

# Dentons Flashpoint

## Global Situation Report

January 4, 2023

# Global Situation Update: January 4, 2023

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## KEY TAKEAWAYS

Political fallout in Russia continues after the Ukrainian attack killed scores of new Russian recruits due to poor operational security.

A significant majority of economists at large US financial institutions expect the US will fall into recession in 2023.

The WHO presses China for more transparency on COVID-19 surge.

*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

**Slovakia will hold snap elections by February after a no confidence vote last month brought down the center-right coalition government three years into its four-year term. The political opposition forced the vote over concerns about soaring energy costs and inflation and will be the favorite at new polls.**

**The collapsed coalition government's support for EU sanctions on Russia undermined its popularity as opposition parties claimed the war in neighboring Ukraine is responsible for high inflation and energy supply disruption. The snap polls ahead could reveal the depth of Slovakian support for EU foreign policy towards Russia and whether Moscow can find another sympathizer in Europe, like with Hungary.**



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# Global

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**More than two-thirds of the economists at 23 large financial institutions that do business directly with the US Federal Reserve are betting the US will have a recession in 2023.**

- The EU has offered free **COVID-19** vaccines to China, as infections there surged following Beijing's relaxation of its zero-COVID policies. WHO scientists called for a "*more realistic picture*" about the COVID-19 situation from China's top experts at a key meeting yesterday as worries grow about the rapid spread of the virus.
- **Foreign investors** withdrew more money from **emerging Asian equities** in 2022 than they had done in any year since the global financial crisis in 2008, as rising US interest rates pulled funds towards dollar assets.

# Markets & Business

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**Google is developing a free moderation tool that smaller websites can use to identify and remove terrorist material, as new legislation in the UK and the EU compels internet companies to do more to tackle illegal content.**

- After initial stonewalling sparking customer outrage and regulatory warnings, **Southwest Airlines Co.** began doling out 25,000 frequent-flier points to travelers affected by its holiday meltdown. The bonus miles are in addition to ticket refunds and reimbursement for expenses.
- In the second half of 2022, US tech companies including **Meta, Microsoft, Twitter and Snap**, have purged more than 150,000 staff, according to **Layoff.fyi**.
- Graphics chip maker **Nvidia Corp.** and electronics-component maker **Foxconn Technology Group** are partnering on electric vehicles, enabling both companies to help the industry meet growing market demand for electric vehicles while increasing their presence in the market.
- The Federal Reserve, Federal Deposit Insurance Corp. and Office of the Comptroller of the Currency are warning banks of risks stemming from **cryptocurrencies** and expressed skepticism that the assets can be safely held by financial institutions.

# Environment, Sustainability & Governance

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**India approved an incentive plan of 174.9 billion rupees (\$2.11 billion) to promote green hydrogen in a bid to cut emissions and become a major exporter in the field.**

- The World Bank is seeking to vastly expand its **lending capacity to address climate change** and other global crises and will negotiate with shareholders ahead of April meetings on proposals that include a capital increase and new lending tools.
- Israel's new government will abandon the country's tax on **single-use plastic plates and utensils**.
- A group of about 300 videogame testers at Microsoft subsidiary Zenimax Studios have voted to **unionize**, marking a first for the tech giant.
- Kentucky warned 11 major financial companies, including Citigroup, JPMorgan Chase and BlackRock, of potential **divestment over their "boycott" of energy companies**.

# Africa

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- **Tanzania's** President Hassan lifted a six-year ban on political rallies.
- The **Mozambican** government approved local militias to assist government, SADC and **Rwandan** forces to fight insurgents who are causing instability in the north and elsewhere in the country.
- **Malawi** delayed the opening of public schools in the southern African country's two major cities of Blantyre and Lilongwe to try to slow down a surge in cholera deaths.
- The **US** officially dropped **Burkina Faso** from its AGOA trade preference program citing deep concerns over "*unconstitutional change*" in government in the West African country.



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# Asia

- **South Korea** and the US are discussing joint planning and implementation of US nuclear operations to counter **North Korea** and plan to conduct a tabletop exercise soon, as part of an effort to deter North Korea amid escalating threats.
- **Philippine** President Marcos Jr is in Beijing for a three-day visit, during which he is expected to discuss developing the economic relationship between the two countries and the ongoing South **China** Sea dispute that Manila describes as illegal.
- **Myanmar's** military government will release 7,012 prisoners under an amnesty to mark the country's independence day, as the junta chief praised some countries for maintaining support for his nation.
- Beijing denounced entry restrictions on **Chinese** travelers as unscientific and “*unacceptable*” and vowed to reciprocate measures imposed by countries imposing bans and restrictions on those arriving from China. More than a dozen countries, including **Britain, Japan, South Korea and the US**, have stepped up COVID-19 curbs on travelers from China.

