

Dentons Flashpoint

Daily Global Situation Report

January 4, 2022

Global Situation Update: January 4, 2022

KEY TAKEAWAYS

At the UN, the P5 issued a statement agreeing that a further spread of nuclear arms and a nuclear war should be avoided.

Apple Inc became the first company with a \$3 trillion stock market value.

The Omicron outbreaks in South Africa and London show signs of peaking.

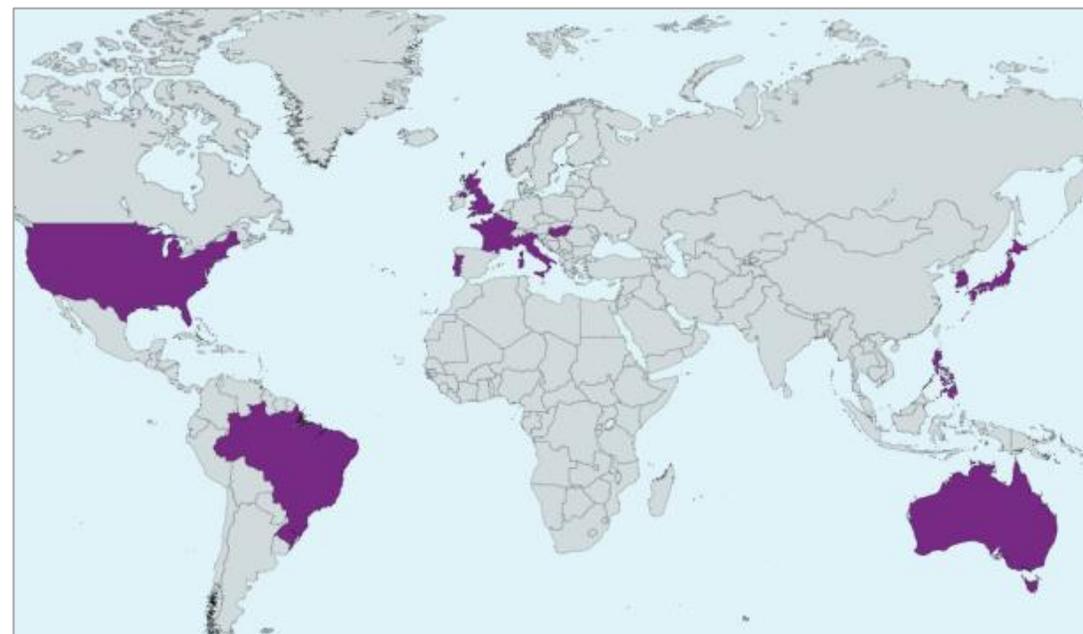
Global Situation Update: January 4, 2022

WHAT WE'RE WATCHING

Italy's presidential election kicks off a year of important elections worldwide. Today, a start date for the vote will be announced. Current Prime Minister Mario Draghi is the frontrunner and at stake is the pace of economic and social reforms to address the pandemic, climate change, immigration, and more.

Other key elections in 2022 include:

- Portuguese legislative elections (Jan)
- South Korean presidential election (Mar)
- Hungarian parliamentary election (Apr)
- French presidential election (Apr)
- Australian parliamentary election (May)
- Northern Ireland Assembly election (May)
- Philippines presidential election (May)
- French legislative elections (Jun)
- Japan house of councilors election (Jul)
- Brazil general elections (Oct)
- US midterm election (Nov)



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Global

Confirmed coronavirus cases topped 292.5 million with 5.4 million deaths; almost 8.7 billion vaccine doses have been administered.

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

Our World
in Data

LINEAR LOG



Source: Johns Hopkins University CSSE COVID-19 Data

CC BY

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

大成 DENTONS

Global

Covax delivered over 309 million coronavirus vaccine doses in December, a dramatic year end increase for the global vaccine-sharing initiative, bring the total for the year to 910 million doses, short of the 2 billion dose goal.

- South Africa appears to have passed the **peak of its Omicron variant**-driven fourth coronavirus wave. The relatively swift passage may not be a good model for northern countries in winter conditions where respiratory infections tend to occur more frequently.
- A key part of the **immune system's second-line defense** - its T cells - are highly effective at recognizing and attacking the Omicron variant, thereby preventing most infections from progressing to critical illness, a new study shows.
- Germany wants to use its presidency of the **Group of Seven (G7)** for 2022 to support the economic recovery from the COVID-19 pandemic and strengthen efforts to improve climate protection.
- China, Russia, Britain, the US and France issued a P5 statement agreeing that that a further **spread of nuclear arms and a nuclear war** should be avoided. The statement comes as bilateral relations between the Washington and Moscow have fallen to their lowest point since the end of the Cold War.

Markets & Business

AT&T and Verizon have agreed to further delay the rollout of 5G wireless services in the US after additional consultation with regulators on the potential interference with aviation safety.

