

Dentons Flashpoint

Daily Global Situation Report

October 29, 2021

Global Situation Update: October 29, 2021

KEY TAKEAWAYS

US President Biden announces a new framework agreement for his embattled \$1.85 trillion 10-year spending plan.

Taiwan's President Tsai Ying-wen confirms the presence of some US troops on the island in a training capacity.

South Korea takes its first steps toward a "living with COVID" strategy, leaving China as the sole "COVID-zero" holdout in the world.

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

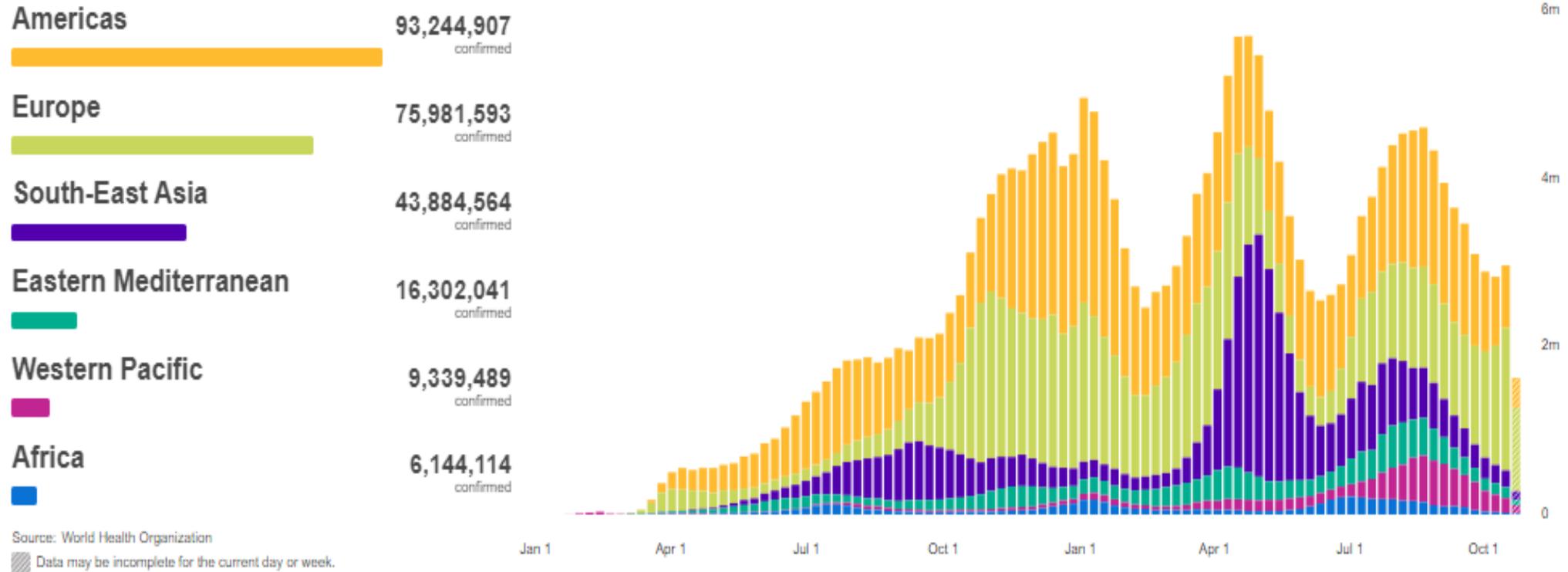
Today, protests continue to spread across Ecuador with the road blockades in nine of the country's 24 provinces. Trade unionists, Indigenous people, and farmers are striking to protest fuel price hikes, blocking main roads and calling for a price freeze. President Lasso, a conservative ex-banker who took office in May, announced a 12 percent increase in fuel prices last Friday that triggered the demonstrations.

Shrinking fuel subsidies would help Ecuador obtain loans from the International Monetary Fund, but almost half of the population lives in poverty, which was made worse by the coronavirus pandemic and economic fallout. The president has called for dialogue with the protestors, but he is headed to Glasgow for the global COP26 summit this weekend and is also increasingly unpopular because he has refused twice to appear before legislators to explain findings from the Pandora Papers. Protests are expected to continue.



Global

Globally, confirmed coronavirus cases topped 244.8 million with 4.9 million deaths; almost 6.7 billion vaccine doses have been administered.



Source: WHO

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Global

More than 100 world leaders, alongside thousands of diplomats and business leaders, are set to arrive in Glasgow this Sunday for the beginning of COP26.

- Climate change is set to dominate the agenda of this weekend's **G20 meeting** in Rome, as many world leaders will head straight to COP26 in Glasgow afterwards. The G20 meeting will present a final opportunity to reconcile differences on issues such as phasing out coal among the world's biggest economies, which together account for some 80% of global emissions.
- The WHO said it would come to a decision on **Merck's** antiviral drug and the **Bharat Biotech** vaccine in coming weeks.

