

Dentons Flashpoint

Daily Global Situation Report

October 12, 2021

Global Situation Update: October 12, 2021

KEY TAKEAWAYS

A 13th round of India-China talks on disengagement in the Ladakh border region have stalled, with each side blaming the other for the setback.

The World Bank reported that the debt burden of poor countries rose 12 percent in 2020 as a result of the pandemic.

New US COVID-19 cases dropped 22 percent in the past two weeks, a tentative sign that the summer Delta wave is receding.

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

The International Monetary Fund and the World Bank are holding annual Fall meetings in Washington, DC amid distractions to their agendas. A crisis of confidence is brewing for both global institutions amid news that staff were pressured to adjust economic analysis and data on multiple countries. This is important because billion-dollar decisions are routinely made based on information from the IMF and WB.

There are mounting concerns that the current head of the IMF, in her previous role as chief executive of the WB, pushed staff to adjust data on China for its flagship ease of doing business report (note: China is the third-largest shareholder in World Bank). More recently, she is accused of leaning on IMF staff to soften their criticism of environmental policies in Brazil, following intervention from the Brazilian government.



**ANNUAL
MEETINGS**

2021 | WASHINGTON DC

WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

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Global

Globally, confirmed coronavirus cases topped 237.3 million with 4.8 million deaths; more than 6.3 billion vaccine doses have been administered.

- US Climate Envoy John Kerry announced that an additional 24 countries pledged to cut **methane emissions** by one-third by 2030, joining the “Global Methane Pledge.”
- At least 85 percent of the global population has experienced weather events made worse by **climate change**, according to research published in the journal Nature Climate Change.
- The World Bank reported that the **debt burden** of poor countries rose 12 percent in 2020 as a result of the pandemic and called for more efforts to reduce debt.
- A panel of experts convened by the WHO recommended that anyone over 60 who receives doses of Chinese-made vaccines **Sinopharm and Sinovac** should be offered an extra dose.
- Italian Prime Minister Mario Draghi will host a special summit of the Group of 20 major economies today to discuss Afghanistan, as worries grow about a looming **humanitarian disaster** following the Taliban's return to power.
- The **IMF's executive board** on Monday expressed its full confidence in Managing Director Kristalina Georgieva after reviewing allegations that she pressured World Bank staff to alter data to favor China. But Treasury Secretary Yellen put Georgieva, unconvinced, called for proactive steps to reinforce data integrity and credibility at the IMF.

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Markets & Business

US crude prices hit a new seven-year high on Monday as fears of demand outstripping supply continue to grow.

- **JPMorgan Chase** CEO Jamie Dimon said that he considers **cryptocurrency** “worthless” and that “*no matter what anyone thinks about it, government is going to regulate it.*”
- **Amazon** will allow individual teams to decide the specifics of how many days per week corporate employees will be expected to be in the office, once reopening starts on January 3.
- **Facebook’s** oversight board announced that it will meet with whistleblower Frances Haugen in coming weeks.
- **BMW** reported that its production at a South African plant has been impacted due to a wage strike by the nation’s metalworkers, begun last Tuesday.
- **China Evergrande Group** on Tuesday missed its third round of bond payments in three weeks, intensifying market fears over contagion involving other property developer.