- **JPMorgan Chase & Co** will permit working from home for the first two weeks of 2022, with a caveat that all employees are expected to return to office no later than February 1. **Bank of America Corp** is encouraging employees to work remotely in the first week of January. **Goldman Sachs Group Inc** has asked employees and visitors to its US offices to get COVID-19 booster shots, starting February.
- **Apple Inc** became the first company with a \$3 trillion stock market value.
- **Starbucks Corp** will require its US workers to be fully vaccinated against COVID-19 or undergo weekly testing in order to comply with new federal mandates.
- **China Evergrande Group's** problems deepened following a demolition order from authorities in the southern Chinese island of Hainan amid an investigation into the legality of a major project's planning permits. Investors protested outside the cash-strapped company's offices in Guangzhou on Tuesday, with many worried that their returns would be sacrificed to keep real estate projects afloat.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

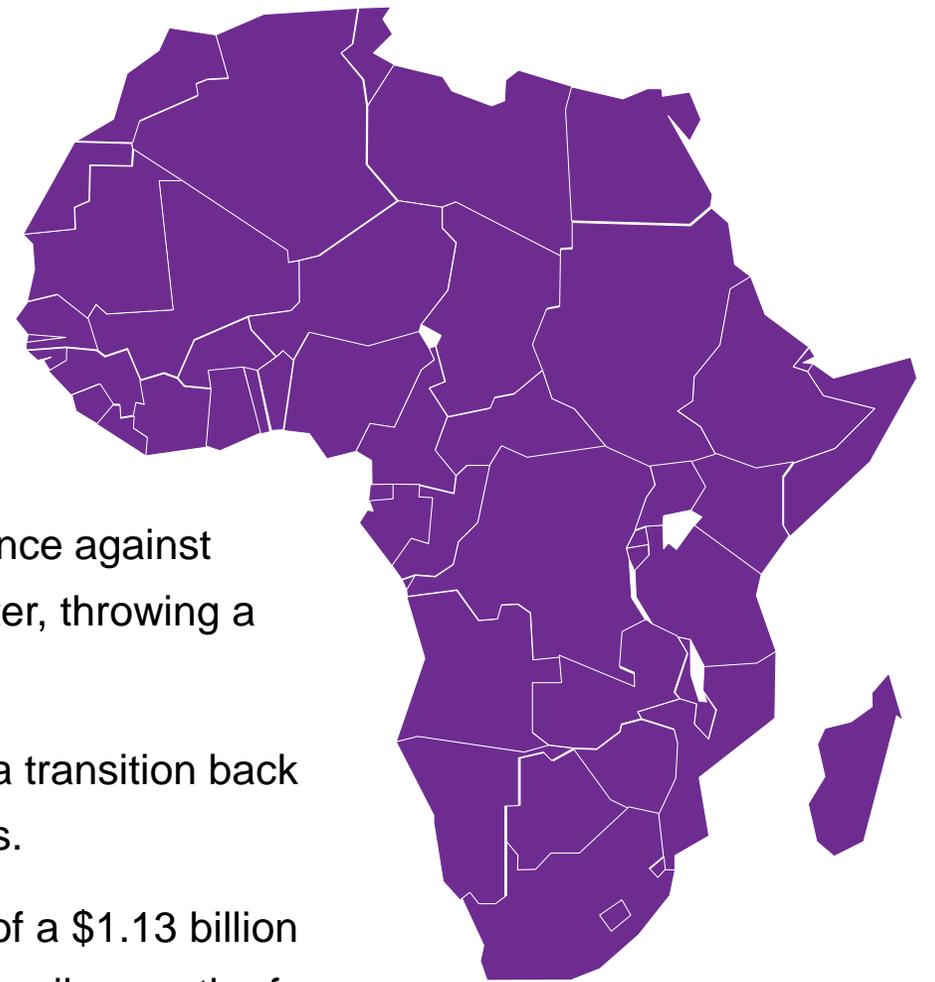
Environment, Sustainability & Governance

Germany has shut three of its last six nuclear power stations as it moves towards completing its withdrawal from nuclear power as it turns its focus to renewables.

- A South African high court blocked Shell from conducting **seismic testing offshore** from South Africa's pristine Wild Coast, in the latest ruling in a case seeking to prevent the oil major from exploring for oil and gas. Environmentalists argue seismic blasting is harmful to marine animals, especially migrating whales.
- Dyson's Malaysian supplier ATA IMS Bhd will work with the national human rights institution to improve its **environmental, labor and social and governance practices**, the parts maker announced.
- **Deforestation** last year rose to the highest level since 2015 in Brazil's Cerrado, prompting scientists to raise alarm over the state of the world's most species-rich savanna, a major carbon sink that helps to stave off climate change.