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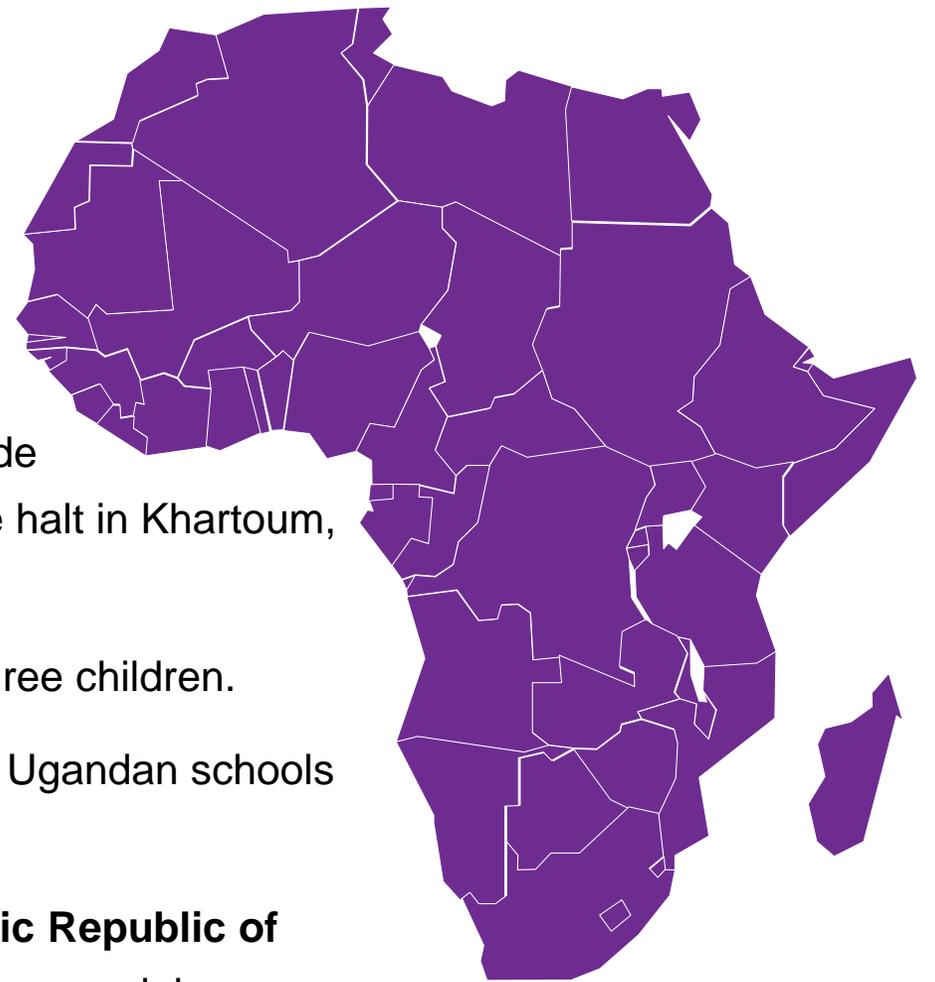
Markets & Business

The Nasdaq hit a record high on Thursday, boosted by gains from Apple and Amazon stocks ahead of their quarterly earnings announcement.

- **Facebook** changed its parent company name to “**Meta**,” reflecting the increased focus on the metaverse.
- **Sweetgreen’s** public filing showed that the restaurant chain has lost money every year since 2014, contradicting prior company statements to reporters.
- **Hershey's** forecast record Halloween candy sales.
- **Amazon** posted its slowest revenues in six years and forecast continued headwinds posed by enduring logistic issues.

Africa

- The UN Security Council called on **Sudan's** military to restore the civilian-led transitional government and immediately release all those detained in the takeover. Sudanese citizens participated in a nationwide civil disobedience, resulting in economic activity coming to a complete halt in Khartoum, and the protester death toll rising to 11.
- New air strikes hit the capital of the **Ethiopian Tigray** region, killing three children.
- The reopening of in-person instruction in **Uganda** was delayed again; Ugandan schools have been closed for over 77 weeks due to the coronavirus.
- The EU suspended funding for the WHO's programs in the **Democratic Republic of Congo** due to concerns about the agency's handling of a sexual abuse scandal.



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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.