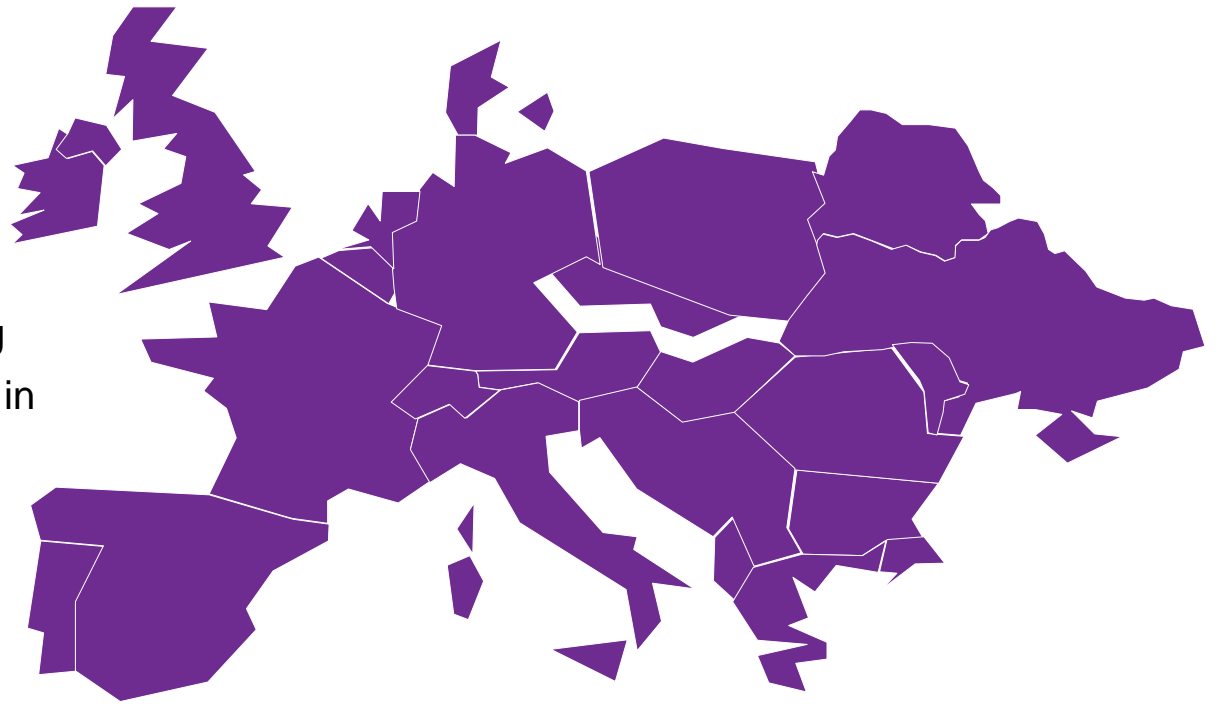


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# Europe

- **British** rail workers started off the new year with a week-long strike, disrupting the return to work for millions of commuters in the latest round of industrial action to hit the country.
- Millions of low-income households in **Britain** will receive cost-of-living support from the government of up to 900 pounds (\$1,084) over the financial year. The money will directly go to claimants' bank accounts in three payments. UK food inflation hit 13.3 percent in December.
- **Bulgaria** state-owned Bulgargaz signed a 13-year deal for access to **Turkey's** LNG terminals enabling Bulgaria to purchase LNG from multiply suppliers and transship the gas for domestic use via Turkish transit networks. Russia halted deliveries to Bulgaria in April.
- Political fallout in **Russia** continued from the **Ukrainian** attack on Makiivka on New Years Eve, killing a large number of Russian troops. Russian officials attribute the losses to the soldiers' unauthorized use of cell phones, creating a targeting vulnerability exploited by Ukrainian forces. Russian nationalists and some lawmakers have demanded punishment for commanders, who collocated a vocational school with a weapons depot.



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# How do You Manage Incident Response?

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*2022 has already seen business disrupted by extreme weather, ransomware attack, the ongoing pandemic and more. The common refrain “It’s not if, but when” rings truer than ever for disruptive incidents that will impact business as usual.*

*Working with Dentons, you can effectively develop an organizational incident-behavior adopted by all your team members. Dentons will help you build muscle memory through tabletop exercises, which are crafted to fit the business strategy of every client.*

*Our team plays events and incidents of different severities and complexities and accounts for real-world factors such as inconclusive evidence, mistakes by responders, and the business impact of eradication steps. Our tech-savvy lawyers continuously revise the playbooks per the evolving sector-specific threat landscape.*

*Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:*

- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

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

# Middle East



- In the **UAE**, Dubai eliminated its 30 percent tax on alcohol in a likely bid to further attract international business and tourism.
- The **UK** will reportedly officially designate the **Iranian** Revolutionary Guard Corps as a terrorist group following its conduct in ongoing protests.
- Three prominent opponents of **Tunisian** President Saied said that they had received notices from prosecutors that they were under investigation. Metro and bus traffic in Tunis ground to a halt after employees of state transport company Transtu held a strike over delays in payment of wages and bonuses.
- In one of his first moves, **Israel's** new far-right National Security Minister Itamar Ben-Gvir visited the controversial al-Aqsa compound. The move drew reprobation from the **US** and the rest of the Middle East, which called for the status quo there to be maintained, and **Lebanon's** Hizballah said that a change could “*explode*” the region.

