

Dentons Flashpoint

Daily Global Situation Report

November 5, 2021

Global Situation Update: November 5, 2021

KEY TAKEAWAYS

The US releases plans to require vaccines or regular testing for 100 million workers by January 4.

The UN warns that global food prices have hit a 10-year high.

The UN special envoy says the outline of a Sudan power sharing deal has been reached and that parties must move quickly.

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

Mexico faces pressure from the US and an array of interests over a proposal by President Andres Manuel Lopez Obrador (AMLO) to reform its energy sector. This week, the US Ambassador to Mexico expressed his concern about the rolling back of privatization and market liberalization policies, while forty GOP lawmakers urged the Biden administration to defend American energy producers. Domestic and international companies, banks and investment funds also stand to lose.

AMLO's ruling party has agreed to open debate this month on the controversial legislation, which they contend are in the interest of Mexico. Recent polls indicate 64% of Mexicans support the proposed energy reforms and AMLO has lashed out at the IMF after it called on him to stall them. The move to shift control of the energy market back to the Mexican government may also have the effect of greater reliance on fossil fuel and sunk FDI in green energy projects across the country.



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Global

Globally, confirmed coronavirus cases topped 247.9 million with 5 million deaths; almost 7.0 billion vaccine doses have been administered.

- Indonesia, Poland, Vietnam and other nations pledged yesterday to phase out use of **coal-fired power** and stop building plants, but their deal at the COP26 climate summit failed to win support from the US, China, India and other top coal consumers.
- COP26 will highlight **youth activists and civic groups** today, with presentations, panels and exhibitions by civic groups showcasing how they are helping vulnerable populations around the world.
- At COP26, the US called for further nations to sign onto ambitious goals to expand **offshore wind electricity production**.
- The UN Food and Agriculture Organization (FAO) said Thursday that **global food prices** reached their highest level since July 2011 in October, marking a third consecutive month of price rises.
- A new UK study found that people with a **specific type of gene were more at risk** of respiratory failure and death if they contract COVID-19, noting the gene showed up in more than 60 percent of people with South Asian ancestry.

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Markets & Business

OPEC+ declined to ramp up production after holding an unscheduled meeting on Thursday, rebuffing calls from the US and other western powers to boost production to cut energy costs.

- The Bank of England on Thursday joined the US Federal Reserve and European Central Bank in saying that supply **chain-related inflation** is transitory, and higher interest rates may not be needed to fight rising prices.
- Shares in Chinese property developer **Kaisa Group Holdings** were suspended in Hong Kong on Friday, a day after the struggling company missed a debt payment.
- **Airbnb** posted record earnings in Q3 based on a rebound in travel.
- Google parent **Alphabet** launched an AI company that will seek to identify new pharmaceutical drugs.
- American private equity group **Carlyle** has made a \$2.1 billion takeover bid for Australian financial services company **Link Administration Holdings**.
- **AT&T Inc. and Verizon Communications Inc.** agreed to delay their planned December 5 rollout of a new 5G frequency band so they can work with the US Federal Aviation Administration to address concerns about potential interference with key cockpit safety systems.

Environment, Sustainability & Governance

A global coalition of industrial companies calling themselves the Green Hydrogen Catapult (GHC) boosted a target for green hydrogen at COP26.

- **Exxon Mobil** is planning to make its \$30 billion KNG project in Mozambique cleaner through carbon capture technology, according to Mozambique's energy minister.
- **Ford Motor Co** announced plans to retire up to \$5 billion in high-interest debt and tap into the fast-growing market for "green" bonds to help it finance new electric vehicles and expand credit to customers with lower scores.
- Dutch lender **ING** will not finance the trading of oil and gas in Peru amid concern about the impact of the industry on indigenous people in the Sacred Headwaters region of the Amazon.
- **Carbon offsets** are increasingly being paired with fossil fuel shipments in deals that have drawn up 5 percent of all credits used so far this year, according to new research.
- Only around one in five **S&P 500 companies** have science-based carbon targets, but this proportion will likely increase under pressure from investors, proxy advisers and regulators, per Morgan Stanley analysis.