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Africa

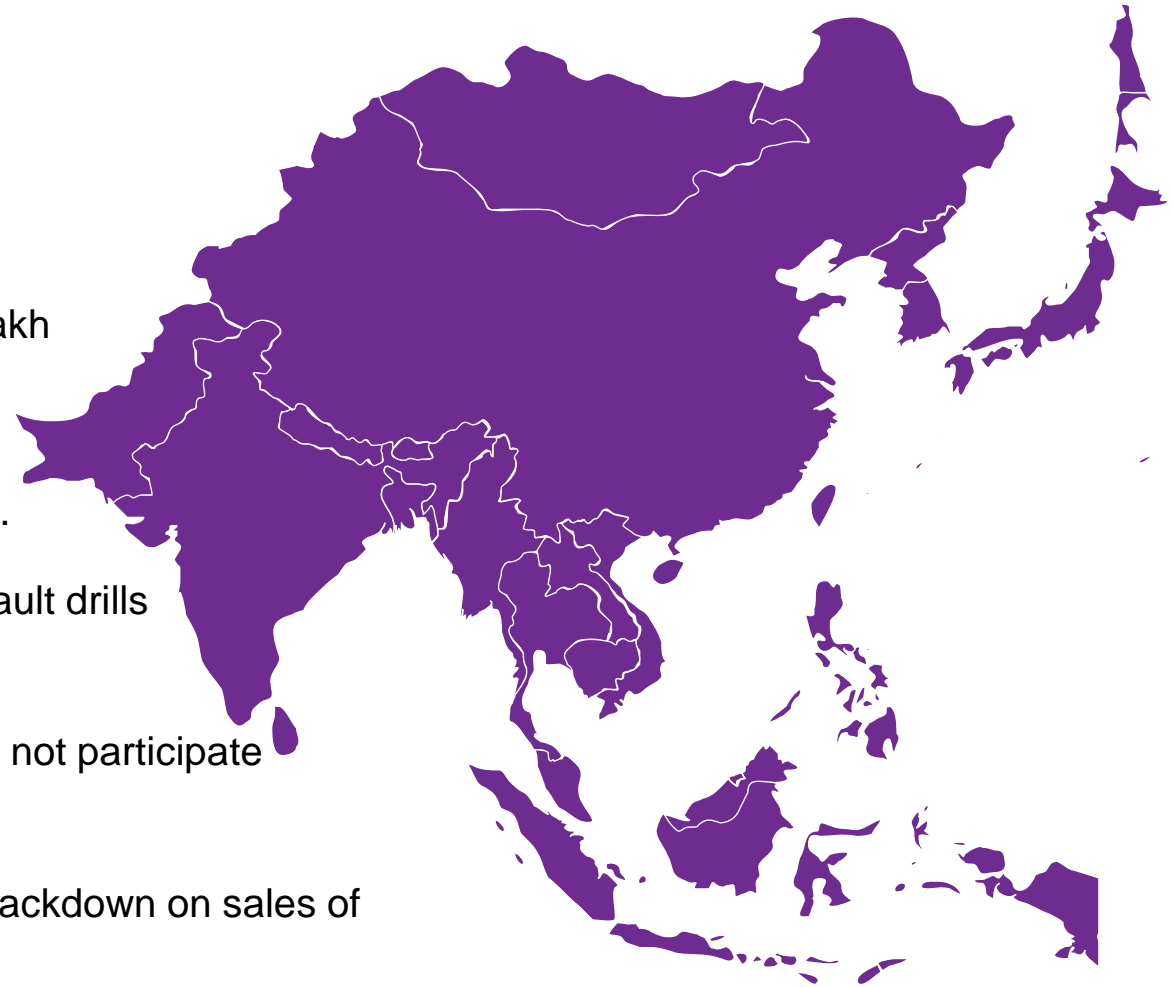
- An **Algerian** appeals court upheld the jail sentence of a journalist who reported on the alleged expropriation of native Tuareg lands, continuing a growing trend of harsh sentences on Algerian journalists.
- The **Zimbabwean** High Court acquitted former health minister Moyo of three charges of corruption, clearing him in a scandal implicating the government in offering favorable COVID-19 supply contracts to elite.
- On Sunday, **Somalia** missed a deadline to hold presidential elections amid a deep division between the president and prime minister; the elections were expected to be postponed to resolve constitutional issues, but the delay risks deepening a political crisis. The constitution now requires elections to occur within 50 days. The International Court of Justice (ICJ) today will hand down its judgment in a case filed by Somalia against **Kenya** over contested parts of the Indian Ocean believed to be rich in oil and gas.
- A spokesperson for the Tigrayan army reported that the **Ethiopian** army has begun a ground offensive with allied forces from Amhara; Addis Ababa did not confirm or deny the claim.



