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Dentons Flashpoint

Daily Global Situation Report

January 14, 2022

Global Situation Update: January 14, 2022

KEY TAKEAWAYS

Ukraine was hit by a massive cyberattack and the US warns of increased risks of war.

US Supreme Court blocks vaccine mandate for large businesses in blow to Biden Administration COVID-19 program.

China's trade surplus in 2021 reached $676.4 billion, up about 30 percent from the previous year.

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

Businesses in the US should be aware of a novel new tactic employed by cybercrime group FIN7 to breach networks. The eastern European hackers are using the US Postal Service and UPS to mail infected USB hard drives that impersonate COVID-19 guidance or Amazon and Best Buy gift cards to a variety of industries. Once installed, the tools are used to enter networks and deploy ransomware strains, according to a recent FBI warning,

Currently, the FIN7 cybercriminals are primarily targeting defense, retail, hospitality and finance sectors. FIN7 is likely to experiment with other social engineering methods to distribute malware physically to targets. Companies, especially those in possession of sensitive or classified information, should remind staff to control the amount of information they post about themselves on social media.

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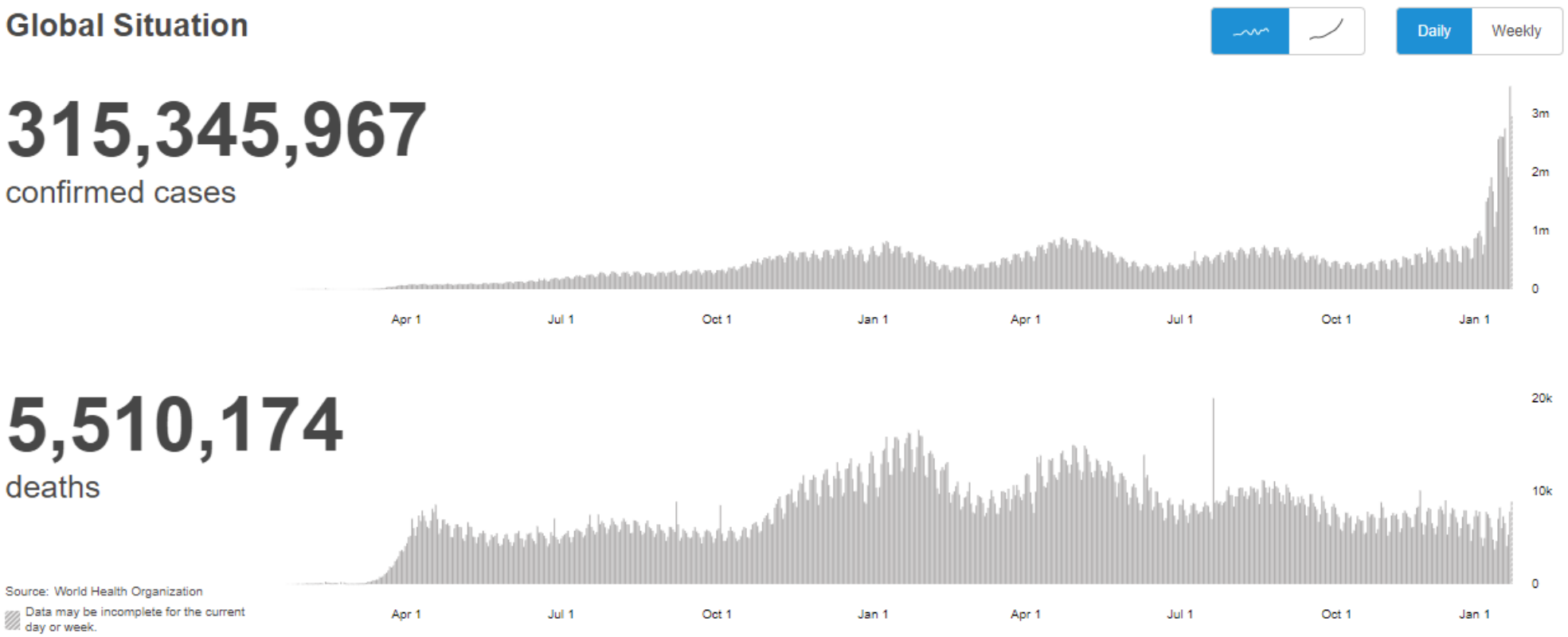
Global



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Global

Globally, confirmed coronavirus cases topped 315.3 million with 5.5 million deaths; almost 9.1 billion vaccine doses have been administered.

- **Ukraine** was hit by a massive cyberattack on Friday warning its citizens to "*expect the worst*." The US warned that **risk of war** is rising after no breakthrough was reached at meetings between Russia and Western states. Russia appears to be moving addition troops to the Ukraine border. The EU political and security committee and cyber units would meet to decide how to respond and help Kyiv.
- UN Secretary-General Guterres announced he will attend the opening of the **Beijing Winter Olympics** next month, saying the event *"must be an instrument of peace in the world.*" The US, Australia, Britain, Canada and Japan have announced diplomatic boycotts over China's human rights abuses.
- Polish scientists have found a gene that they say more than doubles the **risk of becoming severely ill with COVID-19**, a discovery they hope could help doctors identify people who are most at risk from the disease. The gene was the fourth most important factor determining how seriously a person suffers from COVID-19, after age, weight and gender.
- **Pregnant women** who are unvaccinated against the coronavirus are more likely to be hospitalized for COVID-19, and also at more risk of seeing their newborns die less than a month after birth, according to a peer-reviewed study in Scotland published in *Nature Medicine*.