Africa

- A final count in **South Africa's** local elections showed that the ruling African National Congress (ANC) took 46 percent of the vote, confirming that the party netted its lowest vote percentage since ending apartheid in 1994.
- The UN special envoy for **Sudan** said that talks had led to an outline of a deal to return to military-civilian power sharing, but that a final agreement must be reached in “*days not weeks*” before both sides’ positions hardened. A proposed deal included the return of civilian Prime Minister Hamdok to power, a technocratic cabinet, and unspecified changes to institutions.
- **Zimbabwean** teachers are reportedly planning a nationwide strike over poor pay.
- Nine anti-government factions plan an alliance to push for a political transition in **Ethiopia**, increasing pressure on Prime Minister Ahmed as rebel forces advance towards the capital.



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Asia

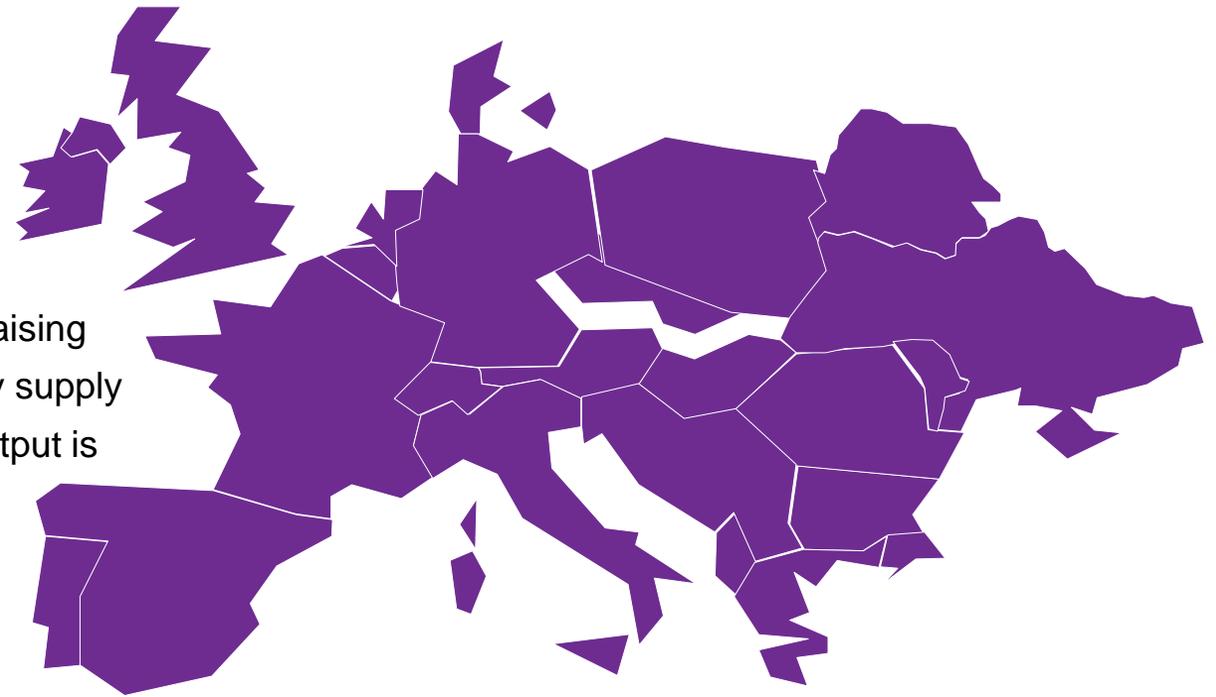
- **Taiwan** raised a trade complaint against **China** at the WTO over Beijing's efforts to block imports of sugar apples and wax apples. A Taiwanese security official testified that Beijing had internally debated an attack on the Prata Islands, but that such an attack would not happen in the next few years.
- A new study shows that coral bleaching has impacted 98 percent of **Australia's** Great Barrier Reef.
- **Thai** consumer confidence rose for a second consecutive month in October, as the government's easing of COVID-19 restrictions opened space for growth in the critical tourism sector.
- **Japan** will reopen its borders to business travelers, students and technical trainees starting next week in the wake of rising pressure from companies to resume international travel.