Africa

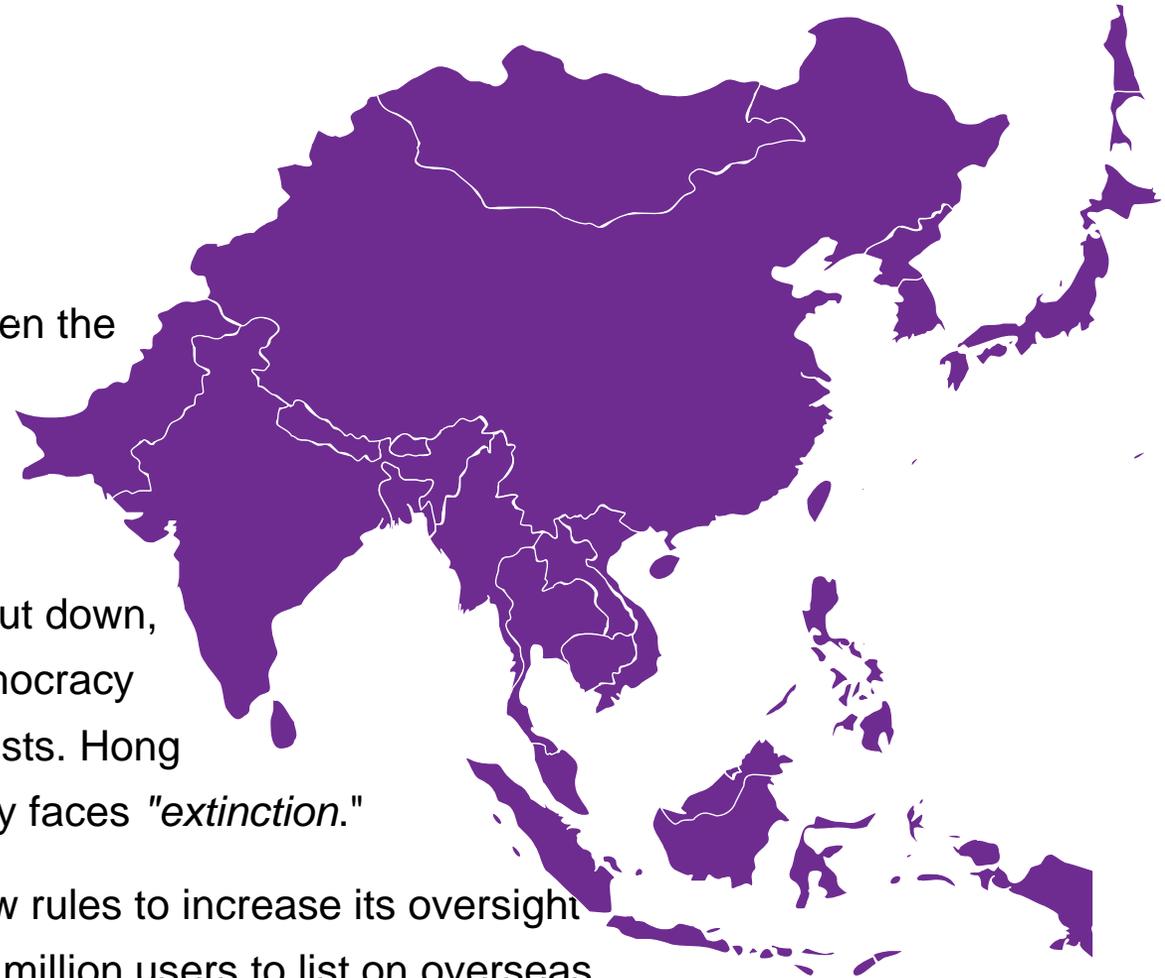
- **South Africa** has lifted a midnight to 4 am curfew on people's movement, believing the country has passed the peak of its fourth COVID-19 wave.
- The **US** urged **Sudanese** leaders to ensure civilian rule and end violence against anti-military protesters after Abdalla Hamdok resigned as prime minister, throwing a transition towards elections deeper into uncertainty.
- **Mali's** interim authorities proposed to its West African neighbors that a transition back to democracy following a 2020 military coup be extended by five years.
- **Senegal** President Sall laid the foundation stone for the construction of a \$1.13 billion deep-water port being developed by DP World at Ndayane, around 31 miles south of the capital Dakar. DP World Dakar, a joint venture between the Dubai-based logistics provider and the Port Authority of Dakar, is the country's biggest private investment.