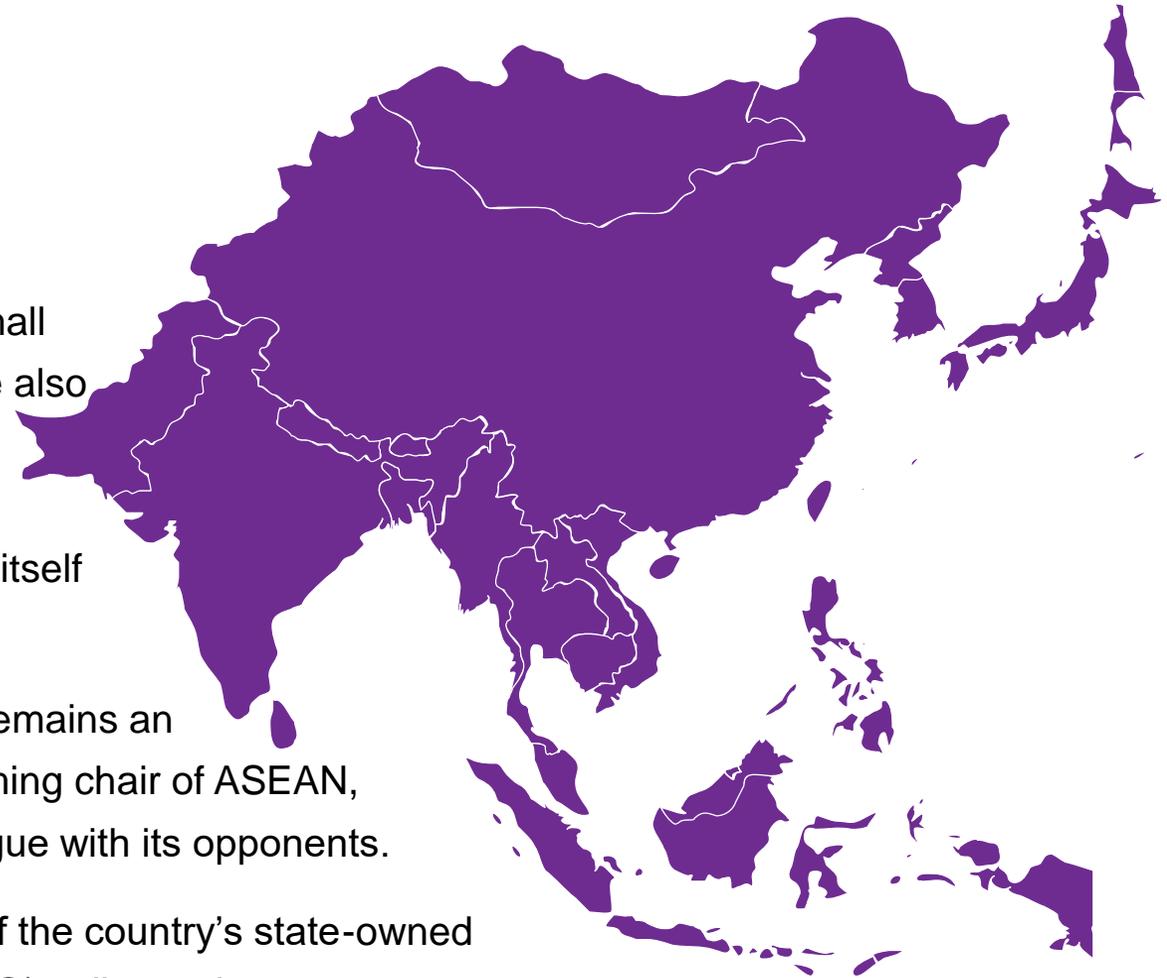
Dentons Intelligence and Security Services Group offers bespoke services to provide business leaders with the intelligence they need to understand and thrive in complex operating environments.

- ❖ 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](#).

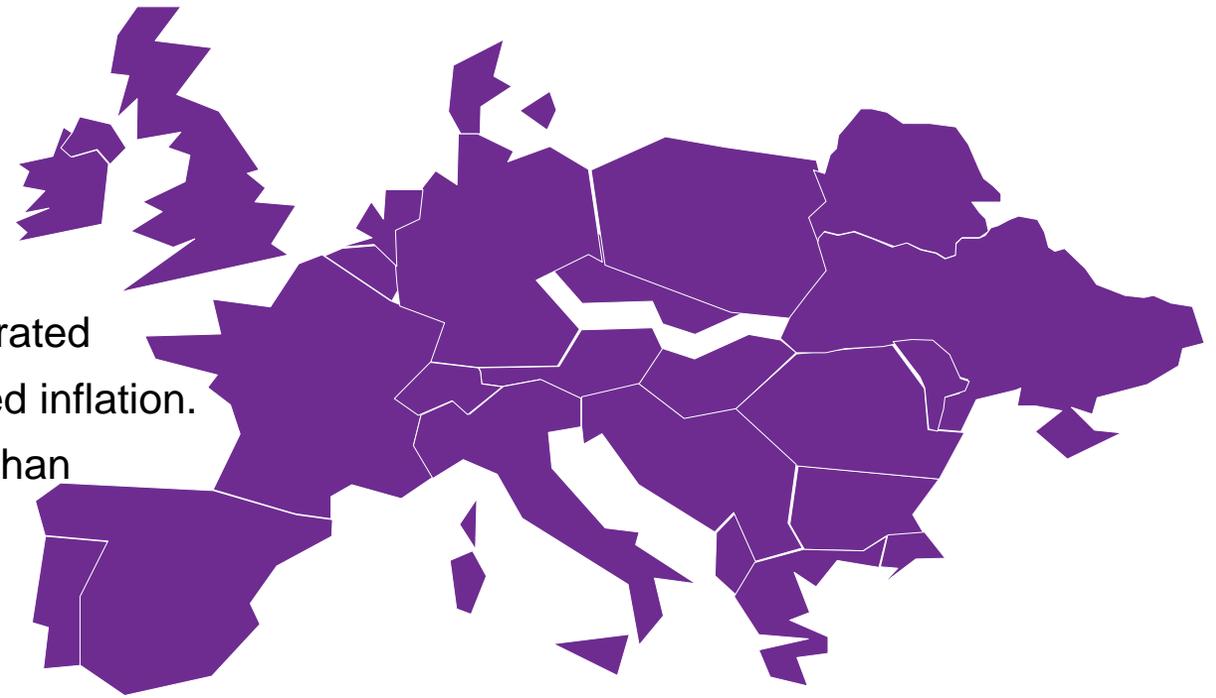
Asia

- **Taiwanese** President Tsai Ying-wen confirmed to CNN that a small number of US troops are on the island for training purposes; she also said she has “faith” that the US would come to the island’s aid against a Chinese military attack. The top US representative in Taiwan described the US commitment to helping Taiwan defend itself “rock-solid.”
- ASEAN’s outgoing chair, Brunei, said Thursday that **Myanmar** remains an “*integral part*” of the Southeast Asian bloc. **Cambodia**, the incoming chair of ASEAN, said it will continue pressuring Myanmar’s military to open dialogue with its opponents.
- **China’s** Vice-minister for Commerce pushed back on criticism of the country’s state-owned operations leveled at last week’s World Trade Organization (WTO) policy review.
- **China** placed a third city, Heihe, under lockdown due to a small COVID-19 outbreak. **South Korea** eased its first COVID-19 curbs, its first steps away from the restrictive “COVID-zero” strategy.