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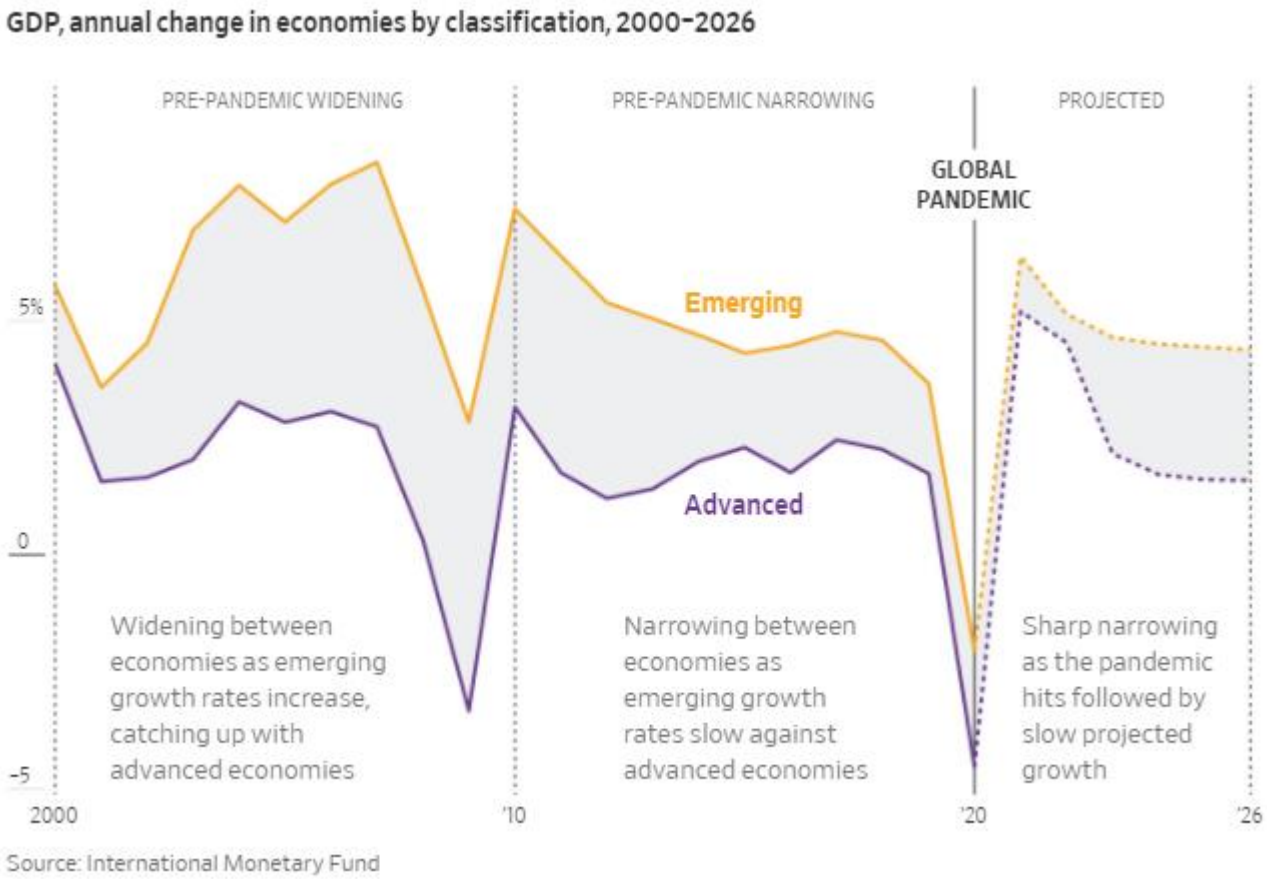
Global

Per the IMF, the COVID-19 pandemic is widening the gap between rich and poor countries, a trend that threatens to reverse years of economic progress and set back efforts to alleviate global poverty.



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Markets & Business

China will release crude oil from its national strategic stockpiles around February 1 as part of a plan coordinated by the US with other major consumers to reduce global prices.

- **Citigroup Inc.** agreed to sell its consumer-banking franchises in Indonesia, Malaysia, Thailand and Vietnam to **United Overseas Bank Ltd**. , advancing its strategy to exit most of its retail operations in Asia.
- **Google** purchased a central London building where it is currently a tenant, for $1 billion, showing its confidence in the future of the office as a place to work.
- Japan's **Canon** Inc announced it was considering shutting a factory in Zhuhai, southern China, which mainly makes compact digital cameras amid a shrinking market for such devices.
- **Facebook**, now known as Meta Platforms, faces a 2.3 billion pound plus ($3.2 billion plus) class action in Britain over allegations it abused its market dominance by exploiting the personal data of 44 million users.
- British fashion retailer **Next** has cut sick pay for unvaccinated staff who must self-isolate due to exposure to COVID-19.
- As supply chain disruptions in China growing due to lockdowns, Japanese chipmaker **Rohm** suspends production at its China plant in Tianjin due to local COVID-19 restrictions.