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Asia

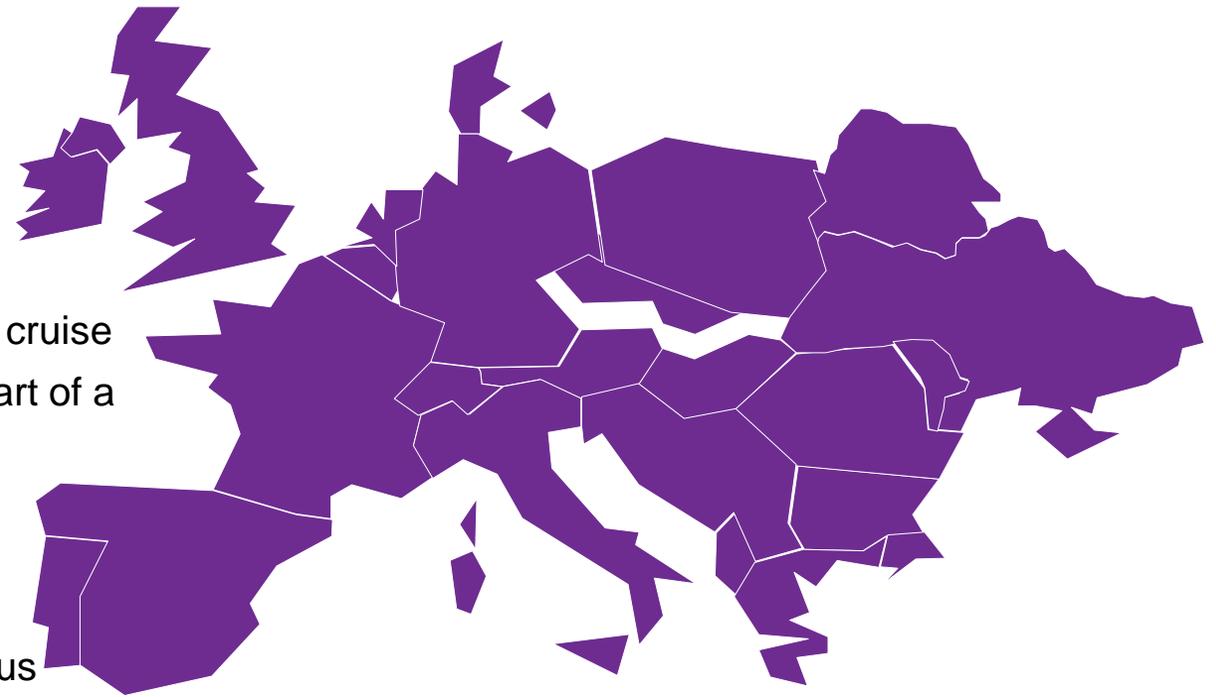
- **Australia's** government is pushing ahead with plans to reopen the economy even as new infections hit record highs, citing the milder impact of the Omicron strain. Testing sites are seeing long lines and shortages.
- **Hong Kong** independent online publication Citizen News shut down, saying its decision was triggered by the closure of a pro-democracy media outlet last week following a police raid and seven arrests. Hong Kong leader Carrie Lam denied that press freedom in the city faces "*extinction*."
- The Cyberspace Administration of **China** will put in force new rules to increase its oversight of plans by Chinese platform firms with data on more than 1 million users to list on overseas stock markets in the latest move to tighten its grip on its technology sector.
- Delhi officials are set to impose citywide weekend curfews to combat a surge in coronavirus infections in **India's** capital state.