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Asia

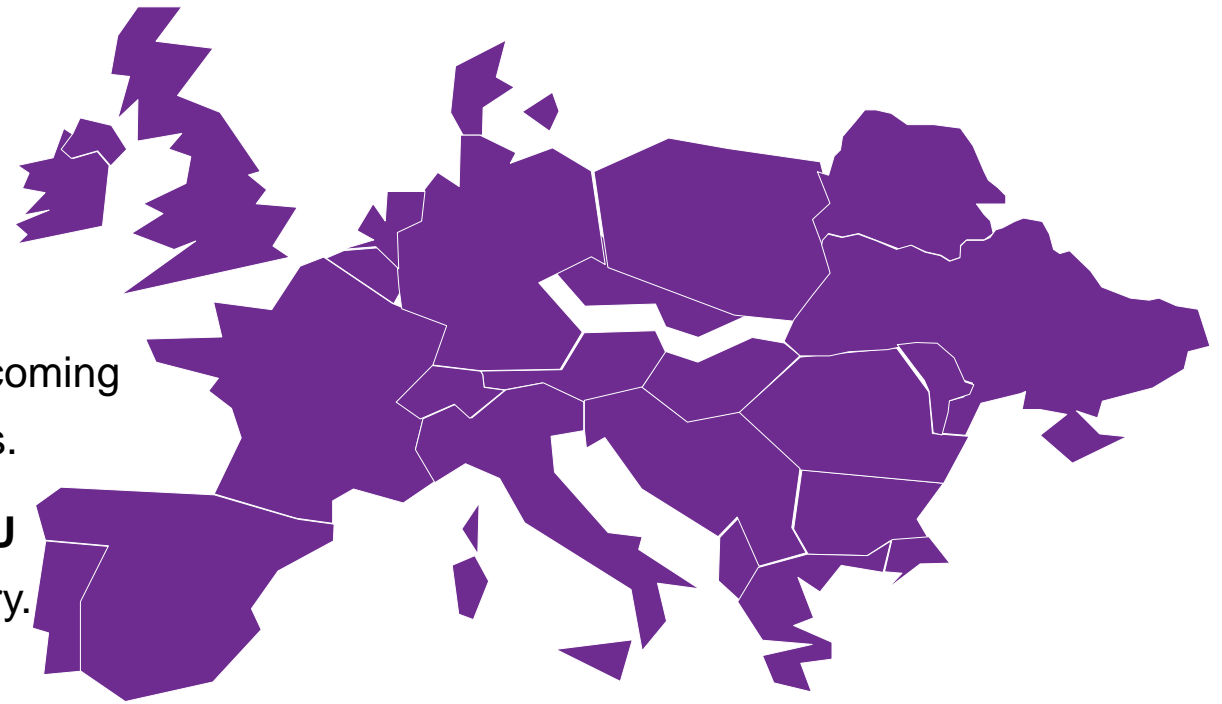
- A 13th round of **India-China** talks on disengagement in the Ladakh border region have stalled, with each side blaming the other for the setback. China's People's Liberation Army (PLA) ran tank drills near the Indian border following reports that the talks failed.
- The **Chinese** PLA said it had carried out beach landing and assault drills in the province directly across the sea from **Taiwan**.
- **Hong Kong's** largest remaining pro-democracy party says it will not participate in the city's upcoming "patriots-only" election.
- **China's** National Medical Products Administration launched a crackdown on sales of unregistered cosmetic products.
- **Thailand** will relax COVID-19 restrictions for tourists from November 1, opening the door for foreigners to visit the country during year-end holidays.