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Environment, Sustainability & Governance

EY published its first Global Outlook Survey; of the 2,000 executives polled, many highlighted ESG as the primary focus for new M&A activities.

- President Biden is reportedly weighing lowering the 2022 **ethanol blending** mandate, which requires blending biofuels into the nation's gasoline, amid lobbying from oil refiners and arguments that a shrinking ethanol industry cannot sustain the mandate.
- Microsoft announced a $50 million investment in a LanzaJet facility that is aiming to produce jet fuel from **ethanol** by next year.
- Australian authorities warned people to stay indoors on Friday as a **severe heatwave** along the northwestern coast pushed temperatures to 50.7 degrees Celsius (123 degrees Fahrenheit), hitting a high last seen 62 years ago.

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Africa

- A state security official was killed amid anti-coup protests in Khartoum, **Sudan**; since the onset of protests of the coup in 2019, at least 63 people have died.
- In an unconventional move, the Nobel Committee called on **Ethiopian** Prime Minister Abiy Ahmed to end the Ethiopian civil war, saying that Ahmed has a special responsibility as a Nobel Peace Prize recipient to stop hostilities.
- The **EU** said that it would follow ECOWAS in imposing stricter sanctions on **Mali**, further isolating the coup leaders. **Sweden** has decided to withdraw its troops from a European special forces mission to the Sahel region and will review its UN contribution after the arrival of private Russian military contractors in Mali. The **UN** called on Mali's ruling junta to announce an election timetable.

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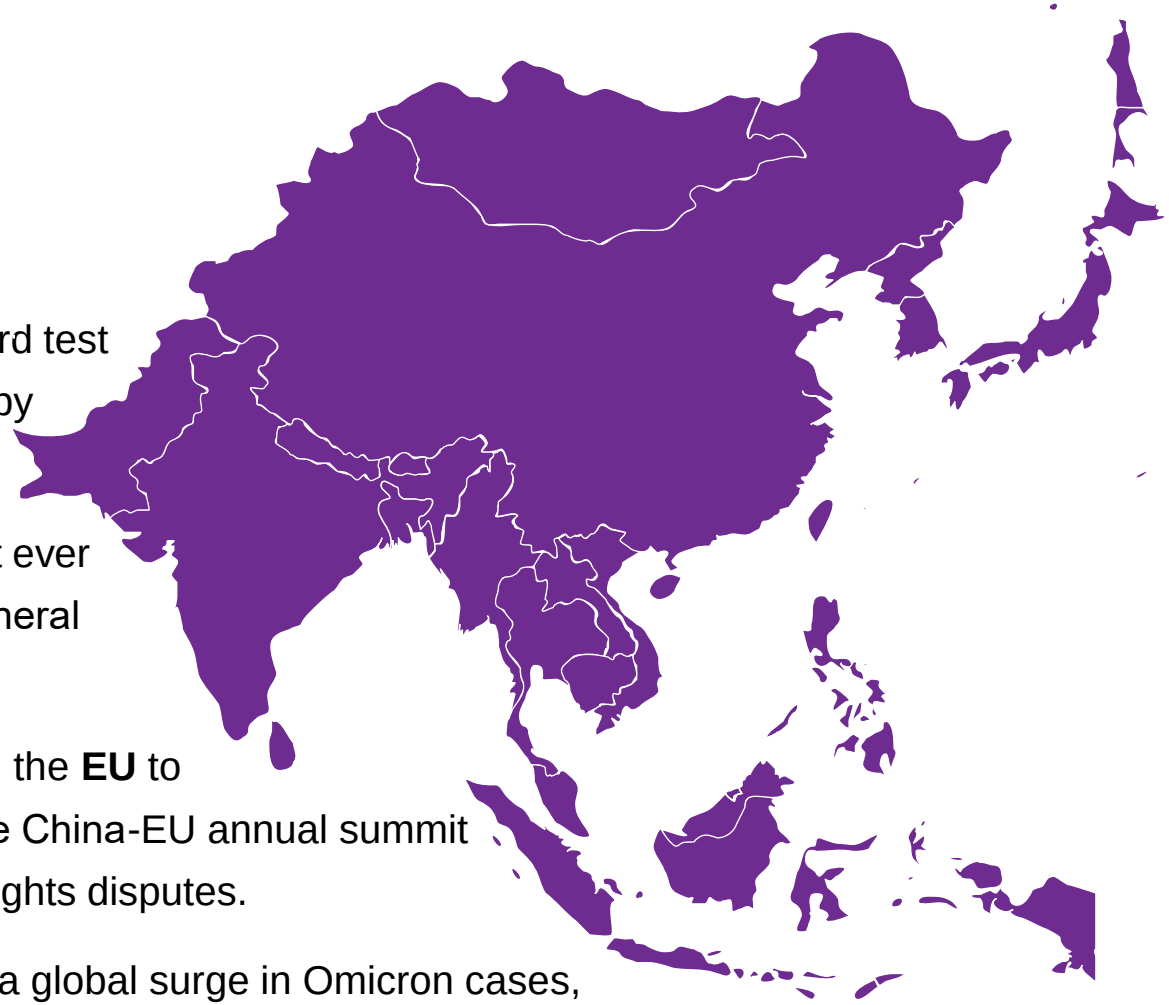
Asia



