

Dentons Flashpoint

Daily Global Situation Report

October 5, 2021

Global Situation Update: October 5, 2021

KEY TAKEAWAYS

The effectiveness of the Pfizer vaccine in preventing infection by COVID-19 drops to 47% from 88% six months after the second dose.

Iran says it foresees US nuclear talks resuming by early November.

The IATA predicts the global airline industry will see \$201 billion in COVID-related losses by the end of 2022.

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, the latest publication of findings from the Pandora Papers portends significant risks for many world leaders and organizations. More than 600 journalists from 117 countries have access to 12 million leaked documents and files organized by the International Consortium of Investigative Journalists (ICIJ). Over the next month, there will be a steady trickle of controversial stories from key media stakeholders.

There is a risk of protests in Kenya where people have learned that President Kenyatta, seen as an anti-corruption reformer, secretly amassed assets worth more than \$30 million via offshore shell companies. In Jordan, where protests against tax laws and unemployment have occurred in recent years, it was discovered that King Abdullah II secretly spent more than \$100m on a property empire in the UK and US. Businesses mentioned in the papers may also suffer reputational damage.



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Global

Globally, confirmed coronavirus cases topped 234.8 million with 4.8 million deaths; more than 6.1 billion vaccine doses have been administered.

- The world's top miners committed to a goal of net zero direct and indirect **carbon emissions** by 2050 or sooner, per the International Council on Mining and Metals.
- The International Air Transport Association (IATA) predicted that the **global airline industry** will lose \$201 billion due to COVID-19 by the end of 2022.
- The European Union's drugs regulator said people with weakened immune systems should get **a third dose of a COVID-19 vaccine** from Pfizer-BioNTech or Moderna.
- **Global trade** is projected to have grown at its fastest rate in 11 years in 2021, per the WTO.
- AstraZeneca has requested emergency use authorization from US regulators for its new treatment to prevent COVID-19 for people who respond poorly to vaccines because of a **weakened immune system**.
- Per a new study, the effectiveness of the Pfizer vaccine in preventing infection by the coronavirus dropped to 47 percent from 88 percent six months after the second dose; protection against hospitalization and death remains high at 90 percent.

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Markets & Business

Facebook, WhatsApp, and Instagram went down for hours across the globe on Monday, with Facebook citing “network issues.”

- Shares in **major tech companies** slid on Monday, bringing Wall Street to its lowest close since late July.
- **Oil prices** hit their highest levels in three years after OPEC agreed to stick with existing oil production plans, rather than a production increase.
- One of Hollywood’s most powerful unions, the **International Alliance of Theatrical Stage Employees**, voted to authorize a strike if they are unable to reach a new contract with producers. The move presents a key challenge as Hollywood reckons with the industry changes brought by the rising prominence of streaming services.
- UAE semiconductor company **GlobalFoundries** filed for a US IPO, seeking to take advantage of heightened investor interest in the semiconductor industry.
- Concerns about debt in the Chinese property sector are spreading. **Fantasia Holdings**, a mid-sized developer missed payment on a \$206 million bond maturing yesterday, triggering a formal default. Fitch cut Chinese developer **Sinic Holdings’** long-term issuer default rating to 'C' from 'CCC', after the company announced that certain subsidiaries have missed interest payments on onshore financing arrangements.

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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:

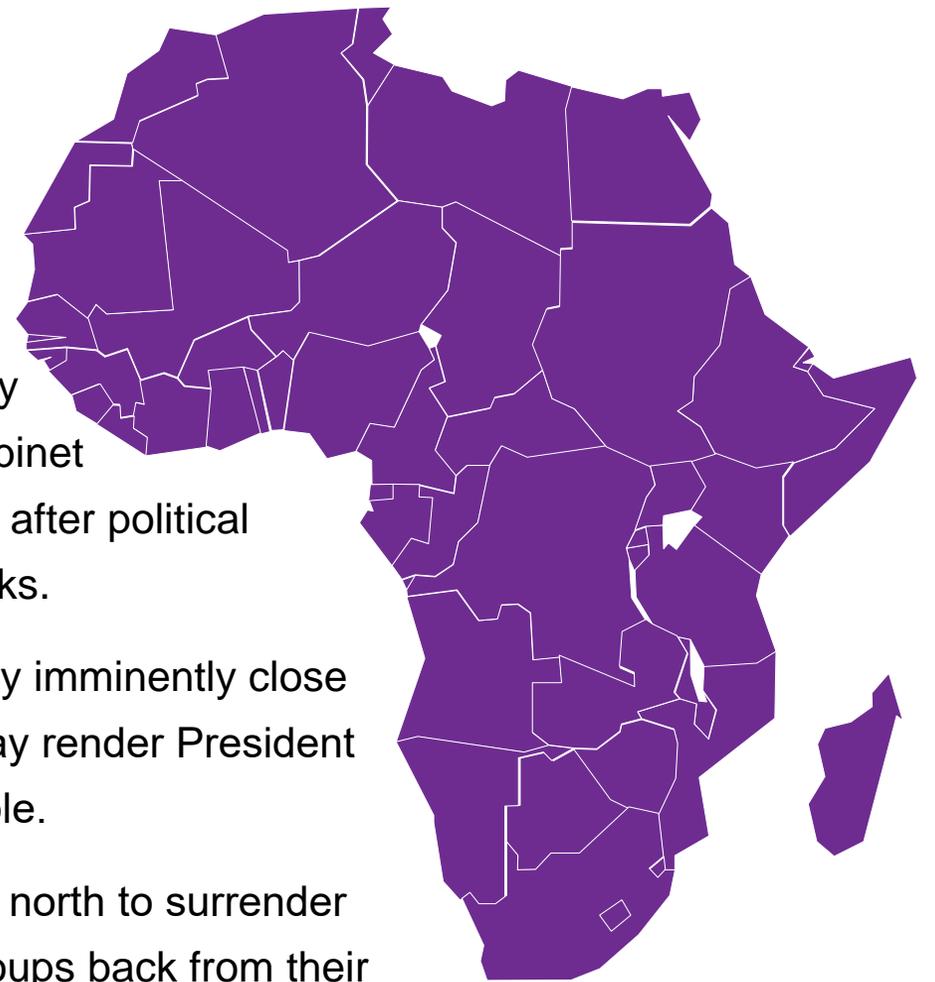
- ❖ organizational cyber risk assessment
- ❖ crisis management for cyber incidents
- ❖ privacy law and compromised data advice
- ❖ self-reporting, liaising with law enforcement following cyberattack
- ❖ ransomware attack guidance
- ❖ cybersecurity readiness and remediation
- ❖ cyberattack source and method identification

All interaction with Dentons is attorney-client privileged

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

Africa

- An armed clash broke out between **Sudanese** security officials and alleged ISIS affiliates in a southern district, one week after five security officers were killed by terrorists in the same region. The Sudanese cabinet said that the country is about to run out of essential medicine and fuel after political protests forced the port of Sudan to close several times in recent weeks.
- Schools reopened in the **Democratic Republic of the Congo** but may imminently close due to a teacher's strike for better pay and conditions. The closure may render President Tshisekedi's key campaign promise of free public education unworkable.
- **Mozambican** President Nyusi urged Islamist militants in the country's north to surrender after the army and a Rwandan delegation successfully pushed the groups back from their key gains.
- A large group of heavily armed militants killed 14 **Burkina Faso** soldiers and injured seven others in a dawn attack in the north on Monday; no group claimed responsibility.



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Asia

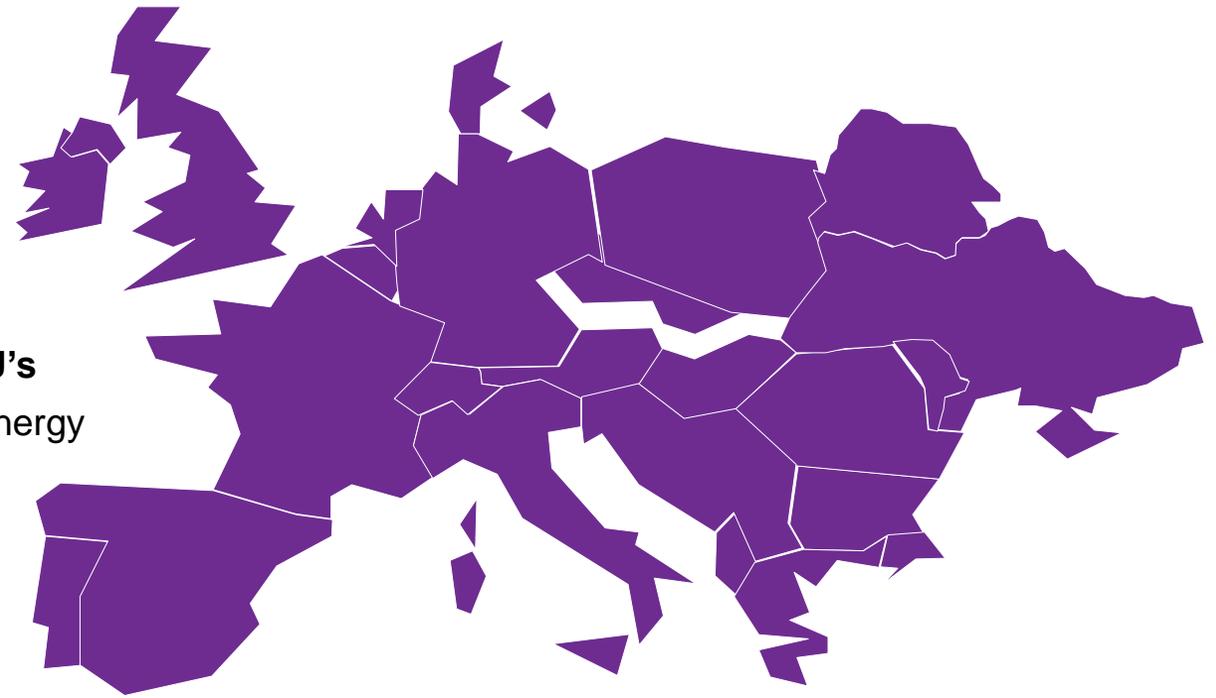
- **Malaysia** summoned the **Chinese** ambassador – for the second time since June – to protest the presence of Chinese ships in Malaysia’s exclusive economic zone.
- ASEAN ministers expressed disappointment at the lack of “*significant progress*” towards a peace process by the military junta in Myanmar.
- A rare investigation into state abuses in the **Philippines** found that 154 police officers could be criminally liable for their conduct in President Duterte’s war on drugs. The son and namesake of late Philippines’ dictator Ferdinand Marcos, known as Bongbong, announced he will run for president in next year’s elections.
- **Taiwan’s** premier stated that Taiwan needs to be on alert for **China’s** “*over the top*” military activities, after a record 56 Chinese aircraft flew into Taiwan’s air defense zone over a four-day period.
- **China** has started unloading a small number of **Australian** coal shipments despite an unofficial import ban, an indicator of the intensity of the power crunch facing the world’s second-largest economy.