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

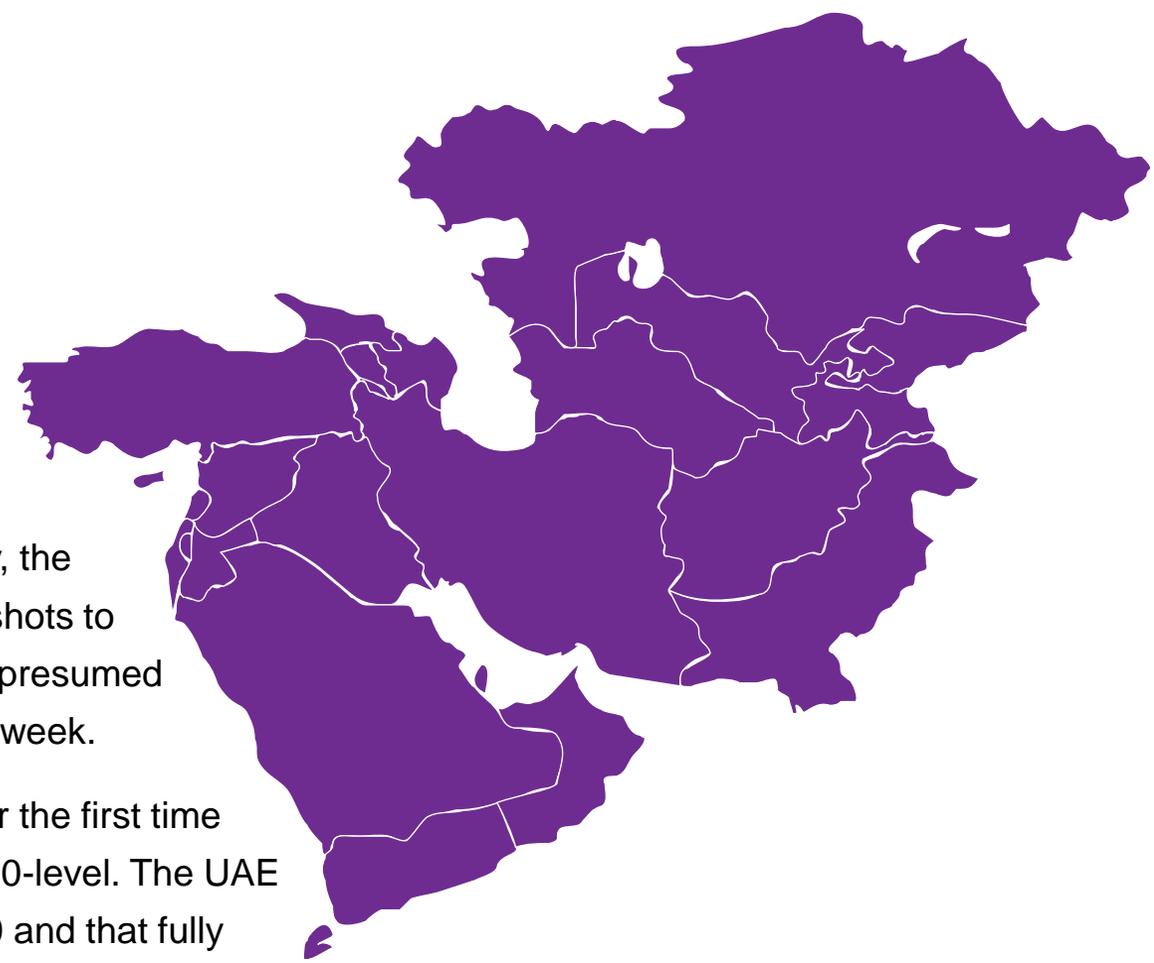
Europe

- **Russia** test-fired around 10 new Tsirkon (Zircon) hypersonic cruise missiles from a frigate and two more from a submarine, as part of a new generation of arms systems.
- More than 4,400 migrants, including at least 205 children, were lost at sea trying to reach **Spain** in 2021, a monitoring group reported - more than double the figure from the previous year.
- **France** became the sixth country in the world to report more than 10 million COVID-19 infections, joining the **US, India, Brazil, Britain and Russia**. Some lawmakers in France have received death threats amid debate over a proposed law that would impose further restrictions on unvaccinated people.
- In the **Netherlands**, riot police broke up a crowd of several thousand who had gathered in Amsterdam to protest against COVID-19 lockdown measures and vaccinations.
- The spread of Omicron among adults in London may have “plateaued”, according to a leading **UK** epidemiologist.



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Middle East



- **Russian** jets bombed areas near the northwestern **Syrian** city of Idlib on Sunday, witnesses and rebel sources said, marking a new year flare-up for the last opposition-held bastion.
- A surge of Omicron infections could see **Israel** reaching herd immunity, the country's top health official assessed. Israel has started giving fourth shots to 60-plus as a booster against Omicron. Israel will admit foreigners with presumed COVID-19 immunity from countries deemed medium-risk starting next week.
- Daily coronavirus cases in **Saudi Arabia** have climbed above 1,000 for the first time since August, while daily infections in the **UAE** haven crossed the 2,500-level. The UAE will ban non-vaccinated citizens from traveling abroad from January 10 and that fully vaccinated citizens will also require a booster shot to be eligible to travel.
- Two armed drones were shot down on Monday as they approached an **Iraqi** military base hosting **US** forces near Baghdad's international airport. The attack came as **Iran** and its allies in Iraq marked the second anniversary of the assassination of top Iranian general Qassem Soleimani. Iranian President Raisi said that former US President Trump must face trial for the killing or Tehran would take revenge.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Americas