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# Americas

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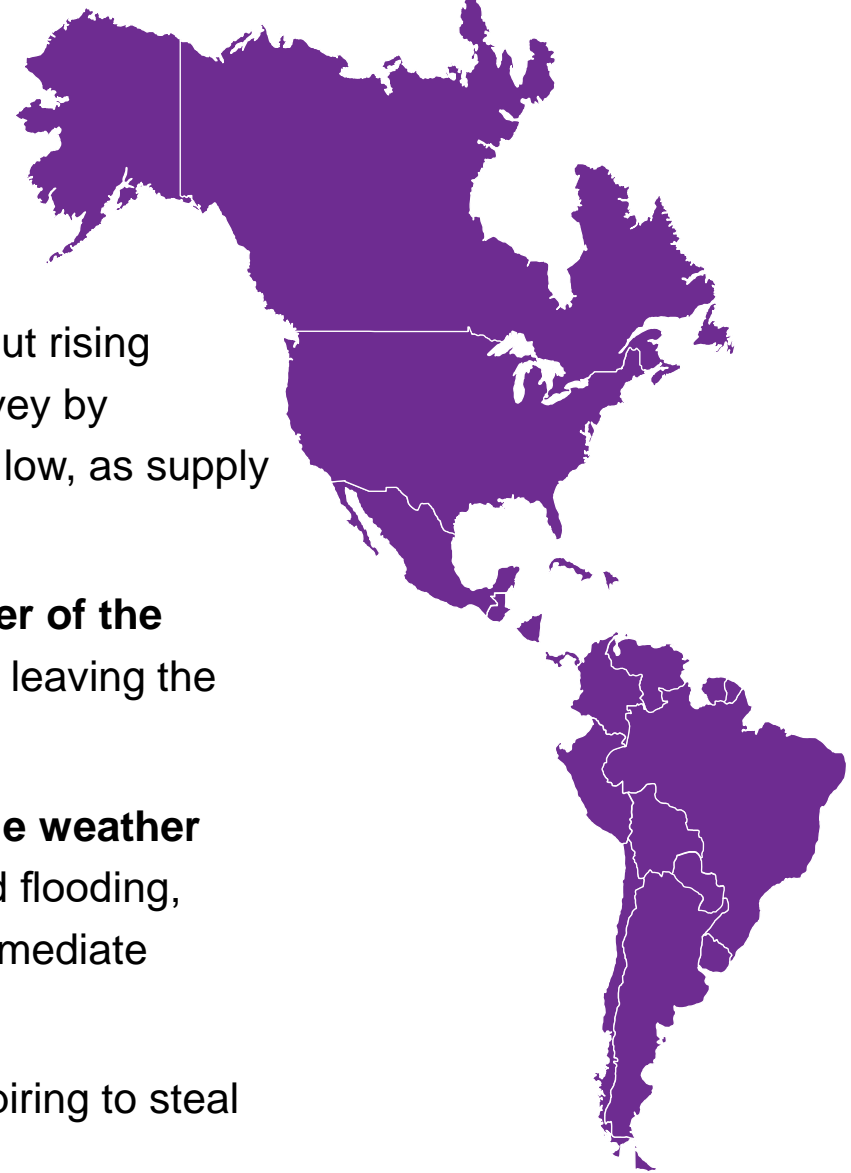
- **Canada** set an immigration record last year by granting more than 437,000 foreigners permanent residency.
- **Colombian** President Petro, a leftist and former guerrilla, announced a ceasefire with five illegal armed groups; several days later, the ELN said that the ceasefire is a proposal to be discussed at peace negotiations and is not in force.
- **Argentine** President Fernandez said he would seek to impeach the head of the Supreme Court, after the two powers recently clashed over a court decision to award more state funds to the city of Buenos Aires.
- Protesters in **Bolivia's** farming region of Santa Cruz are blocking highways out of the province, threatening to snarl the domestic transport of grains and food, as anger simmers following the arrest of local governor Luis Camacho.
- **Ecuador** President Lasso said the country has sealed a free trade deal with **China**.