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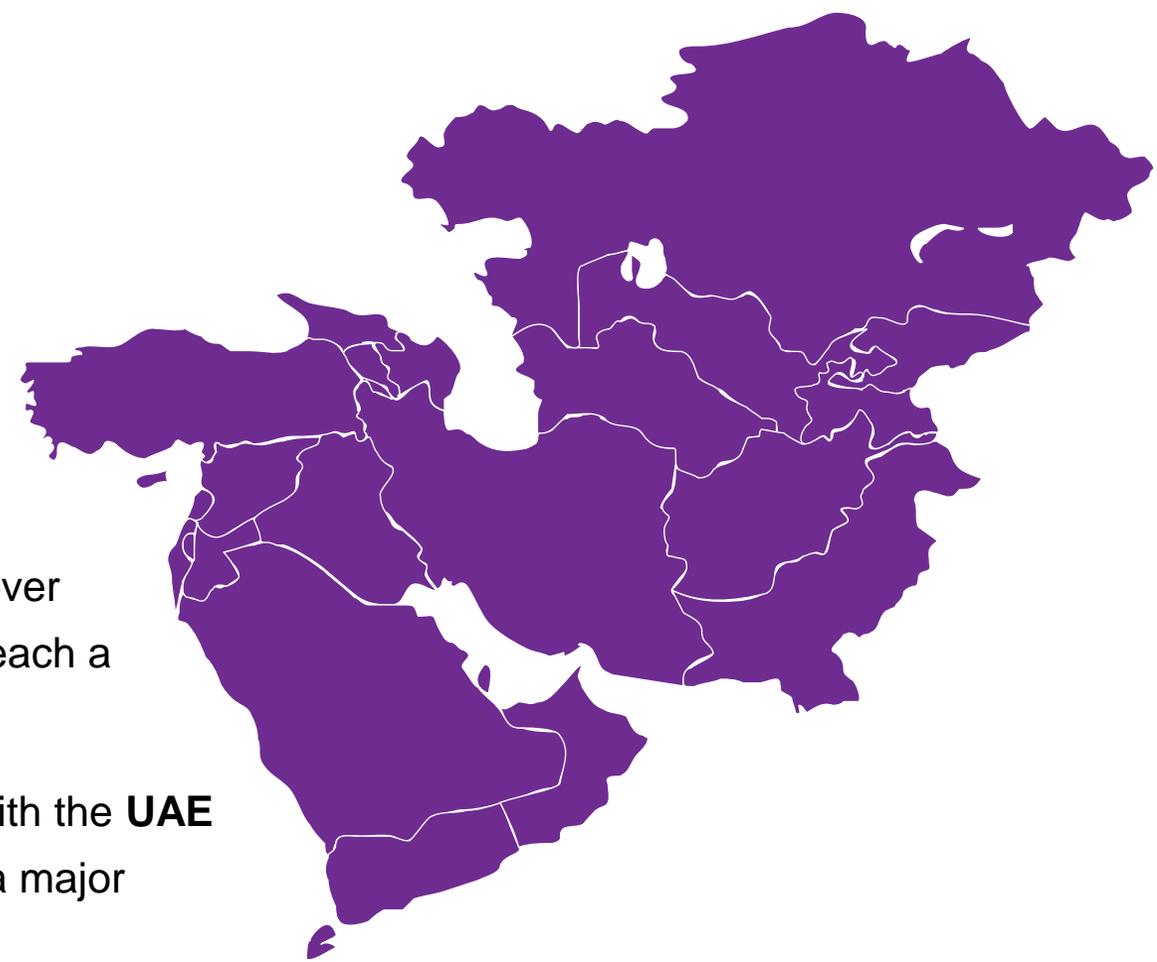
Europe