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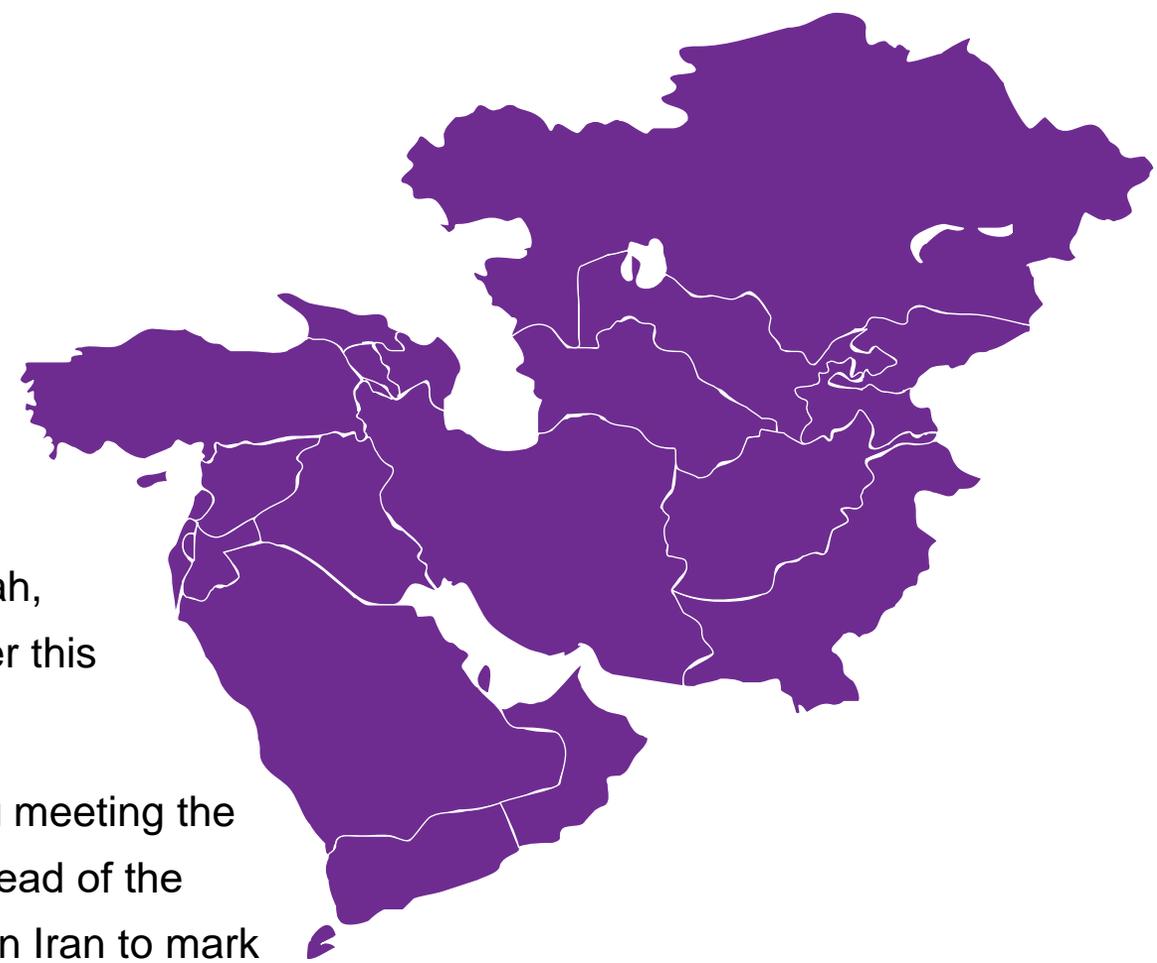
Europe