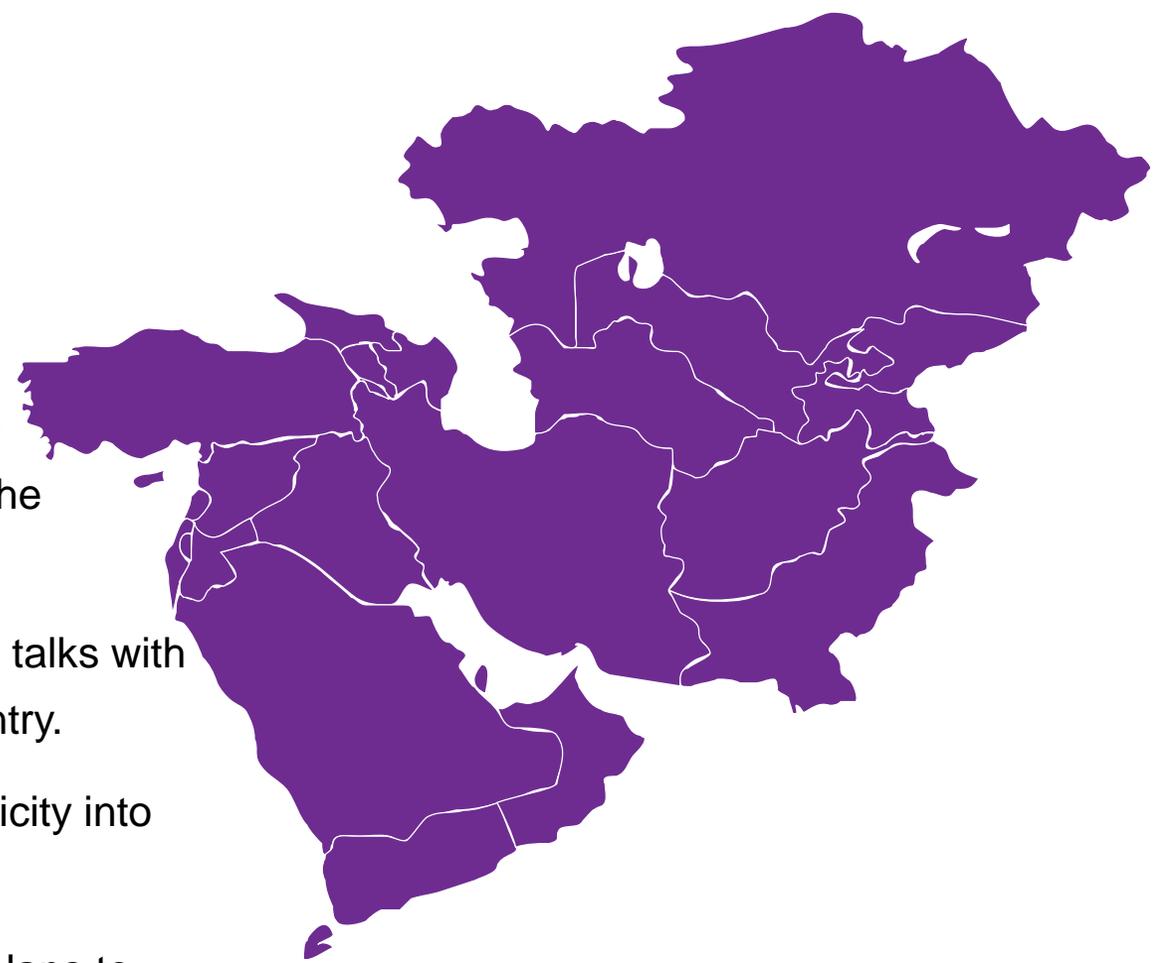
Europe

- **Eurozone** economic activity grew 2.2% in Q3, an accelerated pace based on reopenings that is threatened by continued inflation. The German and Spanish economies grew more slowly than expected while Italy and France led the growth.
- The **UK** is set to remove the final seven countries from its travel “red list,” eliminating most travel restrictions on visitors.
- The **UK** summoned the French ambassador amid rising fishing rights tensions.
- The **Bank of England** is considering requiring banks to hold extra capital to cover risks from climate change.
- A **Russian** national appeared in a US court on Thursday after being extradited from South Korea for his alleged role in a cybercriminal organization.