- **France and Spain** issued a joint call for major changes to the **EU's** energy market amid ongoing price surges and fears of a winter energy crisis, including better management of European gas stocks and a common EU approach to electricity prices.
- **Ireland** unveiled a €165 billion infrastructure plan for improving roads, train connections, green busses, broadband, and sports facilities.
- **UK** Brexit Minister Frost warned that the UK will suspend parts of the Brexit deal covering Northern Ireland trade – invoking Article 16 – unless the **EU** offers “*significant changes.*”
- **Germany** opened the world’s first commercial plant for synthetic kerosene, which proponents promote as a climate-friendly fuel that can be used to offset aviation emissions.
- **Austria’s** government outlined plans to tax carbon emissions, which will raise fund to cut taxes for the middle class.



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Middle East

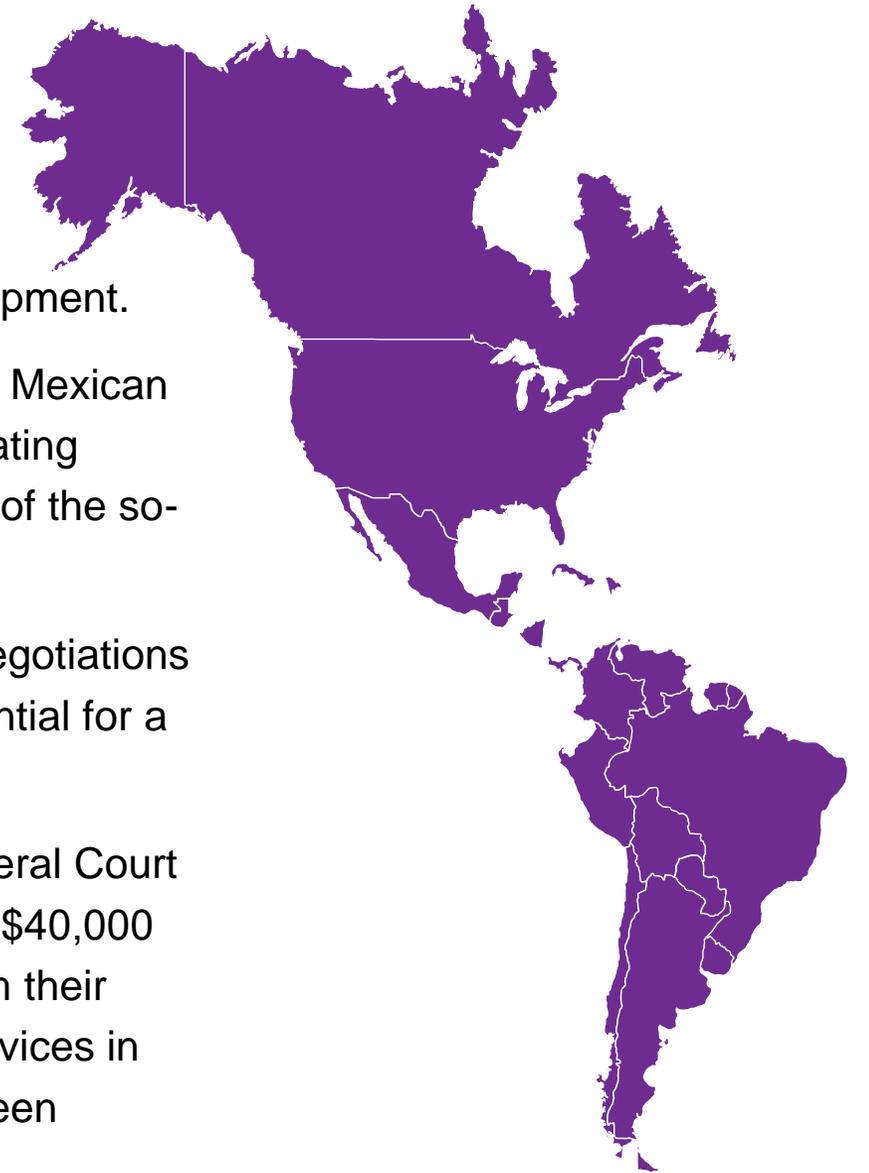


- **Iran** said it foresees **US** nuclear talks resuming by early November.
- **Jordanian** King Abdullah denied the “*distorted*” claims of the Pandora Papers, which claim he used state funds to amass over \$100 million in real estate throughout world and called the breach a threat to his family’s security.
