing Brussels to draft retaliatory measures in case the **UK** ends Brexit trade agreements with the EU.



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Europe

Russia on Friday reported a record high number of both new coronavirus cases and deaths, with 32,196 new coronavirus cases and 999 fatalities from COVID-19 yesterday. Health Minister Murashko has called on doctors who are self-isolating or even retired due to the pandemic to get vaccinated and return to work due to record increases in COVID-19 infections and deaths.

Russian Federation Situation

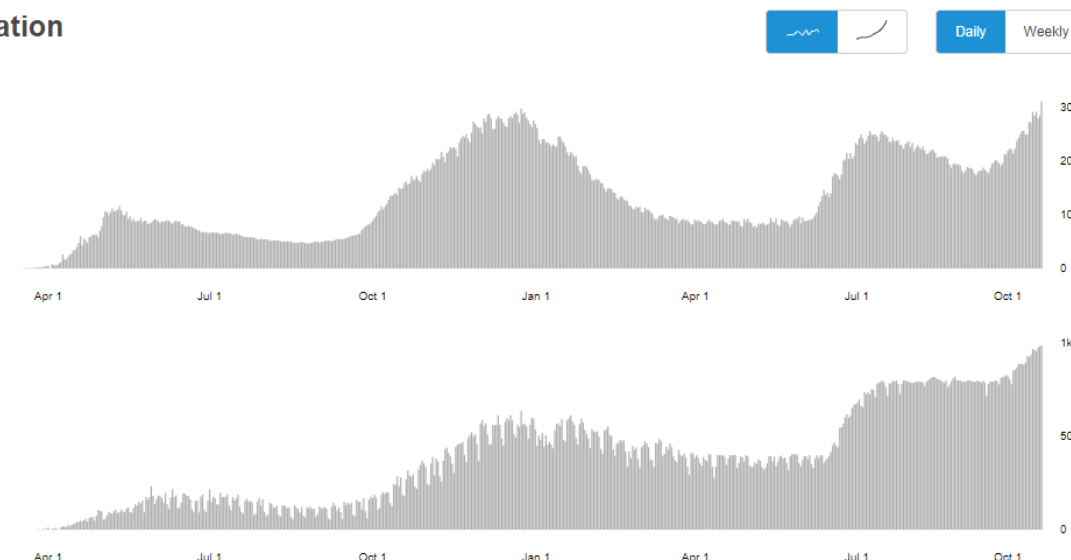
7,892,980

confirmed cases

220,315

deaths

Source: World Health Organization



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Middle East



- **Pakistan** International Airlines halted flights to Kabul, **Afghanistan**, citing the “*heavy-handedness*” of Taliban authorities.
- **Yemeni** security officials confirmed that clashes between Yemen’s government forces and Houthi rebels in Marib has killed 140 fighters this week, marking an intensification of fighting. A UN official warned that Yemen’s economy is collapsing and its conflict becoming more violent.
- Four months into one of its worst COVID-19 outbreaks, **Israel** is seeing a sharp drop in new infections and severe illness, aided by its use of vaccine boosters, vaccine passports and mask mandates.
- A large explosion tore through a Shi’ite mosque in the southern Afghan city of Kandahar during Friday prayers, causing heavy casualties. The blast, coming so soon after the Kunduz attack underlined the increasingly uncertain security in **Afghanistan** as Islamic State has stepped up operations.

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How do You Manage Risks?

The coronavirus pandemic has not just added a new layer of risk for business leaders to navigate, but has accelerated drivers of change, including disruptive technologies, political and economic realignments and cultural priorities on equality, justice and conservation, while increasing vulnerabilities that bad actors seek to exploit.

Dentons Intelligence and Security Services Group offers bespoke services to provide business leaders with the intelligence they need to understand and thrive in complex operating environments.

- ❖ due diligence and compliance investigations
- ❖ physical and cyber security assessments
- ❖ country and political risk assessments
- ❖ enterprise risk management and organizational resiliency advice
- ❖ crisis and incident response (physical security breaches and cyber incidents, insider threats and reputational impacts)