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Middle East

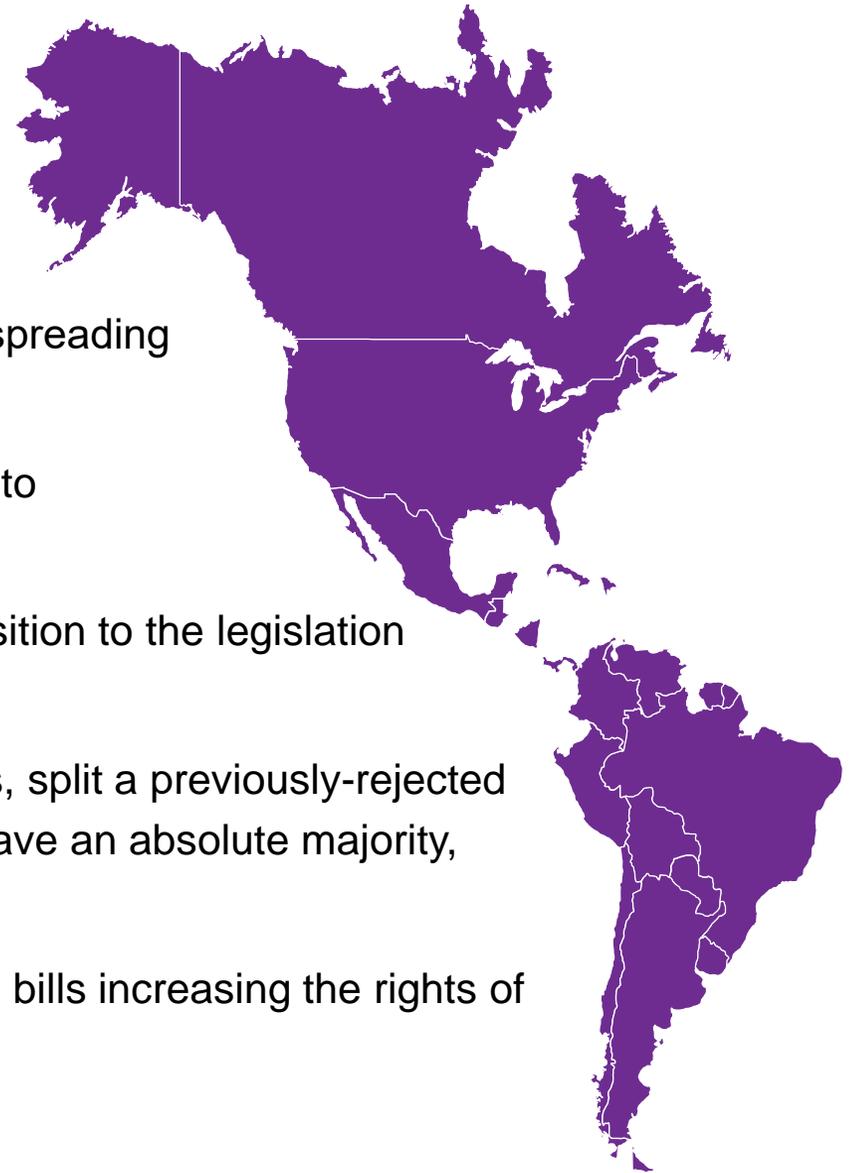


- **Saudi Arabia's** Future Investment Initiative, which wrapped up on Thursday, drew over 1,000 participants, including some prominent US business leaders who previously had avoided the event following the killing of Jamal Khashoggi.
- **Saudi Arabia's** investment minister said the government is in talks with several carmakers about setting up manufacturing in the country.
- **Lebanon, Syria** and **Jordan** reached a deal to transfer electricity into Lebanon amid the country's energy crisis.
- Germany led 11 European countries in condemning **Israel's** plans to construct 3,000 new settler homes in Palestinian territory in the **West Bank**.