- **Israel’s** environment minister said that a proposed pipeline with the **UAE** poses environmental risks, potentially risking what would be a major economic benefit of last year’s Abraham Accords.
- The IMF said that it would begin debt negotiations with **Lebanon** in several days; the IMF had long held off on talks until Beirut formed a new government and consented to a forensic audit of the central bank.

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Americas

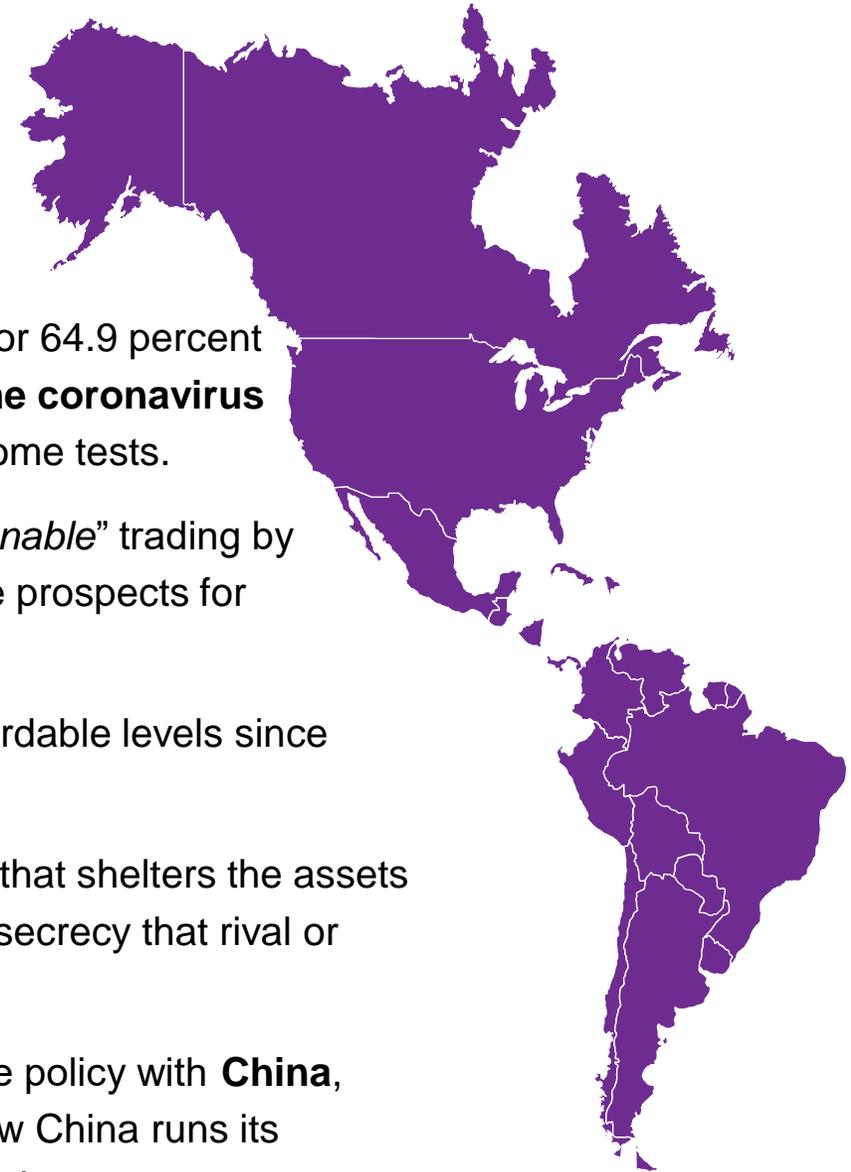
- **Brazil** eliminated import tariffs on several kinds of IT and telecomms equipment.
- **Mexico's** central bank chief predicted more rate hikes in the near future. Mexican President Andres Manuel Lopez Obrador said he was in favor of investigating Mexican nationals who appear in a series of documents released as part of the so-called 'Pandora Papers.'
- **Canada** formally invoked a 1977 treaty with the **US** to request bilateral negotiations over a pipeline that Michigan requested Canada shut down over the potential for a leak.
- In a significant ruling on the abuse of indigenous children, **Canada's** Federal Court upheld a 2019 decision by the country's Human Rights Tribunal to offer C\$40,000 compensation to the children and their guardians who were removed from their homes between 2006 and 2017 due to the deliberate underfunding of services in their reserve communities. Over 50,000 children are estimated to have been affected, with many entering foster care.