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Europe

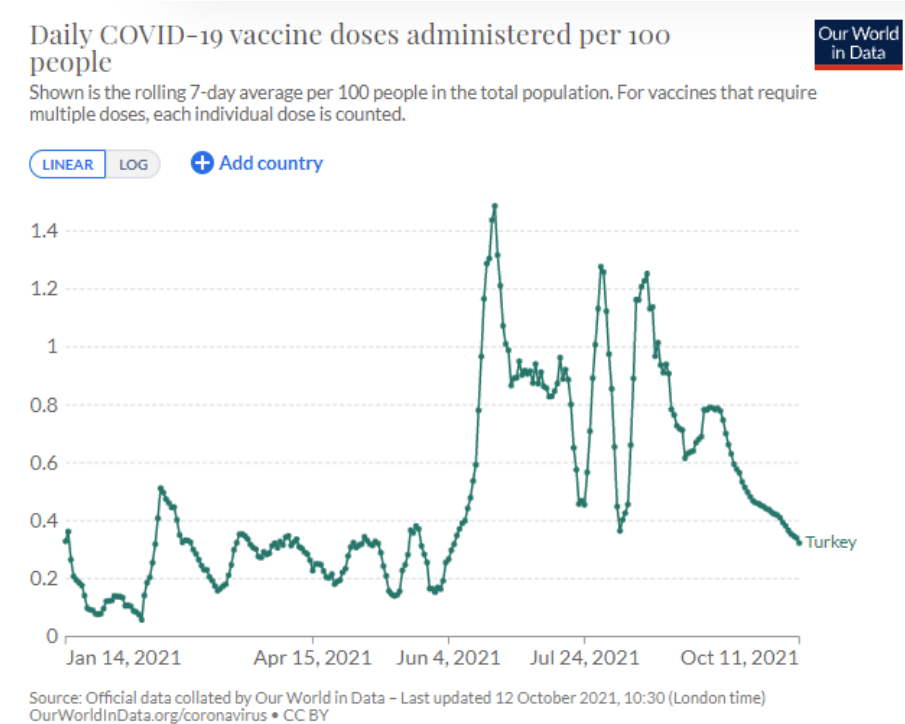
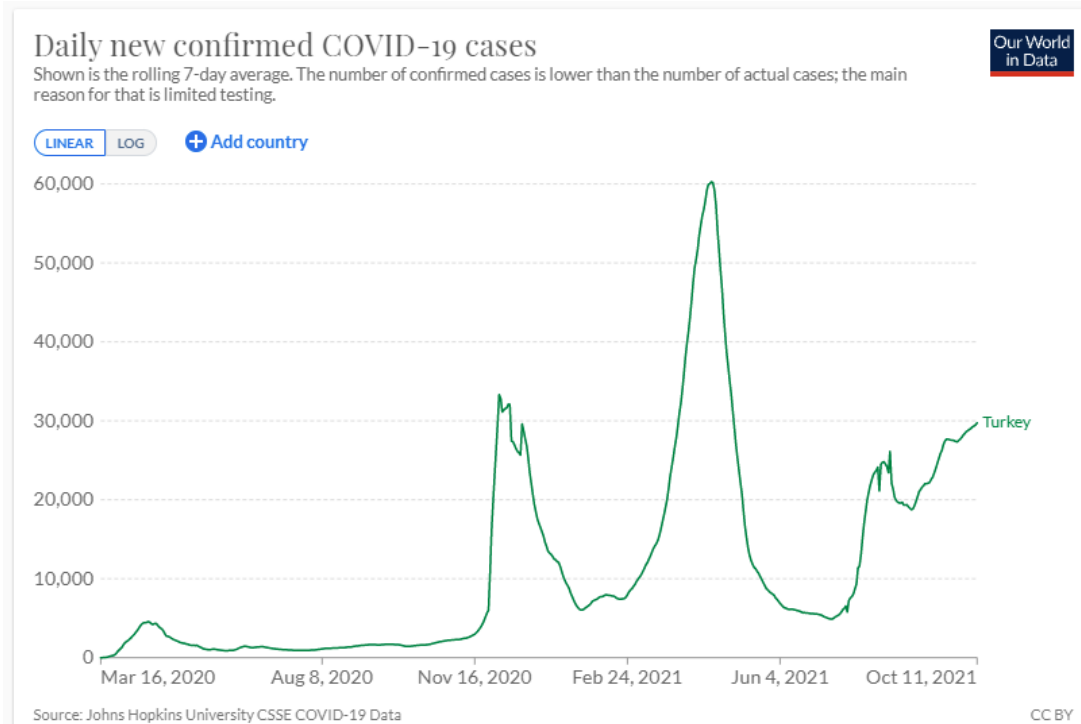
- The **UK** averted a severe carbon dioxide shortage after coming to an agreement with US fertilizer producer CF Industries.
- **Moldova** requested emergency gas supplies from the **EU** after **Russia's** Gazprom slashed shipments to the country.
- Alexander Schallenberg was sworn in as **Austria's** new chancellor after Sebastian Kurz resigned amid allegations of corruption.
- Former Prime Minister Dacian Ciolos was tasked with forming **Romania's** new government.
- A **British** parliamentary committee report released today concluded that decisions made by the government and advice from health experts in the early days of the pandemic were *“one of the most important public health failures the United Kingdom has ever experienced.”*