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Americas

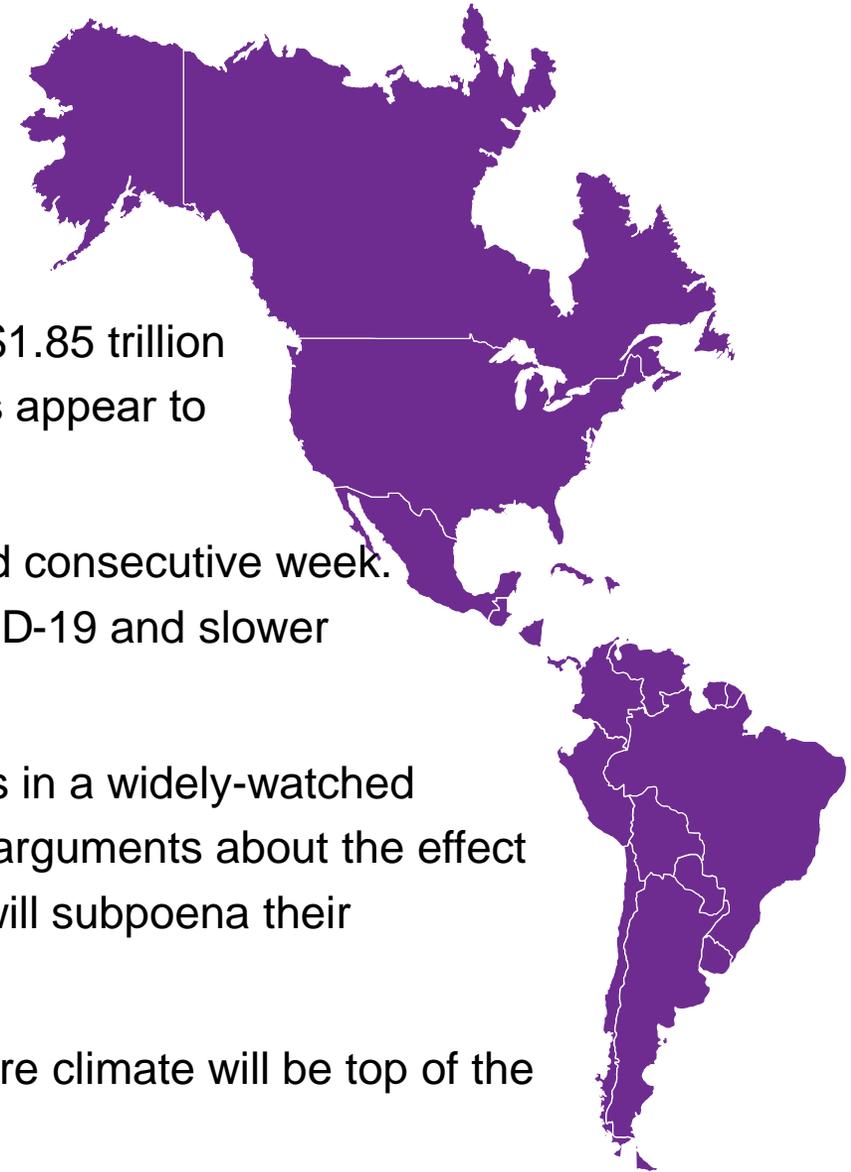
- A **Brazilian** Supreme Court justice said that Brazilian authorities will not tolerate fake news in next year's election, and that any individuals found spreading fake news could face prison and be banned from running.
- **Mexico's** state oil company Pemex reported a \$3.8 billion loss in Q3 due to increased tax burden and exchange losses on a weak peso.
- The board overseeing **Puerto Rico's** bankruptcy agreed to drop its opposition to the legislation enacted last year authorizing the country to raise new debt.
- **Ecuador's** president, currently facing persistent anti-government protests, split a previously-rejected tax reform bill into three and sent it to his Congress, where he does not have an absolute majority, calling for its urgent passage.
- In the wake of recent protests, **Cuba's** National Assembly passed several bills increasing the rights of those accused of crimes.



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Americas: US

- President Biden announced a framework agreement for his embattled \$1.85 trillion **10-year spending plan**, calling the bill a “consensus” even as divisions appear to remain between left-leaning and centrist Democrats.
- **New unemployment claims** dropped to a new pandemic low for a third consecutive week. US economic growth slowed considerably in Q3 due to resurgent COVID-19 and slower consumer spending.
- House members questioned **oil executives** over climate change claims in a widely-watched hearing ahead of COP26; the executives largely defended their earlier arguments about the effect of oil on climate change while House Democrats announced that they will subpoena their companies for internal scientific assessments.
- President Biden will meet with **Pope Francis** in Vatican City today, where climate will be top of the agenda.



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A Stalemate in Venezuela

Contributed by Kevin Hulbert, Senior Adviser to Dentons

Wither Venezuela? The depth of the economic crisis in Venezuela is staggering. The oil-rich nation was once, not too long ago, one of the best and most vibrant economies in all of Latin America. But gross missteps on economic policy and the relentless pursuit of a deeply socialist agenda over the last 22 years, first under the rule of Hugo Chavez (1999-2013), and now under Nicolas Maduro (2013-Present), have bankrupted the country while simultaneously crushing any hopes of economic growth.

Hyperinflation runs rampant and inflation was estimated by independent sources as high as 80,000% in 2018. While most people in developed countries cannot even fathom the impact of such a high inflation rate, what it means in effect is that the economy is completely broken, the national currency almost worthless, and businesses are shutting down rather than trying to survive in a chaotic economic system that doesn't function. The whirlpool of declining economic fortunes continues and with no end in sight. And all of this economic malaise in a country that has some of the largest petroleum reserves in the world.

There was a glimmer of hope in early 2019 when a fragmented Venezuelan opposition rallied around a young opposition politician named Juan Guaidó who declared himself the legitimate acting

President and was then quickly recognized by the United States, Canada, Europe, and many/most other countries. However, Russia, China, Iran, and Turkey continued to support Maduro. The excitement over Guaidó quickly waned in country and he was outmaneuvered at every turn by the Maduro administration.

What happens now and what implications might this have for western business interests? Unfortunately, nothing is likely to change in the foreseeable future. Alex Saab, a Colombian businessman and the principal financier for the Maduro government, was extradited on 16 October to the US on money laundering charges. It remains to be seen what impact this will have on official finances in Caracas. Maduro remains firmly entrenched in power and he has no intention of stepping aside, despite any amount of international pressure. There

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are four main things keeping Maduro in power: 1) A fragmented political opposition in Venezuela; 2) Cuban Advisors; 3) the Venezuelan military; and 4) Russia and China.

As to this first point, the opposition in Venezuela is fragmented and they have had a difficult time coalescing around one candidate who captures the hearts and minds of the Venezuelan people and absent one strong leader to rally around, the opposition to Maduro never seems to gain the sort of serious traction within Venezuela that the police state in Venezuela can't infiltrate and overwhelm (please also see the "Cuban Advisors" section, immediately below).