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Americas: US

- Across the nation, 215.5 million have received at least one dose of the **vaccine**; or 64.9 percent of the total population. The FDA provided emergency authorization for an **at-home coronavirus test**, “Flowflex COVID-19 Home Test,” potentially doubling the availability of at-home tests.
- Senator Elizabeth Warren (D-MA) urged the SEC to investigate “*ethically questionable*” trading by **Federal Reserve** officials, heightening political scrutiny of the central bank as the prospects for Chairman Powell’s second term appear increasingly tenuous.
- Analysis of the **housing market** shows that mortgages are now at their least affordable levels since 2008, as house prices outstrip incomes.
- The so-called **Pandora Papers** have exposed a growing American trust industry that shelters the assets of international millionaires and billionaires by promising levels of protection and secrecy that rival or surpass those offered in overseas tax havens.
- US Trade Representative Tai outlined the Biden Administration’s strategy on trade policy with **China**, announcing a new round of dialogue focused on foundational grievances with how China runs its economy, but also a continuation of focus on the Trump Administration’s trade deal.



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USTR Katherine Tai on the Biden Administration's Developing Trade Strategy

By Briana Boland

Following a months-long review of US-China economic strategy, United States Trade Representative (USTR) Katherine Tai shared key insights on the Biden Administration's plans to address trade tensions with China in her first extensive remarks since entering office in March. At a Center for Strategic and International Studies (CSIS) event on Monday, Tai framed US-China economic relations as a central tenet in the Biden Administration's broader "worker-centered foreign policy" and efforts to boost domestic competitiveness.

She also outlined specific developments in US-China trade relations, announcing the start of trade talks with her Chinese counterpart and a continuation of the tariff exclusion process for companies unable to source from countries other than China. Though broadly welcomed by US trade groups, which have been pushing for the Biden Administration to move quickly on economic policy towards China, Tai's remarks focused primarily on overarching themes of US-China relations, declining to set a roadmap for reducing tariffs or for policies that may alter US access to the Chinese market.

Framing a "Complex and Competitive" Bilateral Relationship

Tai focused on framing the US-China relationship throughout her remarks, providing insight on the Biden Administration's thinking in

broader China strategy. While beginning with an assertion of the "profound importance" of the US-China relationship, Tai explained that China's "lack of adherence to international trading norms" is damaging US economic prosperity – and the US must "explore all options" in seeking fairer economic relations. Domestic renewal is a top priority in this, with Biden's "Build Back Better" efforts to invest in infrastructure, R&D, and manufacturing a key aspect of creating even footing between the US and China. Going into further detail on cases of China's activity within the World Trade Organization (WTO), and the steel, solar, and semiconductor industries, Tai explained that "meaningful reform" from China remains elusive, and that China's policies have created a zero-sum ecosystem that entails losses for US workers. As economic relations evolve, tactics must as well.

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USTR Katherine Tai on the Biden Administration's Developing Trade Strategy

The Biden Administration Plan for Trade Policy Changes

Though Tai believes the Trump Administration failed to address the fundamental issues with China's trade practices through the January 2020 "Phase 1" trade deal, she explained that the US should follow through on its commitments, and that enforcement of the Phase 1 deal would be a "*starting point*" for talks with Beijing. USTR will continue "*frank*" conversations with counterparts in Beijing on a range of deeper issues with China's state-led economic system. Though the objective of these talks will not be to inflame trade tensions with China, the US must defend its economic interests "*to the hilt*," and be prepared to use all tools available. A core difference between the Biden and Trump Administration will be a focus on working with allies, rather than applying unilateral economic pressure. This includes resolving issues such as the Airbus-Boeing dispute and collaborating to shape international trade norms. At the G7 and G20, for example, the US will continue to focus on unfair economic practices, including the use of forced labor. For businesses, the Biden Administration will start a "*targeted tariff exclusion process*," keeping the door open for additional exclusion tariffs.

Resilient Supply Chains and Market Access for China

During the Q&A following Tai's speech, she delved further into specific questions of market access to China and issues of supply chain disruption. When asked if the Biden Administration will prioritize increasing access to the Chinese market for US firms, Tai responded that the Biden Administration is not just looking for more trade, but for "*smarter and more resilient trade*." Some sectors in the US-China trade relationship have done extremely well and should continue to be given room to thrive. But some things will need to change – in some sectors of the economy, the US can no longer "*just wish for the best*." Tai built on the theme of resilience in supply chains when responding to a follow up question on the efficacy of "Made in America" laws, emphasizing the importance of revitalizing the US manufacturing base. As the COVID-19 pandemic showed, the US needs the ability to make critical products domestically, from medical supplies to technology. Manufacturing is a key part of the innovation pipeline, creating an important feedback loop that augments R&D. In response to further questions about tariff exclusion options, or other solutions for companies that simply cannot replace imports from China in their supply chain, Tai again asserted that the US needs to incentivize resilience, rather than just efficiency.