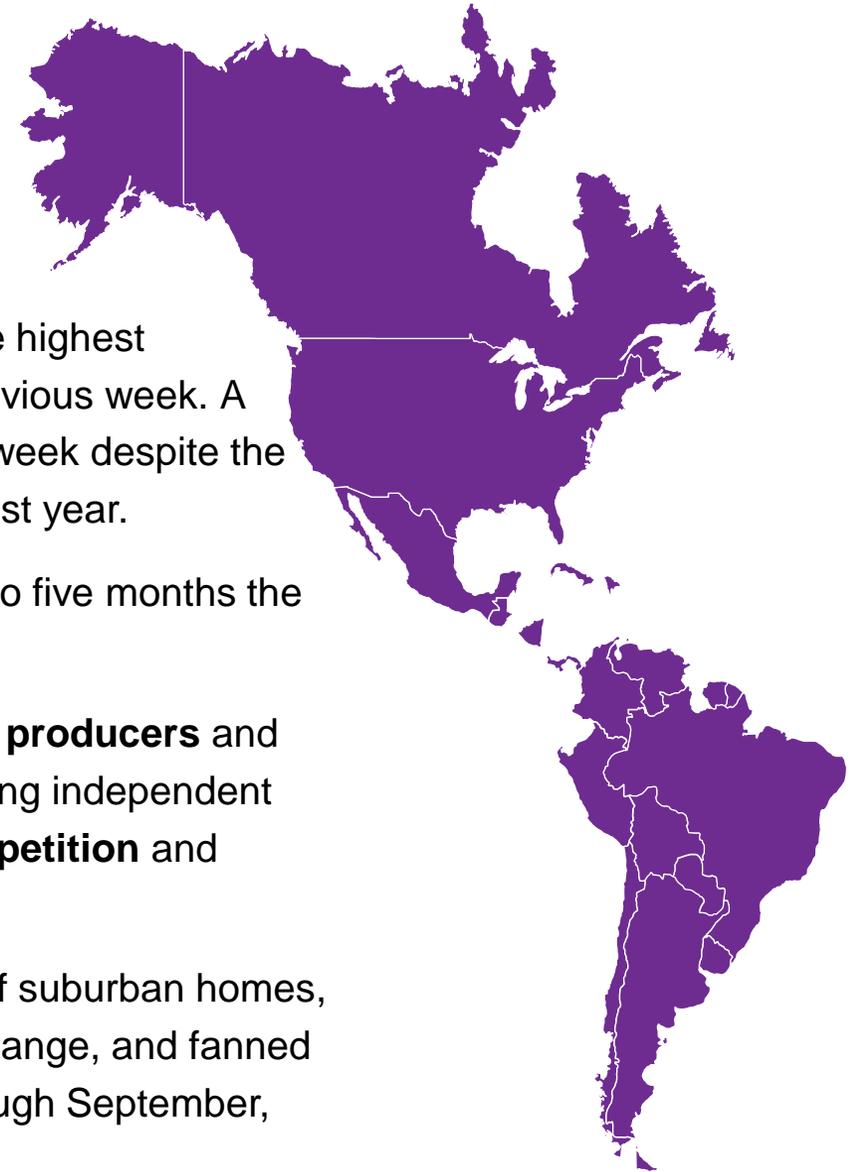


- **South America** is now the most vaccinated region in the world, with 63.3 percent of the population fully inoculated. Epidemiologists point to several factors to explain the speedy vaccination drive, the most important, being decades of successful inoculation campaigns and high trust.
- **Panama** authorities arrested a former member of the **Colombian** military wanted for questioning in connection with the assassination last year of **Haiti** President Moise. Mario Antonio Palacios was being deported from **Jamaica** to Colombia and was detained during a stopover.
- Gunmen unsuccessfully attempted to assassinate **Haitian** Prime Minister Ariel Henry during an event on Saturday commemorating the Caribbean country's independence.
- **Peru** has ended 2021 with inflation of 6.43 percent, the highest rate in 13 years and well above the upper end of the central bank's target. Inflation has been driven up by were driven by higher food, fuel, transportation and energy prices in 2021.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Americas: US

- More than 103,000 Americans were **hospitalized** with COVID-19 on Monday, the highest number since late summer Delta variant surge and a 27 percent rise from the previous week. A majority of **schools** across the country are reopening for in-person learning this week despite the Omicron surge, seeking to avoid the disruptions that remote education inflicted last year.
- The FDA authorized Pfizer **booster shots** for 12-to-15-year-olds and shortened to five months the time required between the second dose of the vaccine and a booster.
- The Biden Administration is tightening “Made in America” labelling rules for **meat producers** and offering \$1 billion in financial incentives, including grants, to bolster capacity among independent meat processors, in order to expand the **domestic supply chain, increase competition** and counter one of the causes of high inflation.
- The **destructive wildfire** in Boulder County, Colorado, which burned hundreds of suburban homes, was fueled by an extreme set of atmospheric conditions, intensified by climate change, and fanned by a violent windstorm. The fire came outside the normal fire season of May through September, precursor by a historic lack of snowfall.



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

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](#).

Top Six Global Risks for Business in 2022

As we ring in the New Year and plan for success, we should expect 2022 to bring the now familiar rapid change as humanity reacts and responds – and leapfrogs – into new realities. Changes in technology will drive new opportunities and risks. Our globalized world will make sure what happens on Main Street spreads to the four corners of the world. Business leaders will have their hands full in 2022 making decisions to lead their companies in new direction in this complex and transforming world.

We have identified top global risks not just to help keep you awake at night, but to increase your operational awareness and ability to plan for knowable risks.