- **North Korea** fired at least two ballistic missiles on Friday, the third test in two weeks, just hours after criticizing new sanctions imposed by the **US**.
- **China's** trade surplus in 2021 reached $676.4 billion, the largest ever and up about 30 percent from the previous year, per China's General Administration of Customs.
- **China** called on **France** as it takes on the EU presidency to lead the **EU** to "*correct understanding*" and practical cooperation with China; the China-EU annual summit was postponed last December over festering trade and human rights disputes.
- **China** suspended dozens of international flights on Friday amid a global surge in Omicron cases, while the city of Shanghai curbed tourist activity, halting organized group tours into and out of Shanghai. **Hong Kong** will extend the restrictions, keeping social venues shut and shortening dining hours at restaurants until the end of the Chinese New Year. Hong Kong's international airport is temporarily banning transit flights from about 150 countries deemed to be high coronavirus risks. The **Philippines** will keep movement restrictions in its capital in place until January 31.

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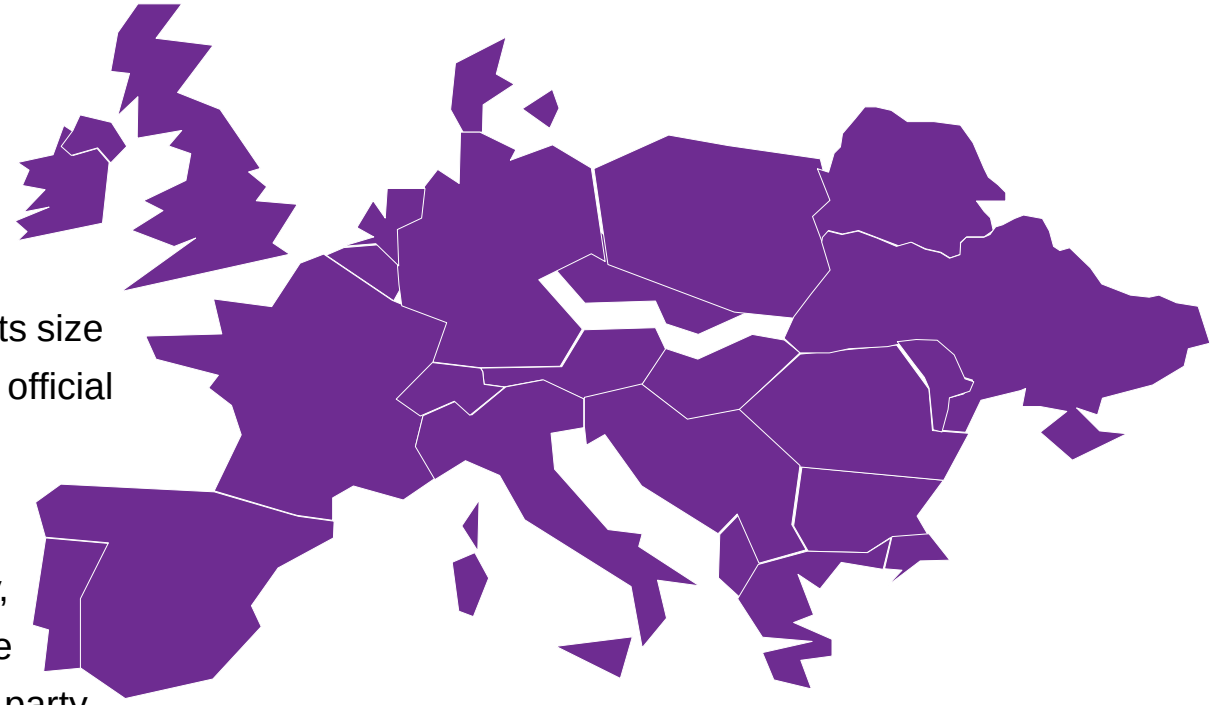
Europe



- **Britain's** economy grew strongly in November to finally surpass its size just before the country went into its first COVID-19 lockdown, per official data.
- The **Czech** Republic's new conservative-led government won a vote of confidence in the lower house of parliament. A three-party, liberal-conservative coalition known as Together, composed of the Civic Democratic Party, the Christian Democrats and the TOP 09 party, came in first in the election with 27.8 percent of the vote.
- **Sweden's** military ramped up activities on the Baltic Sea island of Gotland amid increased tensions between **NATO and Russia** and a recent deployment of **Russian** landing craft in the Baltic. The **EU's** foreign policy chief said the future of the controversial Nord Stream 2 pipeline is likely linked to any possible invasion of **Ukraine** by Russia.
- **France's** health minister and the **Swedish** Prime Minister tested positive for COVID-19. **France's** education minister said the government would provide five million FFP2 masks and hire 3,300 contract workers following a nationwide education strike. Despite a wave of new infections due to the Omicron variant, restrictions in the **Netherlands** will be eased from Saturday permitting non-essential stores, hairdressers and gyms to reopen and in-person education to resume. **Norway** will lift the ban on the sale of alcohol in bars and restaurants.