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USTR Katherine Tai on the Biden Administration's Developing Trade Strategy

Tai's Remarks in the Context of Broader Biden Administration Policy

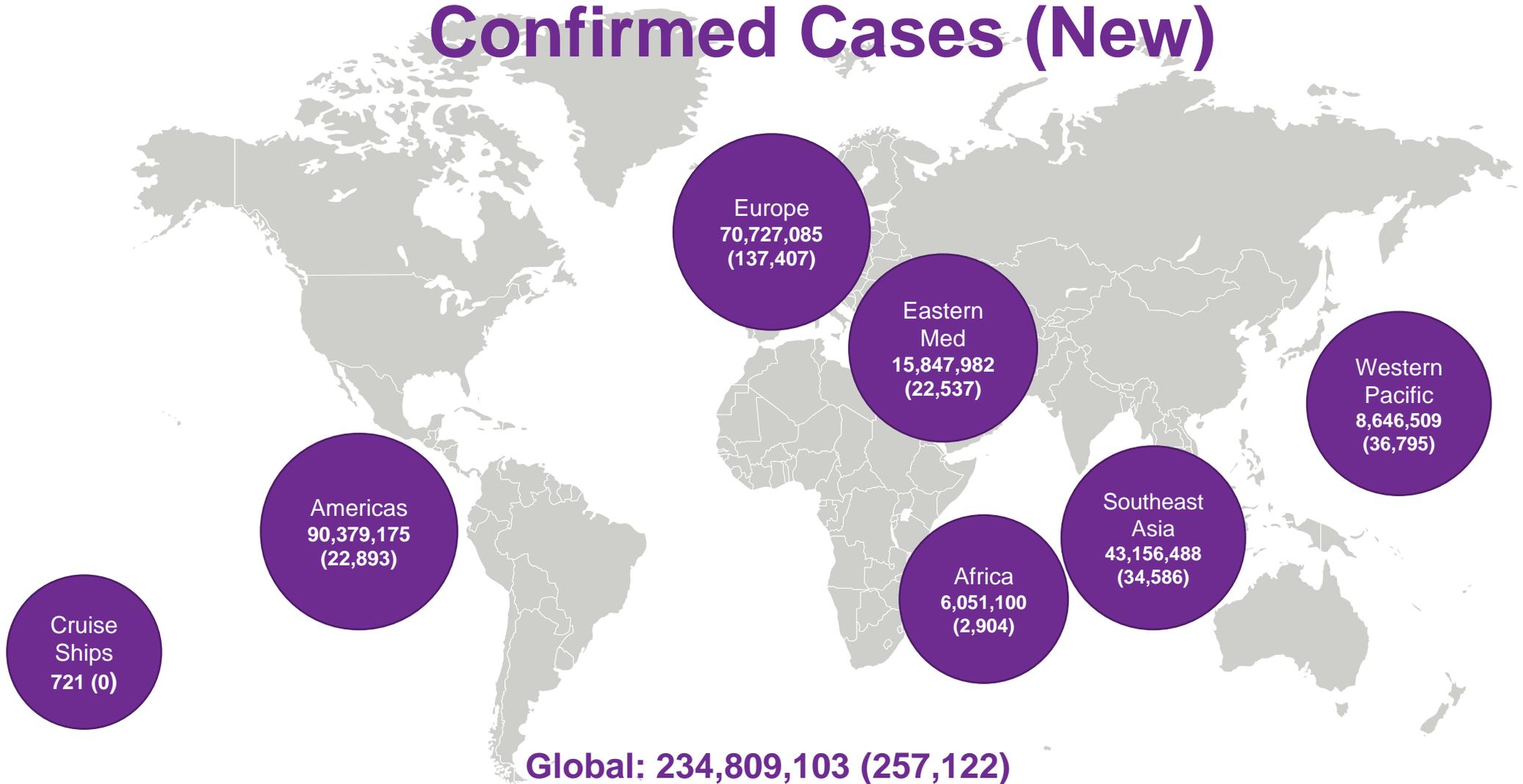
Tai outlined a trade policy strategy that neatly aligns with long-established themes of Biden Administration foreign policy: focus on helping US workers (or “foreign policy for the middle class”), collaboration with US allies, and dialogue with strategic competitors. Eight months into the new Administration, Biden’s China policy remains one of broad strokes, invoked in domestic efforts to pass further infrastructure and social spending initiatives as well as international alliance-building. While Tai’s speech again marks a departure from the tone of Trump-era trade policy, they also showed that the Biden Administration will continue the Trump Administration’s main effort on trade with China – at least as a “starting point.” The measured pace of the Biden Administration’s actions on economic relations with China indicates more stability and predictability for businesses. Over the long term, however, Tai underlined that the US still has fundamental issues with how China runs its economy and is willing to explore new tactics to defend US economic interests. Resilience and domestic renewal are the priorities of the USTR, not market access to China.