- **Eurozone** production fell below pre-pandemic levels in August, raising concerns that its economic rebound may be slowing, impacted by supply chain bottlenecks. **Germany** had one of the steepest falls, but output is expected to recover.
- WHO warned that **Europe** is once again the epicenter of the pandemic. Europe registered a 55 percent rise in COVID-19 cases in the last four weeks, despite the availability of vaccines. **Russia's** daily COVID-19 death toll reached a record 1,195 as the country's case surge continues.
- **UK and French** ministers failed to come to an agreement on their post-Brexit fishing dispute but agreed to hold new meetings next week.
- The **Russian** government expelled a **Dutch** journalist for "administrative violations," the second instance of expelling a western journalist since August.
- **Portuguese** President de Sousa called a snap election for January 30th, a week after parliament rejected his budget bill, removing confidence from his government.



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Middle East



- **Tunisia** issued an international arrest warrant for former president Moncef Marzouki, one month after he called on **France** to end support for the current government.
- **Jordan's** former Queen Noor said that her son Prince Hamzah, who was accused of plotting to destabilize the Kingdom earlier this year, is still under house arrest.
- **France** said that it could still act against **Iran** at the upcoming meeting the IAEA's board, foreshadowing potential moves against Iran ahead of the resumption of nuclear talks on the 29th. Protestors marched in Iran to mark the 42nd anniversary of the seizure of the US embassy in Tehran.

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Americas

- Five out of seven of **Chile's** presidential candidates were forced to isolate for a week after left-wing candidate Gabriel Boric tested positive for COVID-19; the election will take place on November 21.
- Groups representing **Nicaraguans** in exile urged their compatriots to abstain from voting in Sunday's elections to avoid legitimizing what they consider a ploy by President Daniel Ortega to remain in power.
- Two suspected drug gang members were shot dead on a beachfront near the **Mexican** resort of Cancun yesterday, in an apparent gangland slaying a couple of weeks after two tourists were killed in crossfire at another beach.



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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.

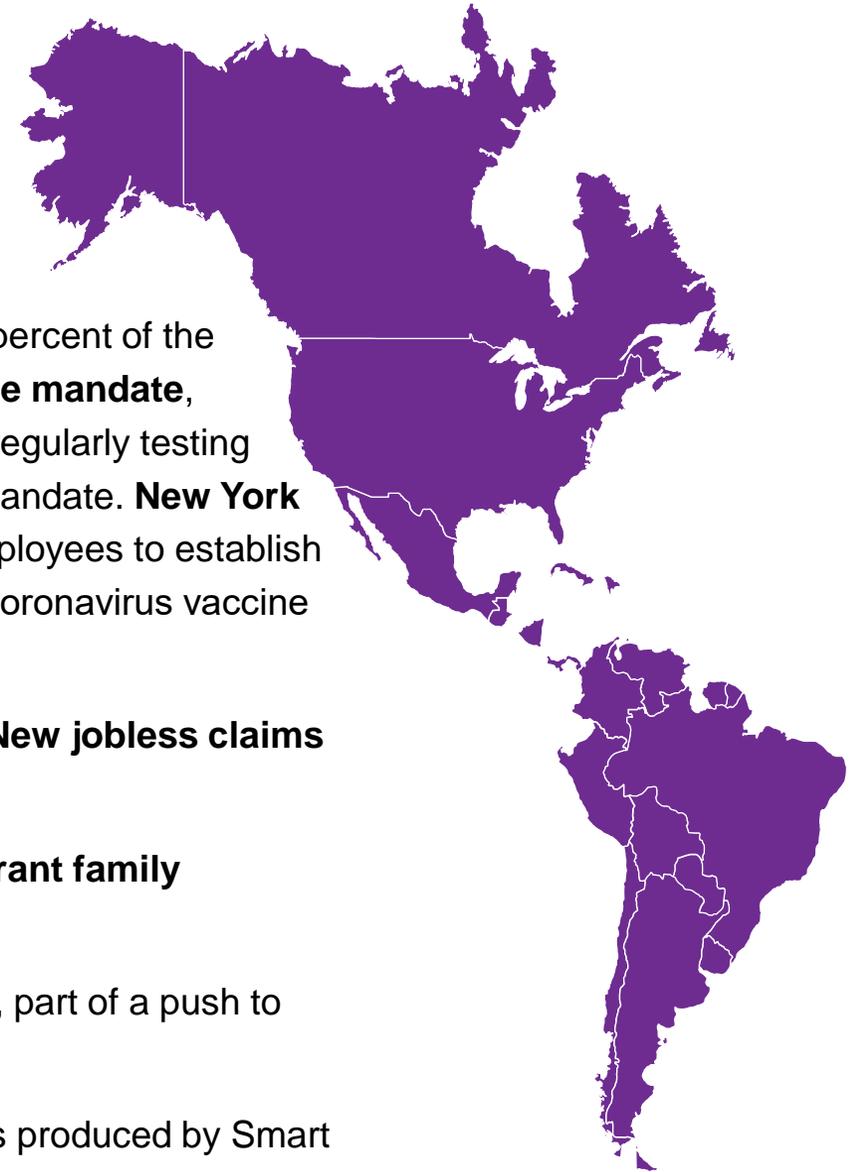
Dentons Intelligence and Security Services Group offers bespoke services to provide business leaders with the intelligence they need to understand and thrive in complex operating environments.