The Cubans are an important subplot in the Venezuelan situation. Like Venezuela, the socialist Cuban economy is a complete disaster, but after the Soviet Union stepped aside as Cuba's primary benefactor, Venezuela then governed under President Chavez, stepped in. Venezuela has given Cuba billions of dollars in aid every year over the last twenty years and as such, the Cubans are adamantly against any change in the status quo in Venezuela that might turn off the money spigot. Venezuela is their economic lifeline. To secure and preserve their "favored nation" status, Cuba has sent thousands of "advisors" to Venezuela and with the acquiescence of the Venezuelans, the

Cubans have completely infiltrated Venezuelan institutions to include the police, military, and intelligence services. While the Cubans are failures at almost everything economically, the one thing the Cubans do know how to do is to run a tightly controlled police state that crushes any political opposition. The hidden Cuban support and guidance to Venezuela has been a critical factor in the ability of Maduro to stay in power.

The Venezuelan military has never wavered and they stand solidly behind the Maduro regime. The typical choreography for regime changes during the Arab Spring, for example, went like this: Protests against bad economic conditions and bad leadership grew and grew and then the political leadership called out the police and the military to put down the protests. This usually worked for a while until one day the protests got so big that the country's president told the military to step in and to disperse the crowds by whatever means necessary. The military then balked at firing on unarmed citizens and the end for the ruling government was near once they lost control of the military. In the case of Venezuela, Maduro has played his hand deftly, telling the Generals that if there was regime change and a new government was in place closely aligned with the US, then they would all be going to jail as everyone knew they had been running a criminal enterprise

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narco-state for years and that the Venezuelan military was the lead actor in these efforts. As a consequence, the Venezuelan military has decided to stand by Maduro.

Neither Russia nor China have moved to change this situation. Why? Because they are owed, by some estimates, \$100 billion by Venezuela and they worry that a new government with close US ties might decide as one of their first orders of business to default on their foreign loans. As such, Russia and China have been Maduro's strongest backers.

And to those four, we could probably add a fifth: Disinterest by the United States to "fix" Venezuelan politics. Although it remains possible (though increasingly unlikely) that some US sanctions may be loosened under the Biden administration, Venezuela's overall economic isolation will continue for the foreseeable future. The US under successive administrations has declined to become more deeply involved in Venezuelan politics, feeling that the problems in Venezuela are theirs to fix. Given how President Biden is highly focused on his own domestic agenda, he probably does not want to take on the Venezuela challenge (for more on US policy towards Venezuela, see the October 28 Edition of Dentons Flashpoint). In the

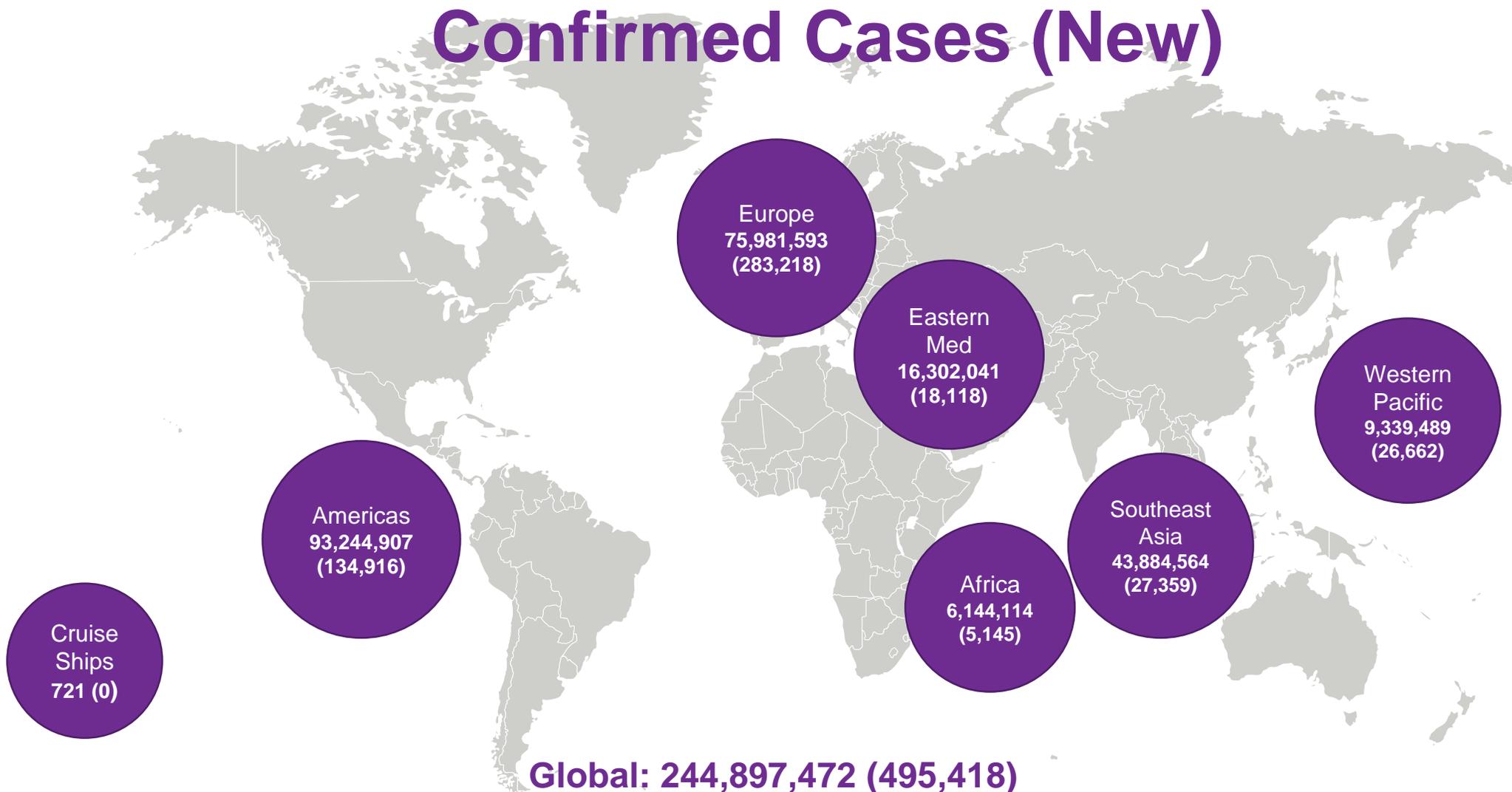
end, with more actors on the side of the equation working to maintain the status quo and to keep Maduro in power, it is difficult to see room for change in Venezuela in the near future.