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Coronavirus Condition Updates

As of 6:36 pm CEST on October 4, 2021

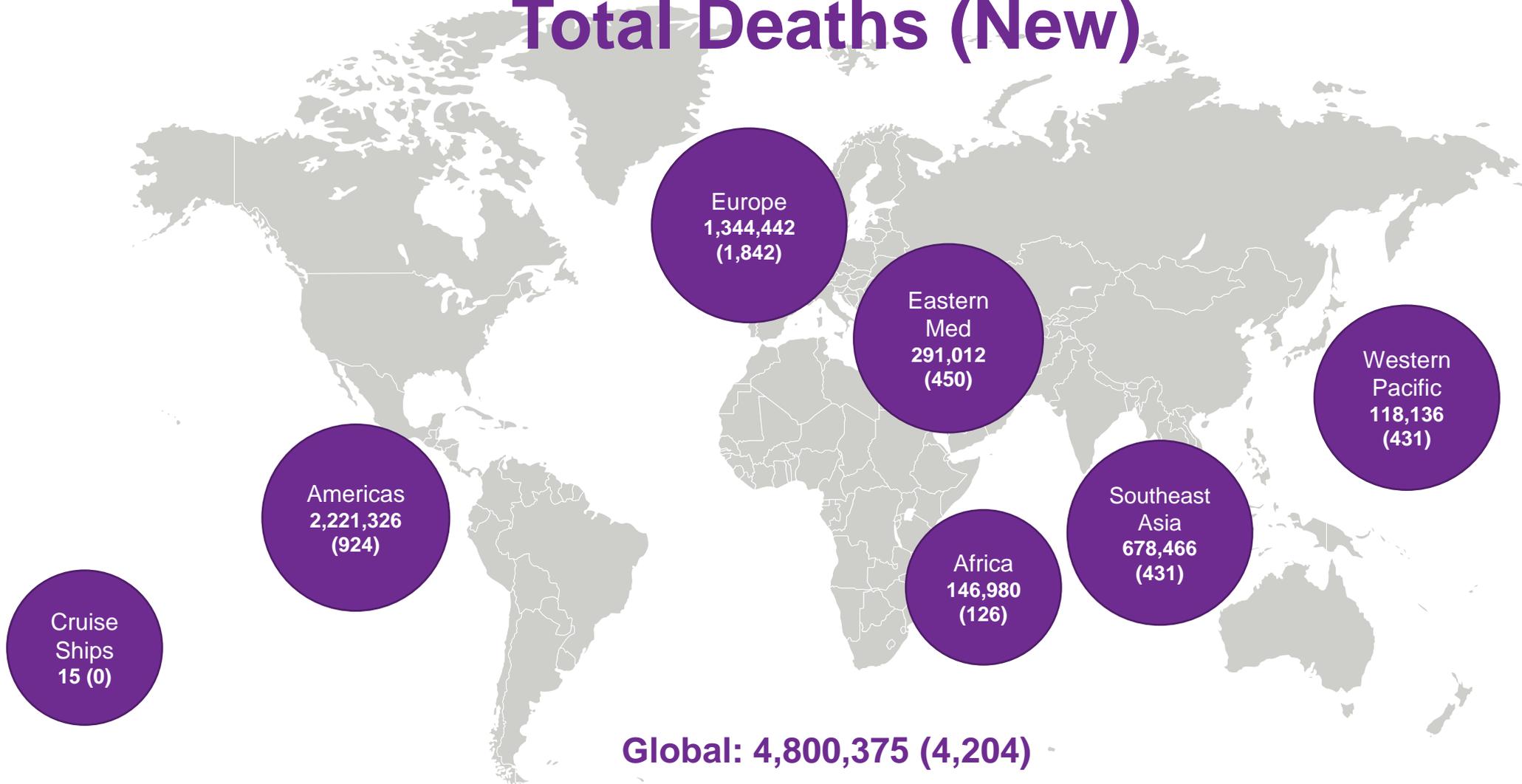
Confirmed Cases (New)



Reflects data as of 6:36 pm CEST on October 4, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:36 pm CEST on October 4, 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.

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.

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