- ❖ 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: US

- Across the nation, 222.6 million have received at least one dose of the **vaccine**; or 67 percent of the total population. The Biden Administration released its plan for private company **vaccine mandate**, requiring companies with over 100 employees to ensure employees are vaccinated or regularly testing by January 4. Republican governors are expected to file **lawsuits** today to block the mandate. **New York City** reached an agreement with at least four unions representing some 75,000 city employees to establish rules about how workers can apply for **medical or religious exemptions** to the city's coronavirus vaccine mandate.
- The **US trade deficit** widened more than expected in October, reaching record highs. **New jobless claims** continued to fall, hitting their fourth consecutive pandemic-era low.
- President Biden rebutted reports that the Department of Justice is in talks to settle **migrant family separation** cases with payments up to \$450,000.
- New York City Mayor-elect Adams says he will take his first three paychecks in **bitcoin**, part of a push to establish the city as a crypto hub.
- United States Customs and Border Protection has banned imports of disposable gloves produced by Smart Glove, a **Malaysian** manufacturer, for alleged use of forced labor.



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Implications of the Gulf-Lebanon Rift

For Lebanon, this added diplomatic impasse will only worsen the domestic economic and political crisis that has led the state to the brink of collapse. There is also increased likelihood that Hizballah and Iran will seek to retaliate by escalating aggression against Saudi Arabia in Yemen, the Bab al-Mandeb and the Persian Gulf.

On 29-30 October, Saudi Arabia, Bahrain, the UAE and Kuwait gave the Lebanese ambassadors to their respective countries 48 hours to return to Beirut. Saudi Arabia banned all imports from Lebanon, while the UAE asked its citizens to leave the country. The immediate trigger for this diplomatic breach was critical comments made about the Saudi-led military intervention in Yemen by Lebanese Information Minister George Kurdahi, who argued that the Houthis are defending themselves against “aggression.” The comments by Kurdahi, a Maronite Christian, came in the context of the broader political and security contest between the Gulf states, on one side, and Iran and its proxies on the other. This spat signals that the Gulf states remain focused on containing and rolling back Iranian influence in the region and that they will no longer abide Lebanon claiming friendly relations while advancing the Iranian regional agenda. For Lebanon, this added diplomatic impasse will

only worsen the domestic economic and political crisis that has led the state to the brink of collapse. There is also increased likelihood that Hizballah and Iran will seek to retaliate by escalating aggression against Saudi Arabia in Yemen, the Bab al-Mandeb and the Persian Gulf.