Top Six Global Risks for Business in 2022

Next COVID-19 Variant

- The hope in 2021 that **COVID-19 vaccines and herd immunity** would stop the spread of the pandemic, or render it an endemic, did not materialize because inequitable access to vaccines, vaccine resistance and the emergence of new variants whose spread outpaced the rate of vaccination.
- In 2022, these conditions will persist, with pockets of the unvaccinated becoming Petrie dishes **enabling new strains of the SARS-CoV-2 virus to emerge**. The Omicron variant demonstrated that viruses can spread at a rate faster than governments can respond with restrictions on access and movement and science mitigate against with new vaccines and boosters, meaning that risk will remain elevated for global health from the next iteration of the pandemic.
- The pandemic's impact is broad and multifaceted, impacting all aspects of human interaction. For businesses, it will impact **business continuity, workforce resiliency, operational security and business performance**. Shifting government policies and regulations to mitigate against negative impacts risks putting businesses on their heels, reacting – or worse, falling into inaction – rather than charting through with strategic planning to leverage new opportunities as they emerge.
- In 2022, more workers will fall ill with COVID-19, and the impact of long COVID will become more evident, putting acute pressure on public health systems, with increasing demands that businesses expand support to so-called COVID long-haulers, for **workplace accommodations and assistance with disability claims**.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Top Six Global Risks for Business in 2022

Uneven Economic Recovery

- Many **economic forecasts for 2022 are bullish**, assessing that the global economy will recover, and the pandemic will have a diminishing impact on economies and markets. Supply chain bottle necks will clear by mid-year and inflationary pressures will ease. These positive forecasts assume that new vaccines and drugs will be released, leading to strong cyclical recover, a return to global mobility and a release of pent-up demand. Morgan Stanley economists project 4.7 percent global GDP growth in 2022.
- There are some risks that **supply shortages could turn into gluts**, with restored supply chains release backlogs not absorbed by demand. Predicting cycles in the **oil market** is always dangerous. There are conflicting forecasts, with the US Energy Information Agency foreseeing a drop of Brent crude oil to sixty-six dollars per barrel by this time next year, while many private-sector analysts are betting on a prolonged price spike.
- **China may be an important outlier for recovery.** Over the past decade, China has driven about 30 percent of global growth. In 2022, China is facing significant headwinds. The World Bank cut its 2022 forecast from 5.4 percent to 5.1 percent, which would mark the second slowest pace of growth for China since 1990. China's "zero-tolerance" approach to COVID-19 results in broad-based and longer lasting restrictions which causes disruptions to economic activity. Chinese government sweeping regulatory actions have triggered sizable layoffs. Regulatory action against property firms carrying too much debt has led to a real estate slump, with major developers on the brink of collapse; real estate accounts for almost a third of China's GDP.
- The World Bank warns that to spur sustainable growth, China will **need to rebalance its economy** to let markets and the private sector — rather than state leadership and regulation — play a greater role, steps which run counter to President Xi's current approach.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Top Six Global Risks for Business in 2022

Impact of Climate Change

- Climate change is no longer an over the horizon risk. The impacts are clearly being felt in **extreme weather events and nature disasters**. Killer heat waves, devastating floods and droughts, destructive wildfires are occurring more frequently and in all regions of the world. Climate change is increasing food insecurity, with food prices reaching records high, triggering social unrest. It is also driving irregular migration, from Africa and the Middle East into Europe and from South America north.
- Extreme weather not only puts people at risk, but the **cost of doing business is** increasing from vulnerability assessments, mitigation efforts, incident recovery and costly insurance premiums. However, the costs of not being ready by mapping vulnerabilities and developing climate response and recovery plans will be even greater. Companies may need to further diversify supply chains and create redundancy, and phased relocation of physical assets to lower-risk areas.
- Climate change is influencing politics, economic policy and infrastructure and capital investments. With the EU in the lead, governments are adopting regulations to compel their economies to become more sustainable. As more regulations go into effect in 2022, companies will need to align their operations to fall into compliance. **Compliance will become increasingly complex** because of emerging divergent standards.
- Beyond operational risks, in 2022, companies will **face increased reputation risks** from perceptions of “falling short” on environment and sustainability commitments and disclosures. Company released data will be scrutinized for accuracy, homing in on unsupported claims or attempts at greenwashing. There is a growing expectation from investors and stakeholders for clear and auditable metrics to monitor performance.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Top Six Global Risks for Business in 2022