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

Americas

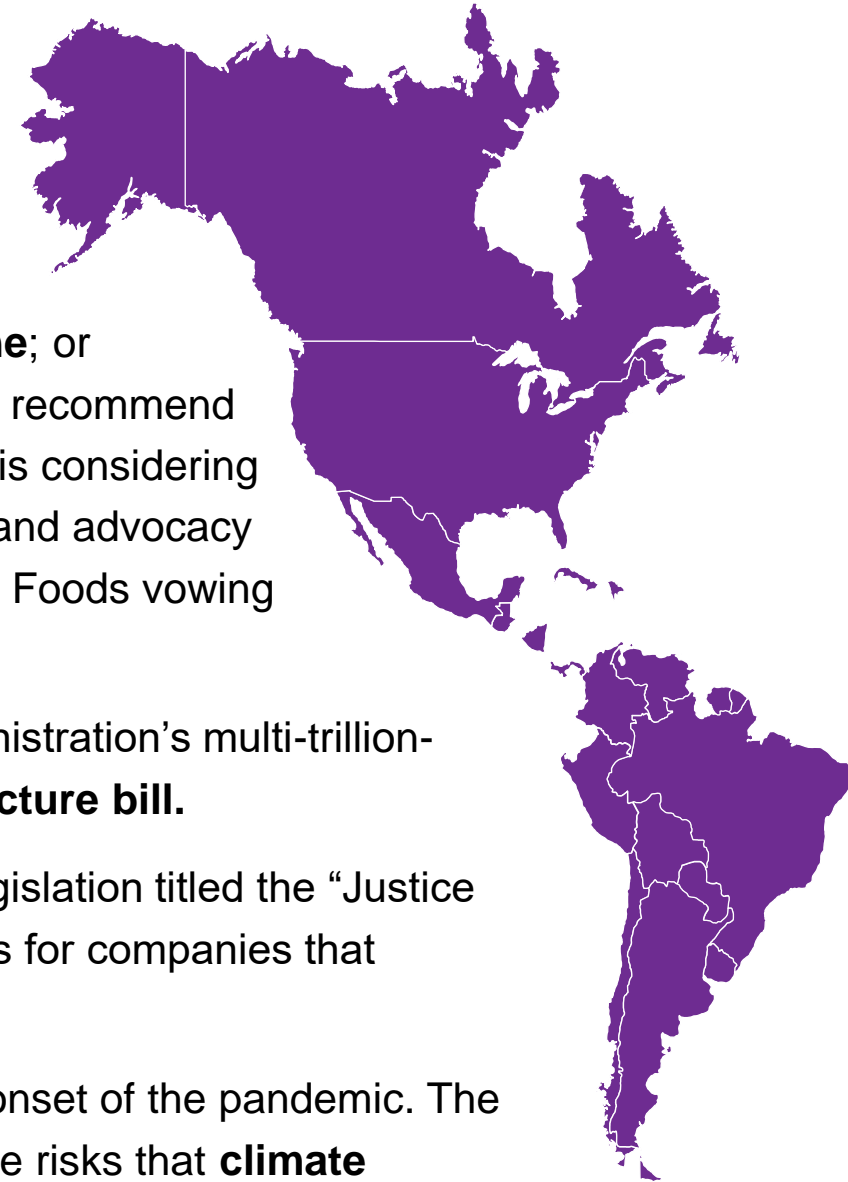
- **Venezuelan** opposition leader Freddy Guevara, freed from prison in August to take part in talks with the government, said in an interview Thursday that he sees a “*window of opportunity*” to hold free and fair elections.
- **Brazilian** President Bolsonaro said he now wants to privatize Petrobras, after frustration at being blamed for gasoline price rises.
- **Canada** has told the Biden administration it might limit **US** companies' ability to win Canadian procurement contracts if Washington brings in tougher "Buy American" rules.



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Americas: US

- Across the nation, 218 million have received at least one dose of the **vaccine**; or 65.6 percent of the total population. A panel of advisors to the FDA voted to recommend Moderna **booster shots** for Americans over the age of 65. President Biden is considering former **FDA** head Robert Califf to head to agency again. Religious leaders and advocacy groups are sending letters to companies including United Airlines and Tyson Foods vowing litigation if they improperly reject **religious exemption** requests.
- Senator Kyrsten Sinema (D-AZ) said she would not vote on the Biden Administration's multi-trillion-dollar **spending package** before Congress approves a **\$1 trillion infrastructure bill**.
- House Democrats are targeting websites' liability shield in a new piece of legislation titled the "Justice Against Malicious Algorithms Act," which will remove Section 230 protections for companies that **misuse algorithms**.
- New **US joblessness claims** fell below 300,000 for the first time since the onset of the pandemic. The White House released a report outlining projects to measure and address the risks that **climate change** poses to Americans and the economy, including programs to better incorporate climate threats into federal lending programs and budgeting processes.