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Coronavirus Condition Updates

As of 3:40 pm CEST on October 28, 2021

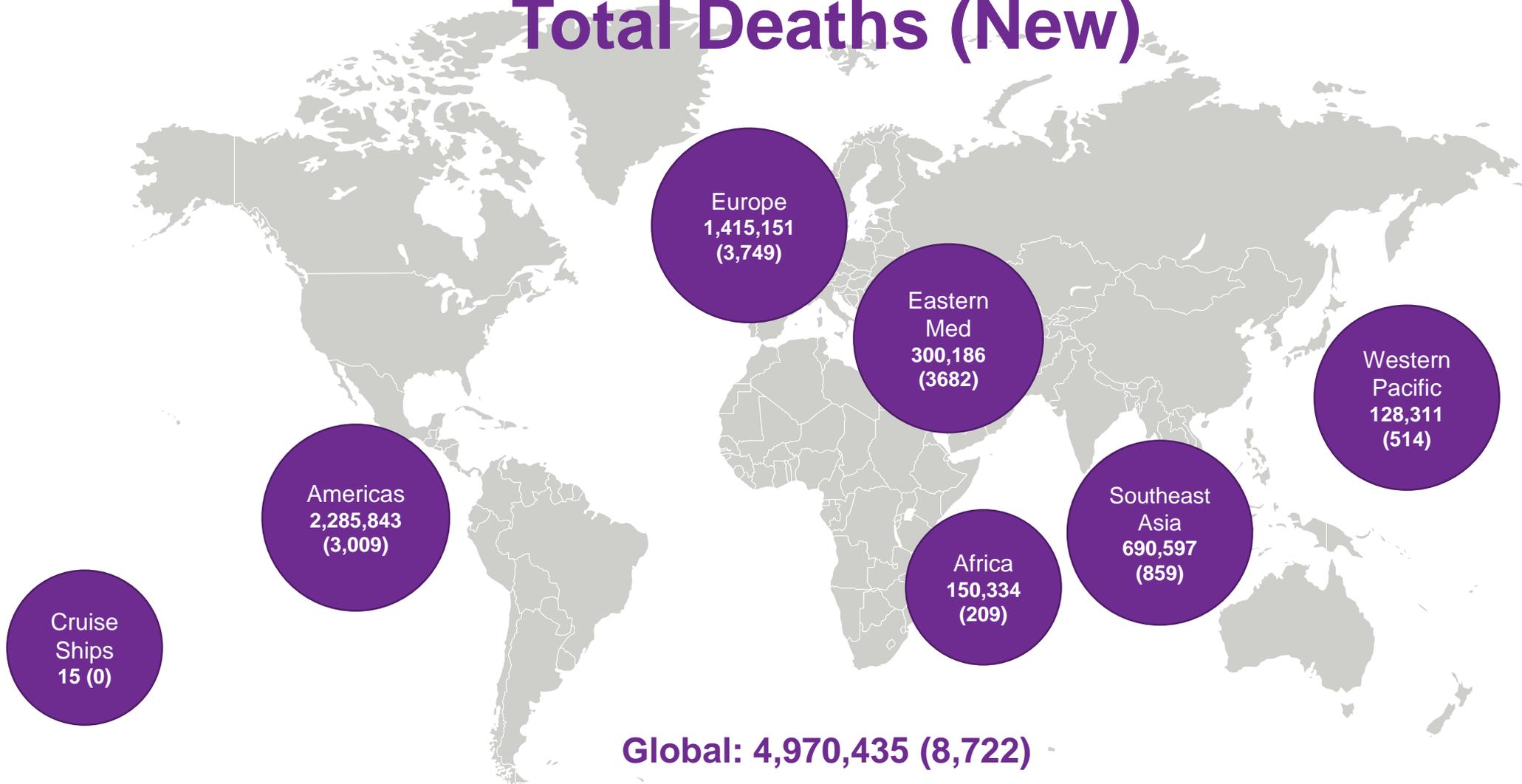
Confirmed Cases (New)



Reflects data as of 3:40 pm CEST on October 28, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 3:40 pm CEST on October 28, 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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