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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**.*

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Middle East

- At least four rockets targeted the US embassy in Baghdad's Green Zone, a new escalation in a recent spate of violence against US sites in **Iraq**.
- **Lebanon's** central bank governor called for the judge leading a probe into Lebanon's financial collapse to be removed after she imposed a travel ban on him.
- **Emirati** schools extended remote learning for a week amid high Omicron transmission. **Saudi Arabia** set a record for new cases for the second day running.

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Americas

- **Canada** will join **Mexico** in signing a complaint to the **US** over how Washington is interpreting free trade agreements with regards to the auto industry, arguing that the practice unfairly advantages US manufacturers.
- The UN Human Rights Council reported that at least 78 rights defenders in **Colombia** were killed in 2021, an increase of 20 cases from 2020.
- A top **Russian** diplomat on Thursday refused to rule out a military deployment to **Cuba and Venezuela** if the **US** and allies do not stop military activities on Russia's periphery.

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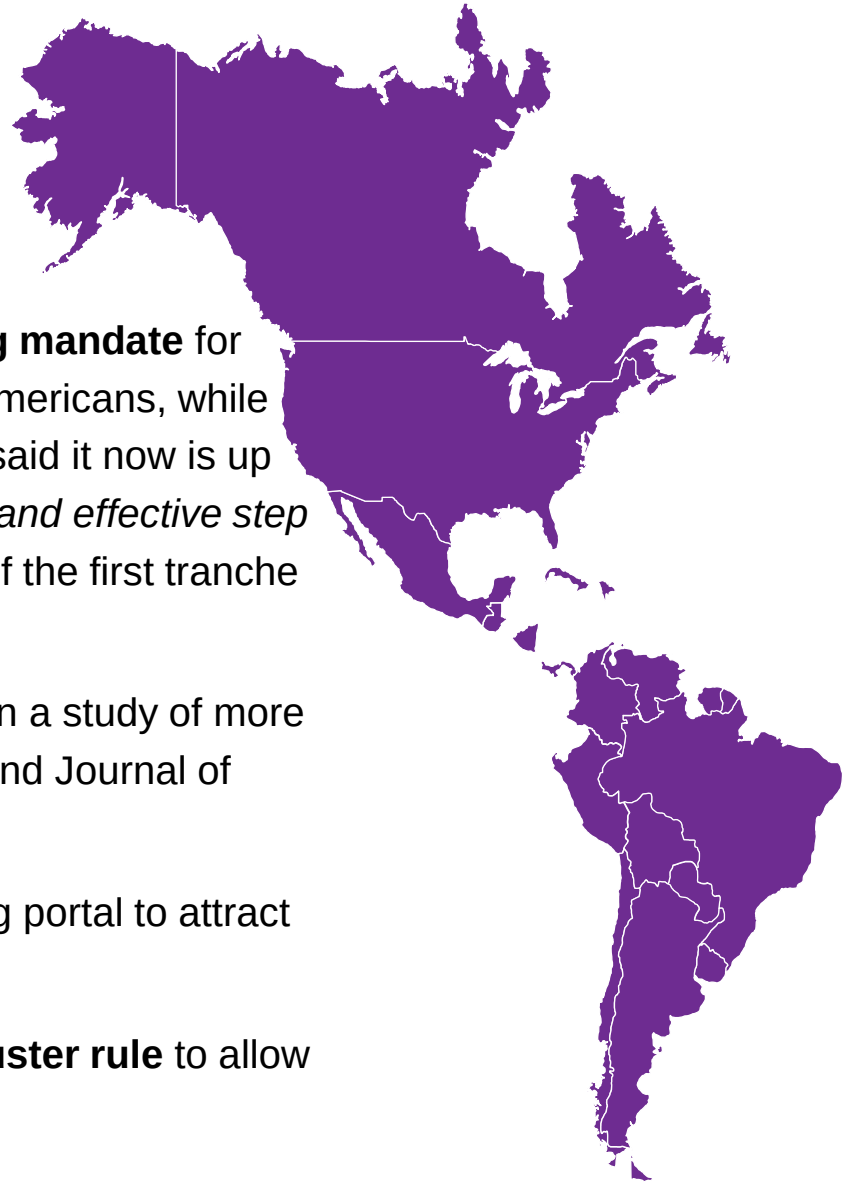
Americas: US



- The Supreme Court blocked President Biden's **COVID-19 vaccination-or-testing mandate** for large businesses, citing an improper imposition on the lives and health of many Americans, while endorsing a separate federal vaccine requirement for healthcare facilities. Biden said it now is up to states and employers to decide whether to require workers "*to take the simple and effective step of getting vaccinated*." The Biden Administration has procured about 380 million of the first tranche of **COVID-19 tests** that it plans to make available for free to Americans.
- Nearly all **teenagers needing intensive care for COVID-19** were unvaccinated in a study of more than 1,000 US hospital patients, per the peer-reviewed analysis in the New England Journal of Medicine.
- The Energy Department is creating a **Clean Energy Corps** and launching a hiring portal to attract 1,000 additional workers focused on climate change and clean energy.
- Senator Sinema rejected President Biden's initiative to change the Senate's **filibuster rule** to allow Democrats to pass a voting-rights bill, all but ensuring the bill's failure.