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Economic Recovery, Diversification, and Competition in the Arabian Gulf

By Anni Coonan

While the growing friction between the UAE and Saudi Arabia is unlikely to “upend the GCC,” or Gulf Cooperation Council, as some analysts have argued, the economic jockeying is a look into a future where emerging economies will increasingly compete for non-oil economic share and foreign direct investment, occasionally putting them at odds with each other.

Last week, Expo 2020 - the UAE's frequently-delayed opportunity to host the global economic conference - kicked off in Dubai, with the goal of entrenching the UAE's status as a regional business and tech hub and establishing new economic partnerships. The event comes after several months of mounting tension in the economic sphere between the UAE and its close ally Saudi Arabia, made most evident in the public rift over production policy at OPEC+ over the summer.

Economic friction has grown between the two economies, both rentier states whose historic wealth has derived entirely from oil, as they both attempt to transition away from an energy-dependent economy towards a diversified market economy that can withstand the shock of the future transition away from fossil fuels. To do this, both countries are focusing on improving business conditions to

attract foreign direct investment as well as develop the existing non-oil economy. The UAE recently announced its “Projects of 50” plan, through which it plans to attract foreign investment totaling \$150 billion in the next nine years in ten key markets (last year, it attracted over \$20 billion), and is undertaking an ongoing overhaul of regulations to improve business conditions. Recently, the UAE, which like all Gulf countries has traditionally had strict immigration policies, announced a “Golden Visa” program intended to extend a path to citizenship for high-skilled foreigners for the first time. The UAE also moved to allow 100 percent foreign ownership of firms for the first time over the summer.

Many Saudi projects have focused on tourism, such as Crown Prince Mohammed bin Salman's high-profile passion projects at Neom City, religious tourism, already a significant source of

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Economic Recovery, Diversification, and Competition in the Arabian Gulf

of revenue, and efforts to promote the Kingdom as a Western destination (prior to the pandemic, the Kingdom ran a global “Visit Saudi” campaign). Saudi Arabia, like the UAE, has also moved to foster a high-tech knowledge economy by establishing several state-funded tech and startup accelerators and incubators. Other economic initiatives have put - or appeared to put - the Kingdom in direct competition with its neighbors. Last winter, Riyadh unveiled “Project HQ,” which requires companies operating in the Kingdom to establish a regional headquarters in the Kingdom, leading to worry that Saudi Arabia would require multinationals to abandon their Dubai offices. Later this year, Saudi Arabia moved several Saudi-funded Arabic-language newspapers from Dubai to Riyadh, apparently seeking to shift the Arabic media hub away from the UAE. Most recently, Saudi Arabia announced that imports from free zones, a major source of Gulf trade, or linked to Israel would be excluded from a preferential tariff agreement with neighboring Gulf Arab countries, a move read by some as penalizing the UAE for its growing partnership with Israel.

Rising economic competition also comes as international observers see growing daylight between the two monarchies on foreign policy.

Whereas for the majority of the last decade, the UAE and Saudi Arabia have moved essentially in tandem - leading the Quartet of Arab countries opposing Qatar in the Gulf rift, opposing President Obama’s Iran nuclear deal and normalization with Iran in general, jointly participating in the Saudi-led coalition against the Houthis in Yemen - in recent years, their respective foreign policies have diverged some. The first crack, for many, was the UAE’s withdrawal from the Saudi-led coalition in Yemen; most notably, however, the UAE last year chose to normalize relations with Israel, moving away from the historic Arab position of land-for-peace to capitalize on the economic and diplomatic benefits of Arab-Israeli normalization. Saudi Arabia, whose king is also the Custodian of the Two Holy Mosques of Islam, is unlikely to take this step in the near future. Another area of divergence is the UAE’s attempts to defuse tensions somewhat with regional rivals Iran and Turkey, largely spurred by the Biden Administration’s much-touted pivot to Asia and a stated desire to pursue apolitical regional economic development; while Saudi Arabia has also made moves to defuse regional tensions, including ongoing talks with Iran and tacitly tolerating Arab-Israeli normalization, the UAE’s foreign policy doctrine of recent years - avoiding thorny historical issues in the name of regional

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Economic Recovery, Diversification, and Competition in the Arabian Gulf

harmony and economic progress - does not align perfectly with Saudi Arabia's, whose rivalry with Iran is more central and whose older leadership remains more committed to the once-unequivocal Palestinian cause.