Hizballah’s Capture of Lebanon

Since the assassination of Prime Minister Rafiq Hariri in 2005 and the expulsion of Syrian overlords, Hizballah has incrementally moved from a tolerated “resistance force” opposing Israel, to a state within a state. Today, it has control over the state in all but name. While the US designated Hizballah as a terrorist organization in 1997, other western governments sought to make a distinction between Hizballah’s military wing and political wing, enabling them to work with the Lebanese government unhindered. Hizballah

Implications of the Gulf-Lebanon Rift

exploited this political space by taking control of key ministries and forming a political alliance with current president Michel Aoun's Free Patriotic Movement, making Aoun president in name, and Hezbollah's Hasan Nasrallah the power behind the throne.

The Gulf states had long favored Lebanon in investment, political support and as a tourism destination. As Hezbollah's influence grew, however, the Gulf states - with the exception of Qatar - started a slow retreat. A significant break occurred in 2016, when Saudi Arabia suspended a \$3 billion aid package for the Lebanese army in response to Beirut's failure to condemn attacks on the Kingdom's diplomatic missions in Iran. In 2017, Saudi Arabia tried to strong-arm Saad Hariri to resign as prime minister to stop giving political cover to Hezbollah. Neither efforts succeeded in blocking Hezbollah's creeping control. Rather, Hezbollah became more active in targeting Saudi interests. Hezbollah reportedly sent military operatives to Yemen to train the Houthis in irregular warfare tactics. In April 2021, the Saudis banned agricultural imports from Lebanon after the Jeddah Islamic Port authorities foiled a plot to smuggle more than 5 million Captagon drug pills into the Kingdom via a fruit shipment from Lebanon.

Information Minister George Kurdahi, the source of the current controversy, was appointed to his position in the Lebanese government by the Marada Movement, a Christian party closely allied to Hezbollah. Despite the demands of the Gulf states, Kurdahi has declined to resign. This is not a matter of pride, but inextricably linked to propaganda war being orchestrated by Iran and waged by Hezbollah against Saudi Arabia specifically, and the Gulf states more broadly.

The Path Forward

Lebanese Prime Minister Mikati has sought assistance from France and the US to mediate the diplomatic rift, recognizing that Lebanon is in no position to handle an external confrontation in addition to the on-going domestic economic and political crisis. Mikati has been in office for a month, following a 13-month deadlock that saw the country slide deeper into financial chaos and poverty. Lebanese political elite are stalling and refusing to adopt needed reforms in governance and economic management with the misplaced belief that the international community will bail the country out. The US

Implications of the Gulf-Lebanon Rift

and France have remained firm that real reforms must be implemented before Washington and Paris will back an international relief effort. Furthermore, the IMF is requiring a financial audit of the central bank as a precondition for any loan.

Recent statistics reveal that the ongoing economic crisis is acute. The economy contracted in 2020 by 20.3 percent and thus far in 2021 by another 5.8 percent. Inflation averaged 113 percent in the second quarter of 2021. Twenty-two percent of Lebanese households are food insecure. The central bank and the banking sector remain insolvent, with Beirut defaulting on its eurobond payment in March last year. Much of the country is enduring regular blackouts, with Beirut unable to pay to import fuel needed for the electricity grid.