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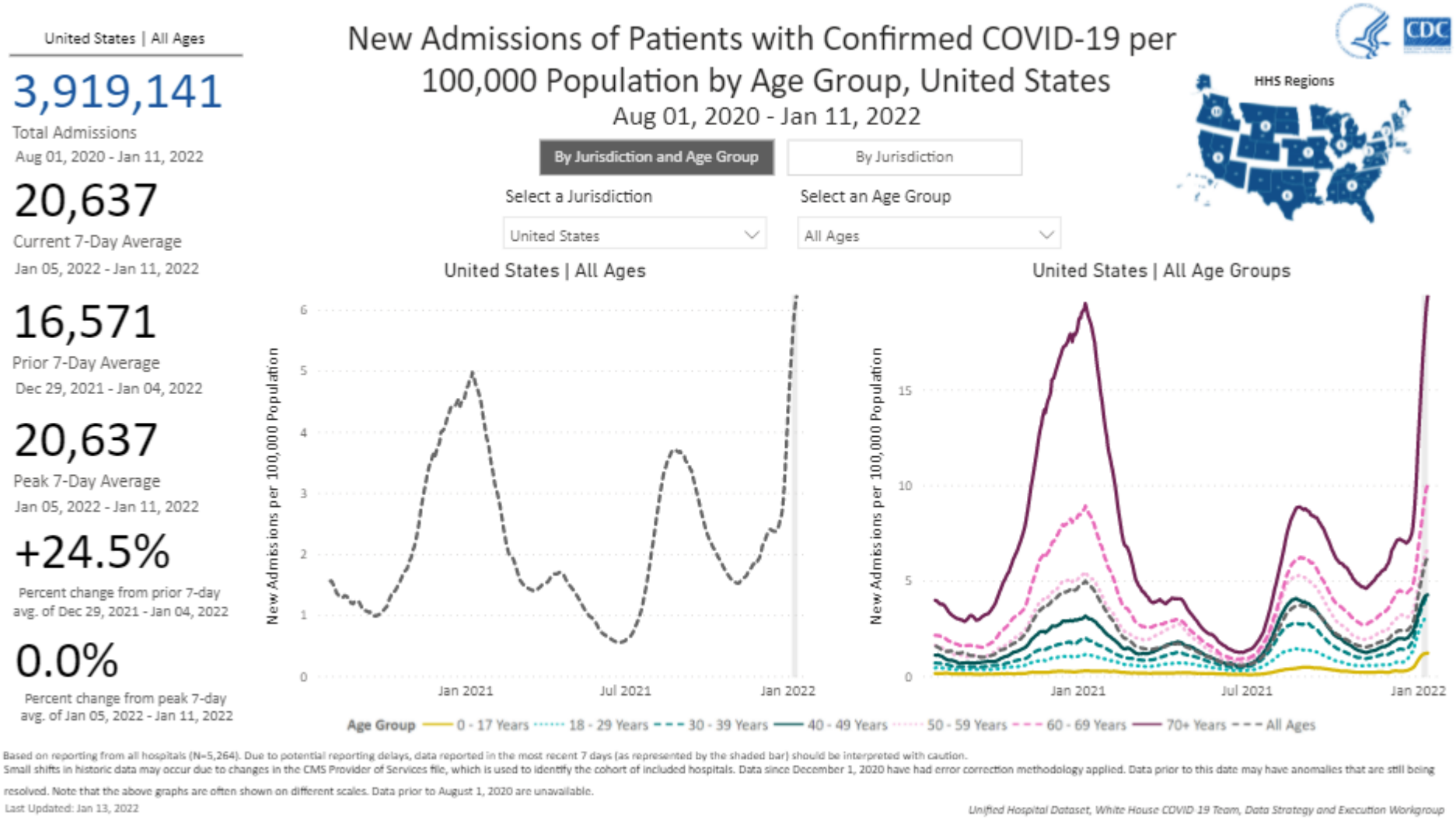
Americas: US



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The Digitalization of Retail: How Labor Shortages Are Driving Technological Development

By Matt Skros

Many retailers and service-sector employers have accelerated the deployment of technologies designed to automate functions normally performed by human employees. This acceleration is due in part to an acute shortage of labor and large numbers of COVID-19 infections among existing employees, meaning retail employers are having greater difficulties staffing their stores. Facing these challenges, many employers have turned to new forms of automation to increase service efficiency and keep their businesses humming.

Among these automations are self-checkout counters, customer service kiosks fitted with artificial intelligence, and stores outfitted with cameras that track what a customer takes off the shelf. Technologies like these allow stores to function with fewer employees, decreasing costs and increasing profits.