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# Americas: US

- More US consumers want to buy an **electric vehicle** but are concerned about rising prices, while fewer aimed to purchase gasoline-powered vehicles, per a survey by consulting firm Deloitte. For 2022, **auto sales** are expected to hit a ten-year low, as supply chain disruptions reduced supply and drove up prices.
- Republican Kevin McCarthy is struggling to obtain sufficient votes for **speaker of the House of Representatives**, as hardline conservatives rebelled against him, leaving the new Republican majority in turmoil after three failed votes yesterday.
- The US National Weather Service is warning that California is facing **extreme weather** over the next two days, “*one of the most impactful systems*” with widespread flooding, washing out roads and leading to mudslides, widespread power outages, immediate disruption to commerce and threat to life.
- A New York man was sentenced on Tuesday to two years in prison for conspiring to steal General Electric Co's trade secrets to benefit **China**.



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# Future of Work: Key Labor Trends in 2023

By Matthew Gardell

***As we enter 2023, many analysts are predicting a softening of the economy or possible global recession. A recessionary period will have a profound impact on three key trends that emerged in the US during the COVID-19 pandemic: the power dynamic shift from employers to employees (“Great Resignation”), the prevalence of hybrid work and the unionization drive.***

US workers emerged from the pandemic in a strong bargaining position. In 2022, unionization campaigns reached a decades-high figure, employees quit their jobs in record numbers and employers remained reluctant to call workers fully back to the office. Here, three key trends to watch for in 2023 and how a possible recession is impacting the balance of worker-management power.

## ***Is the Great Resignation Over?***

Beginning in 2021, workers began quitting their jobs in record rates, leading some analysts to term this period of labor volatility the “Great Resignation.” There are signs that the Great Resignation is waning as the number and rate of resignations return to pre-pandemic levels. One trend that has gained attention is “quiet quitting,” or doing the minimum requirements of one's job. In lieu of resigning in an uncertain labor

market, employees may therefore register their job displeasure in different ways.

Although the US labor market remains strong entering 2023 with low unemployment and steady job growth, there are signs that the labor market is softening. In recent weeks, hiring intentions have dropped among major companies. As the demand for talent and the supply of candidates evens out, salary rises and counteroffers will become less common. In terms of job growth, Fitch Ratings predicts that there will be significant job losses as the labor market rebalances; the job openings rate will also decrease, and the unemployment rate will rise. A recent Bank of America report similarly warned that job growth will fall sharply in 2023 in part due to the Federal Reserve's aggressive interest rate hike policy. Regardless of whether the direst economic predictions pan out, the perception of an economic downturn may lead workers to stay at their jobs.

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## *Return to Office (RTO)*

More companies are instituting firmer RTO policies for 2023. Although most employees cite the desire for a flexible working environment and the ability to work remotely at least part of the time, some employers are nonetheless mandating office work. Here again, the threat of a recession is empowering management to take a tougher stance on RTO. According to a report by Resume Builder, 90 percent of companies said they will require employees to return to the office at least part of the week in 2023. Even among companies that are already functioning under hybrid work arrangements, 77 percent said that hybrid policies will be changed or updated in 2023. Office-based job vacancies have increased their share on job hunting and career websites.

This creates a mismatch between worker preferences and the desire for management to call workers back to the office. One possible effect is that the dwindling number of remote work positions will be in high demand and see a surge of applications. For workers called back into the office, changes may include a reconceptualization of the workplace: increased collaboration and social spaces, new

amenities and more workplace programs to support mental health. Although it is likely that more workers will be called back to the office in 2023, the pandemic-era trends of increased flexibility and a focus on employee well-being will continue.

## *Unionization*

2022 saw an increased unionization drive from workers that include notching major wins at Apple, Amazon and Starbucks. Unions won hundreds of elections in the past year and broke a generational decline in their relevance, particularly in private industry. 2023 will lead to a series of challenges for these new unions from trying to deliver on their promises for better working conditions to contract ratification. The slow pace of contract ratification and collective bargaining may lead discontent among workers and slow the unionization push. A possible global recession will also have a major impact on unionization momentum as workers feel less job stability. Economic uncertainty may lead to less unionization campaigns and lack of participation from workers in existing union activities. As employers gain the upper hand, workers may feel repercussions or face layoffs before having even the ability to start a union drive.

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While the pace of union drives may wane in 2023, industrial action and strikes are expected to remain high. As employers lay off workers and cut back on benefits or pay, workers may feel compelled to strike. Even as major companies laid off workers, some employees have continued to protest or renegotiate contracts such as recent cases at the New York Times and United Airlines. Globally, industrial action remains high, particularly in the UK, as transit and health care workers launch fresh strikes.

The common through line in these three key trends is the threat of a global recession. Although the job market remains strong, a series of layoffs at major companies in the last quarter of 2022 has increased fears among workers of an impending recession. After employees emerged from the pandemic in a strong position, 2023 may be the year where employers wrest some control back.

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# Contacts

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*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. 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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