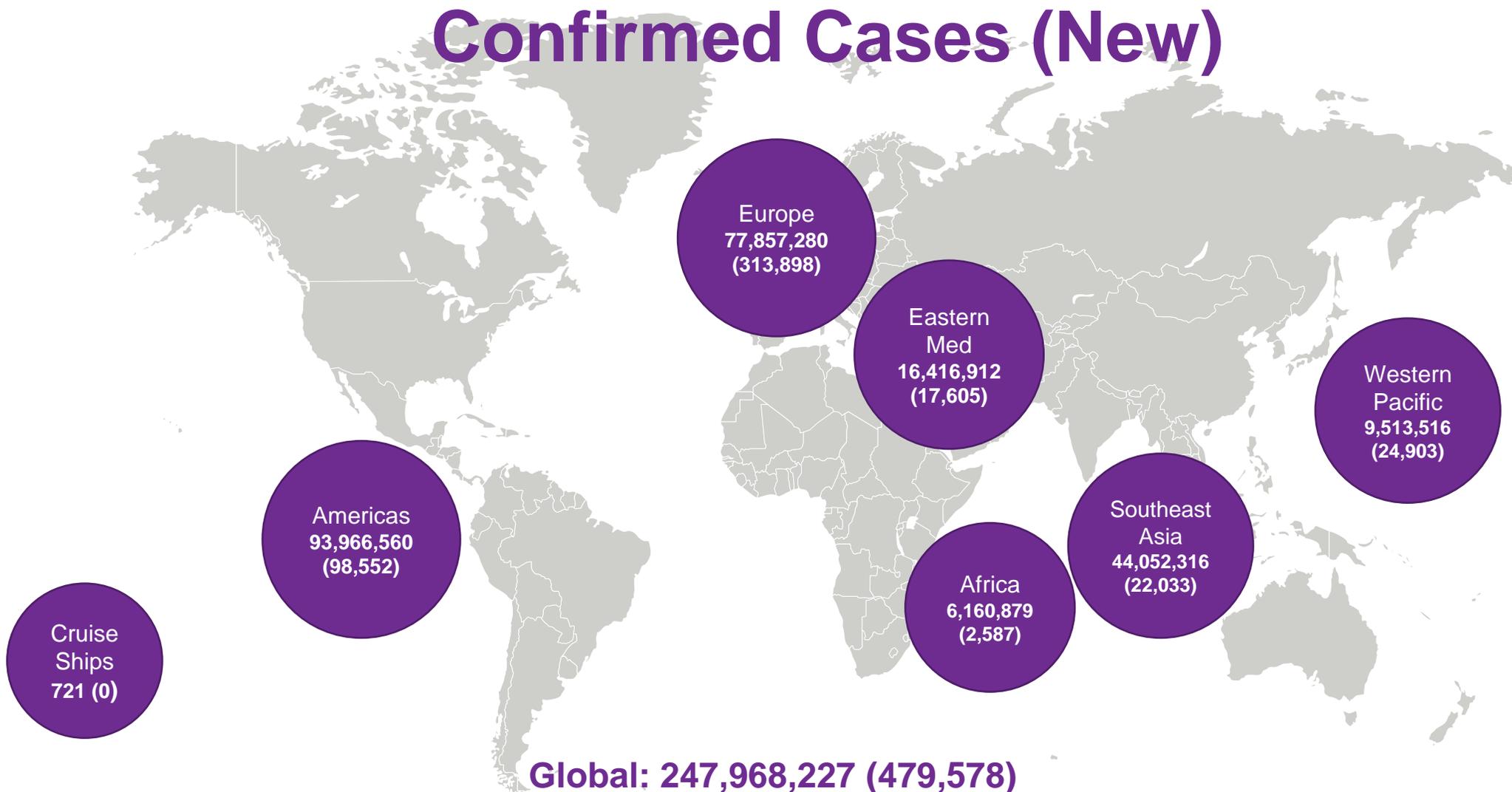
Lebanese officials know that the pathway to international assistance is political and economic reform, enforcement of real anti-corruption measures and free and fair elections. . The diplomatic rift with the Gulf states simply increases the stakes for Lebanon. International businesses operating in the region should not expect any immediate

resolution to the crisis and should anticipate transportation disruptions for movement of goods. There is also increased likelihood that Hizballah and Iran will seek to retaliate soon.