Self-Checkout and "Checkout-Free" Technology

While already a fixture of American grocery stores before the pandemic, the installation of self-service checkout counters in stores increased by 25% in 2020, according to research and consulting firm RBR, and will likely continue to do so as retailers see them as a possible solution to labor shortages. While stores such as Walmart, Target, CVS, and Giant have all had self-checkout options for several years, other retailers like DSW and Kohls are now experimenting with the technology. Self-checkout kiosks reduce the number of employees needed to ensure operation of the store, as only one or two people are usually needed to operate a self-checkout section. Self-checkout also helps stores better manage workflow by allowing them to concentrate workers on restocking shelves or assisting customers.

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Amazon has taken automated retail technology a step further, debuting “checkout-free” Amazon Fresh grocery stores in June of 2021. Up until this point, the technology was limited to Amazon’s Go grocery stores, which are smaller than its Amazon Fresh stores. When a customer enters the store, they have the option to either shop in the traditional fashion and pay when exiting or scan a QR code and participate in “Just Walk Out” shopping. Using camera technology, everything that a Just Walk Out customer places in their cart is tracked and automatically added to their Amazon account. When a customer has completed their shopping, they simply walk out of the store – no need to use a kiosk or interact with a cashier. The customer is then automatically charged for the items that they removed from the shelves. Some Amazon stores also have information kiosks with Amazon “Alexa” technology installed, allowing customers to ask the system where a particular item is in the store and further reducing the number of employees needed for shopper support.

While large corporations have the money, resources, and R&D assets to make these development leaps, smaller “mom and pop” businesses have struggled to keep up. Additionally, much of this technology is proprietary, preventing some small retail businesses from developing systems of their own. There are signs, though, that this enhanced customer service technology may become more accessible to independent retail stores. Sunrise Technologies, a tech innovation company associated with the supermarket chain Kroger, is partnering with Microsoft to offer new retail store technology to small businesses. Sunrise’s tech products can reportedly be installed in stores of any size and do not require undue technological know-how to operate. Some tech upstarts, such as Standard Cognition, are working on developing easy-to-install cashier-less systems for small retailers. According to Standard Cognition founder Michael Suswal, their system can function with as few as 27 cameras, a significant decrease from the 100-200 that are required in larger stores.

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Coronavirus Condition Updates

As of 4:19 pm CEST on January 13, 2022

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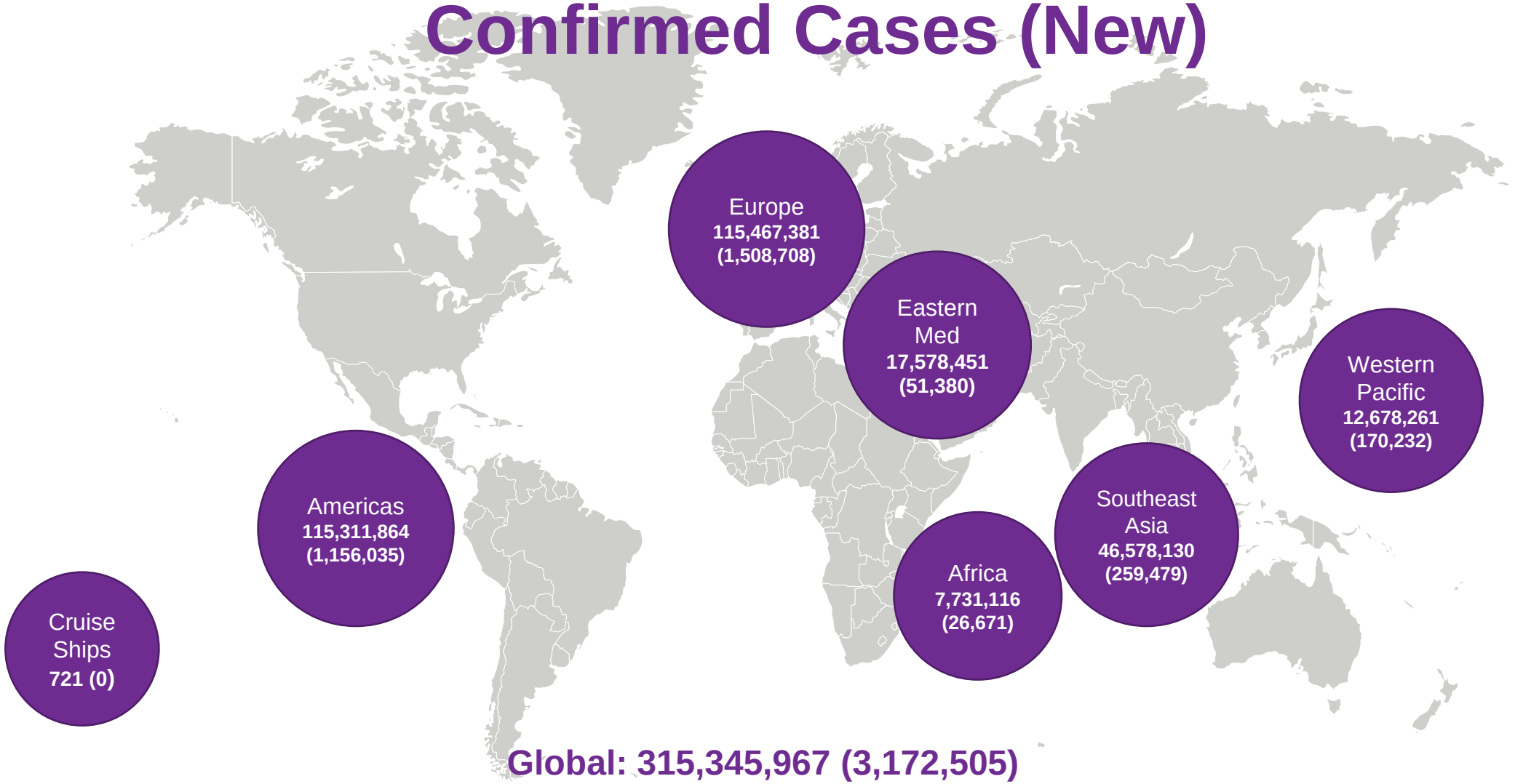
Confirmed Cases (New)