Despite these differences, analysis assessing that the UAE and Saudi Arabia are weakening the GCC or are due for a major rift is overstated. The two historic allies still share similar threat perceptions, including interest in curtailing Iranian proxy behavior and preventing the spread of Islamist democratic groups, and ultimately desire the same thing - that the Arabian Gulf evolve from an oil-dependent rentier region to a high-tech financial hub. While some of these prospects are zero sum - Abu Dhabi and Riyadh cannot both be regional air travel hubs, even with enormous increases in tourism and business travel - others are not: domestic investment in tech accelerators, strengthening the regional educational environment, and improving regional ease-of-doing-business have the potential to benefit the entire GCC. Businesses operating in this environment, for example, will still need to stay apprised of changing local regulations such as headquarters

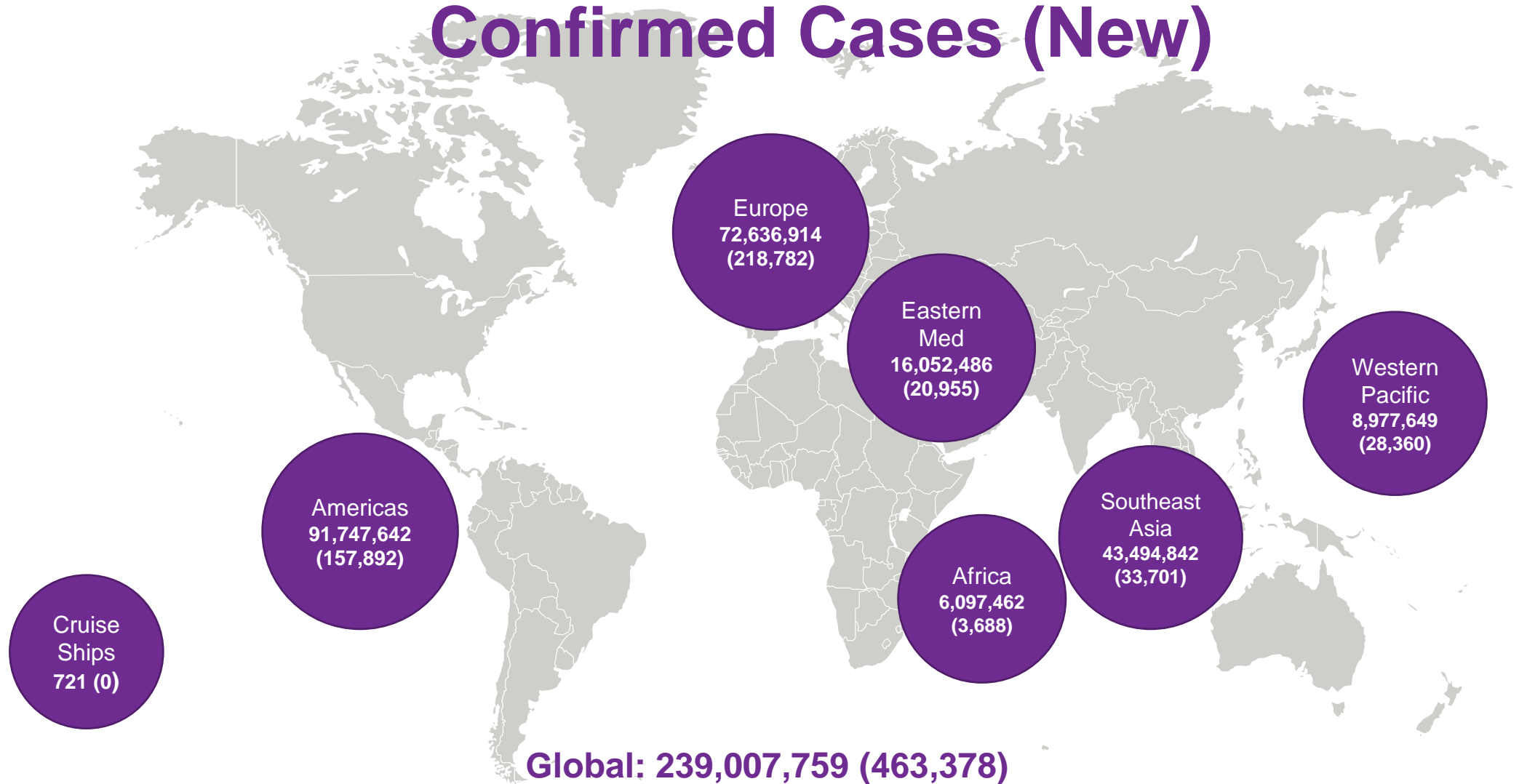
requirements and local content laws; on the other hand, multinationals operating across the Gulf need not worry that operating in both countries will result in reputational risks like the kind that may have been a factor during the more acrimonious Gulf-Qatar dispute. As such, economic competition - even in the high-stakes arena of OPEC+ agreements - is not the relationship death knell that it has occasionally been characterized as, and despite continuing differences of opinion, the UAE and Saudi Arabia remain more aligned than not.