Coronavirus Condition Updates

As of 5:14 pm CEST on November 4, 2021

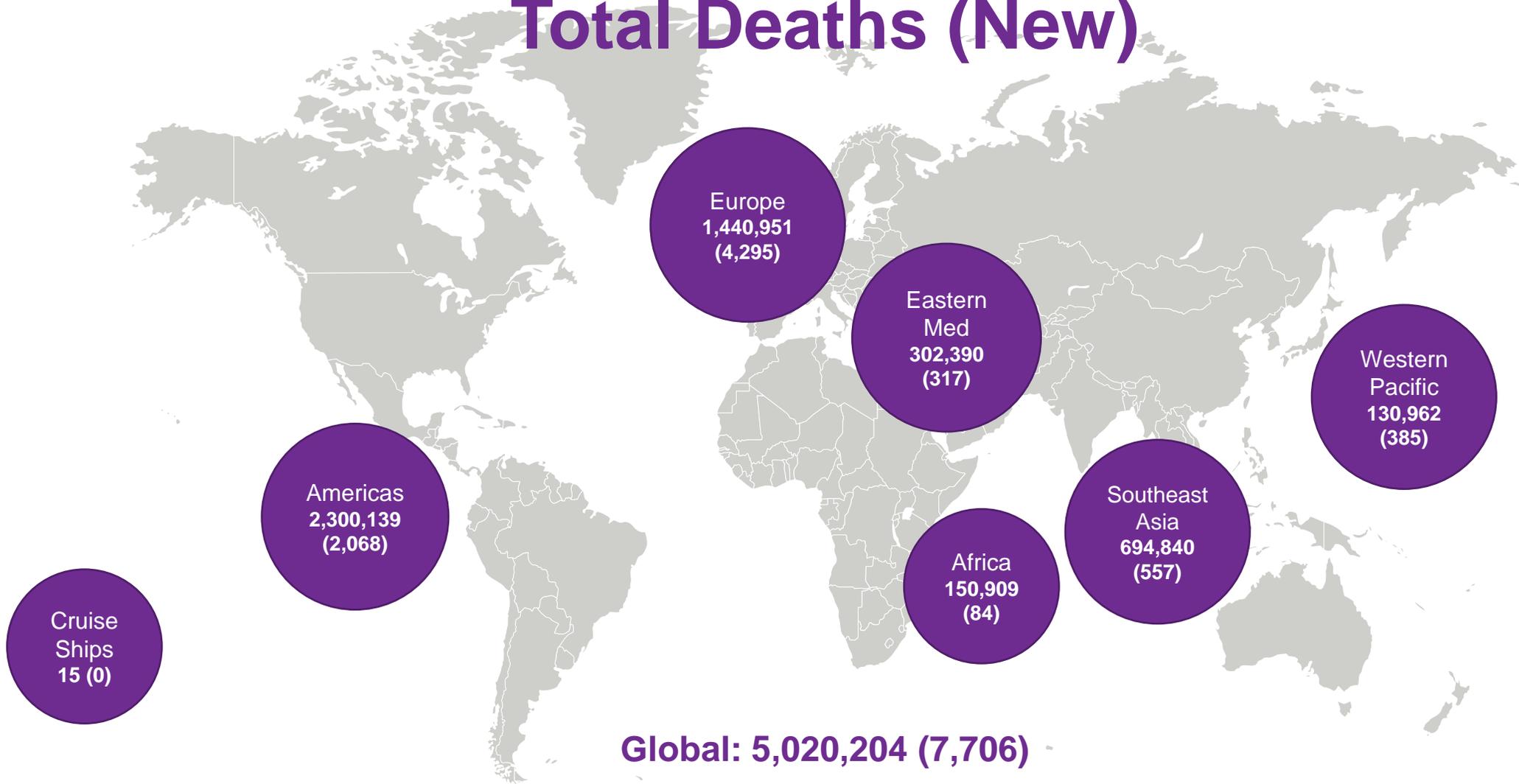
Confirmed Cases (New)



Reflects data as of 5:14 pm CEST on November 4, 2021.
Data Source: World Health Organization

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Total Deaths (New)



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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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