Global: 315,345,967 (3,172,505)

Reflects data as of 4:19 pm CEST on January 13, 2022.
Data Source: World Health Organization

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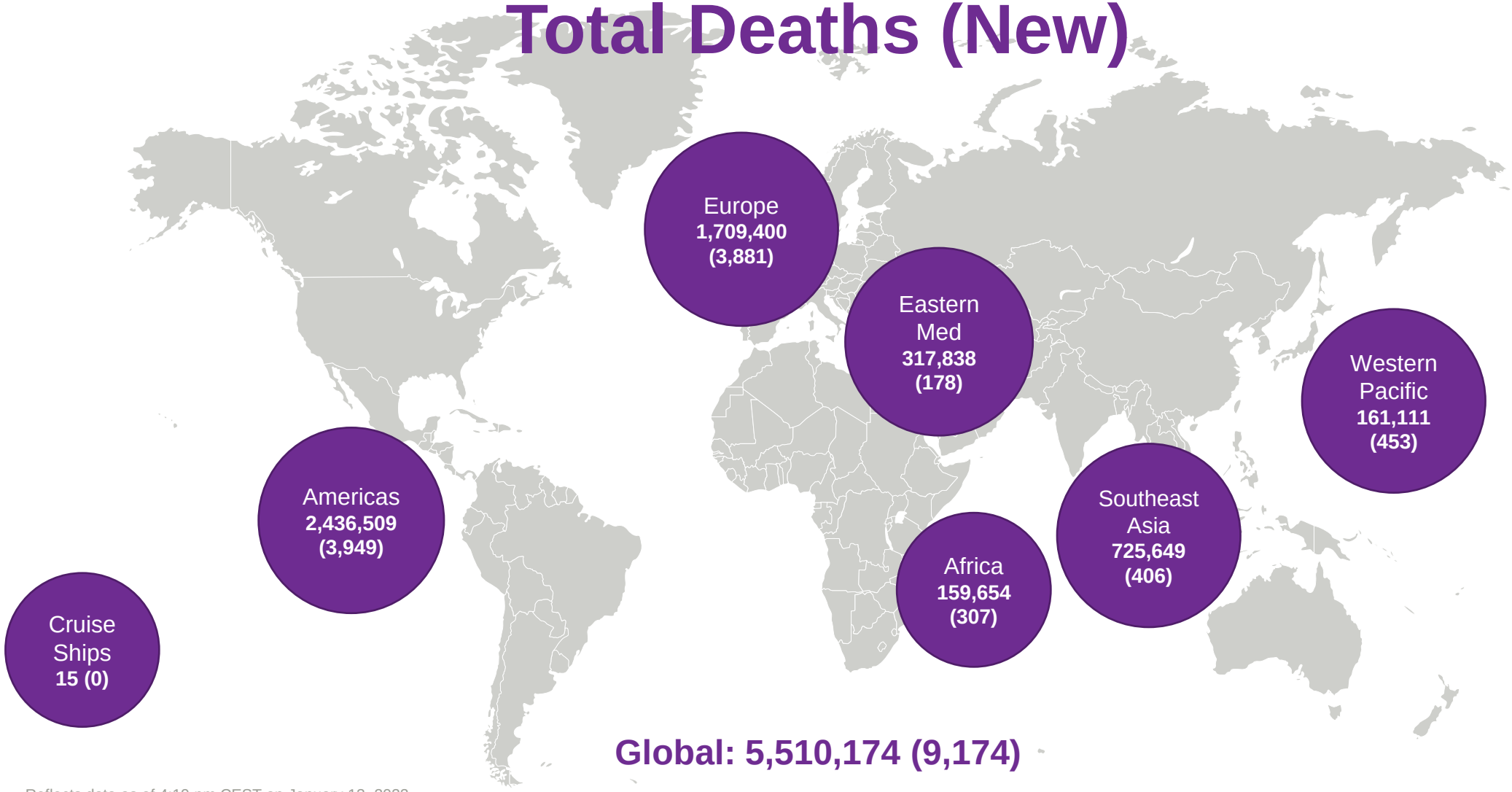
Total Deaths (New)



Global: 5,510,174 (9,174)

Reflects data as of 4:19 pm CEST on January 13, 2022
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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