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Coronavirus Condition Updates

As of 5:08 pm CEST on October 14, 2021

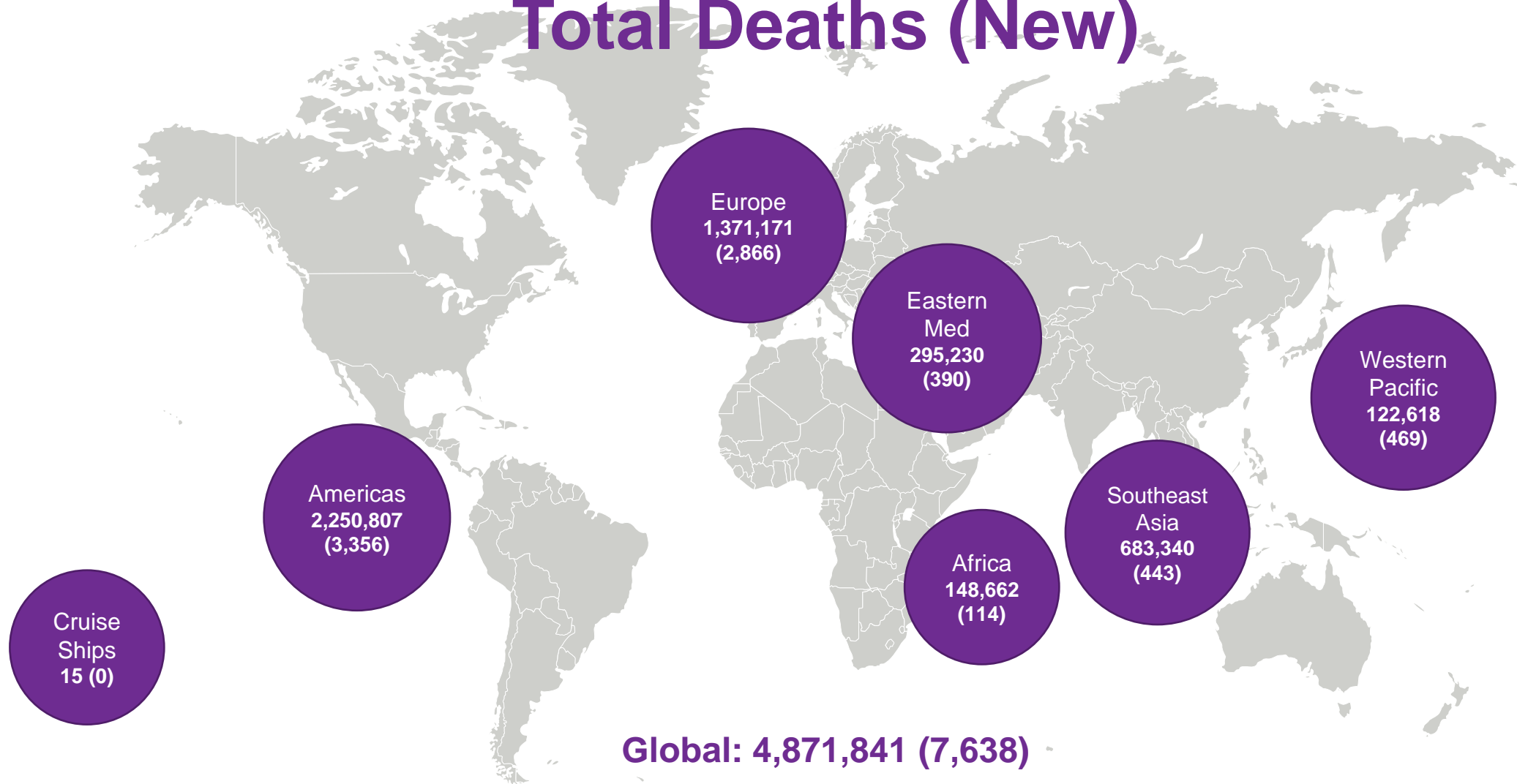
Confirmed Cases (New)



Reflects data as of 5:08 pm CEST on October 14, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:08 pm CEST on October 14, 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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