Elevated Cyber Attacks and Internet Restrictions

- The cyber domain is the wild west, with no internationally accepted rules of the road. For businesses, this necessitates survival by good intelligence, strong security protocols, agile responses to emerging threats and mature mediation and recovery capabilities. **Businesses cannot expect central governments to protect them**, as more bad actors take advantage of the high reward/low risk of cybercrime.
- Western governments have named cyber as a top national security threat, but the fight is still in early days. In 2022, law enforcement and intelligence agencies will focus more resources on strategic cyber threats, especially state-backed groups in Russia, China, North Korea and Iran. The proliferation of state-level capabilities to non-state actors, a **growing commercial market for sales of cyber weapons and expanding cybercriminal marketplace on the dark web** mean attribution of attacks will become increasingly difficult.
- **Ransomware operations** are certain to expand, and even if companies pay, they risk having their data sold on the dark web for other predators to exploit. With the easy availability of hacking tools, **hacktivists** will also have the means to steal data with the intent of harming reputation and forcing companies to address their agenda. 2021 was a bad year for cyber security; 2022 will be worse.
- **Insider cyber threats** will increase as employees leave during the great resignation, but often temporarily retain access to the networks of organizations and proprietary data. Disgruntled or desperate employees may sell network access or secrets to cyber criminals or carry out insider attacks on behalf of hackers that promise lucrative rewards.
- On the other end of the continuum, data privacy and data ownership norms will continue to be contested. **State-led efforts to control information** available on the internet will benefit from new tools to shut down entire systems, block providers and assert ownership or control over data that companies consider proprietary will continue.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Top Six Global Risks for Business in 2022

Great Power Competition

- Global leadership is in play, as the US repositions and cedes role as preeminent global leader in preference to become a leader of a pack. Europe, however, seeks autonomy from a perceived unreliable US and will go its own way, ensuring **dissonance in the Western alliance**, making it less nimble and effective.
- **Russia and India will seek to expand their influence** in 2022. Russia will export instability and try to undermine international cooperation on key geopolitical issues, and opportunistically obstruct access to resources to coerce more deference to its agenda of restoring Russia as a global power. A Russian invasion of Ukraine could prompt world powers to impose new sanctions which may elevate energy cost inflation. It is increasingly clear that economic penalties will not dissuade Moscow from military action in the Donbass, putting additional pressure on the EU and US to find a political solution.
- China is not positioned to fill the vacuum of the US global repositioning, despite its rhetoric, because China's focus is being driven inward due to its zero-COVID policy, associated negative economic impact, debt exposure from Belt and Road initiative, emphasis on regulatory reform. That said, **risks in Asia are particularly elevated**. A military conflict between China and Taiwan, from a blockade to an invasion, could draw in other world powers.
- For business leaders, **great power competition will increase operational and reputational risks**. Geopolitical flashpoints warrant constant monitoring due to security risks, disruption of supply chains and impact on commodity prices. Regulatory changes and sanctions will directly disrupt business operations. Economic decoupling of the West from China as a consequence of the battle over international norms will increasingly put multinational companies in the crosshairs of competing and conflicting regulatory requirements, forcing them to take sides, as with the issue of forced labor in Xinjiang and Taiwan's status.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Top Six Global Risks for Business in 2022

Expanding Political Instability

- **Global political instability is ticking up**, driven by unresolved and newly emerging political conflicts, weakening of state structures and trust, economic downturn resulting in erosion of the middle class and putting 131 million more people into poverty, growing food insecurity, labor unrest and irregular migration.
- In 2022, some **fragile states are likely to tip over into failing states** (Afghanistan, Lebanon, Mali and Libya are at the top of the list), unable to withstand external shocks of the pandemic, extreme poverty, collapse of state institutions due to poor governance, economic crises, criminality and corruption, insurgencies and/or terrorism. Instability rarely respects border, with spillover creating expanding zones facing elevated risks, such as in sub-Saharan Africa, Central America and sub-regions in Southeast Asia. Iran's frustration over the lack of progress on lifting sanctions imposed over its nuclear program risks increase regional conflict in the Middle East.
- Western democracies are not exempt from political instability, as was witnessed in 2021 with street protests and violence demanding social justice in the US and end to pandemic-related policies restricting personal freedoms in Europe. In 2022, these will remain hot button issues. **Discontent tends to favor change in governments**, with the prospects of course corrections in European politics, with Euro-skeptics and authoritarian-leaning leaders gaining ground through elections. With German Chancellor Merkel's departure this year, EU leadership is up for grabs.
- Businesses operating in high-to-high-risk jurisdictions will need to plan for increased disruptions and security risks. Ethiopia is a prime example of a country seemingly on a positive trajectory for stabilization and economic development only to slip into ethnic conflict and loss of territorial control. Businesses' supply chains can be disrupted by conflicts spilling over borders. Also, **businesses can become targets** of social activism related to personal freedoms, environment and social justice.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

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.

To read additional analysis, visit the [Dentons Flashpoint portal](#) for insights into geopolitics and governance; industry and markets; cyber and security; science, health and culture; and economic and regulatory issues.

Karl Hopkins

Partner and Global Chief Security Officer
Dentons
Washington, DC

D +1 202 408 9225
karl.hopkins@dentons.com

Melissa Mahle

Senior Analyst
Dentons
Washington, DC

D +1 202 408 6383
melissa.mahle@dentons.com