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Europe

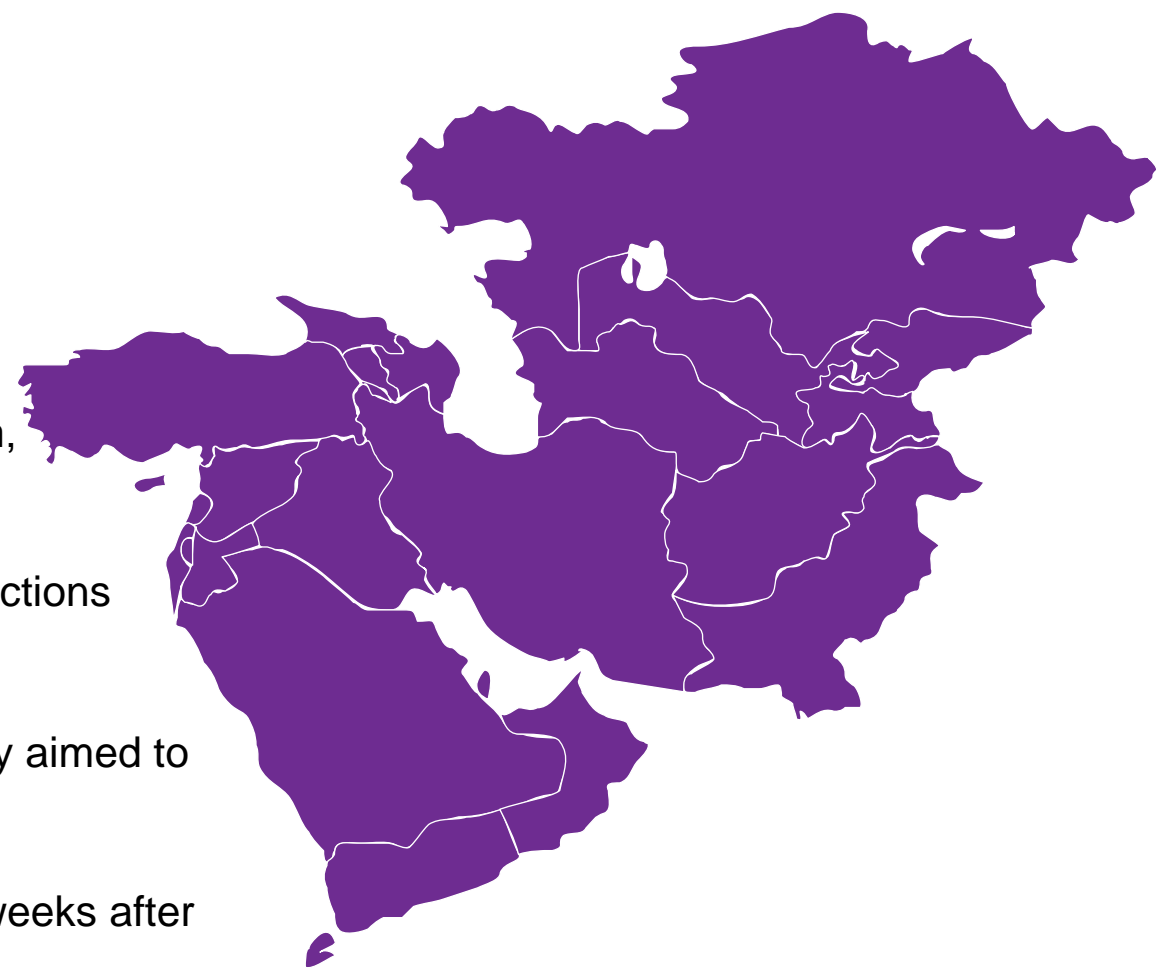
Turkey logged its highest daily COVID-19 case rate since April; daily cases have been rising in the country over the past month. The Health Ministry is fighting vaccine hesitancy among the public and blames the surge both on variants and the unvaccinated who account for the majority of severe cases.



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Middle East

- **Iraq** officials announced that Shi'ite cleric Moqtada al-Sadr was the biggest winner of the country's parliamentary election, increasing the number of seats he holds in parliament.
- **Lebanon's** Hezbollah called for the country to seek a **US** sanctions waiver to import Iranian fuel.
- **Saudi Arabia** announced details of a new investment strategy aimed to increase foreign direct investments.
- **Tunisia's** President Saied appointed a new government, 11 weeks after firing the previous one and seizing increased powers.



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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:

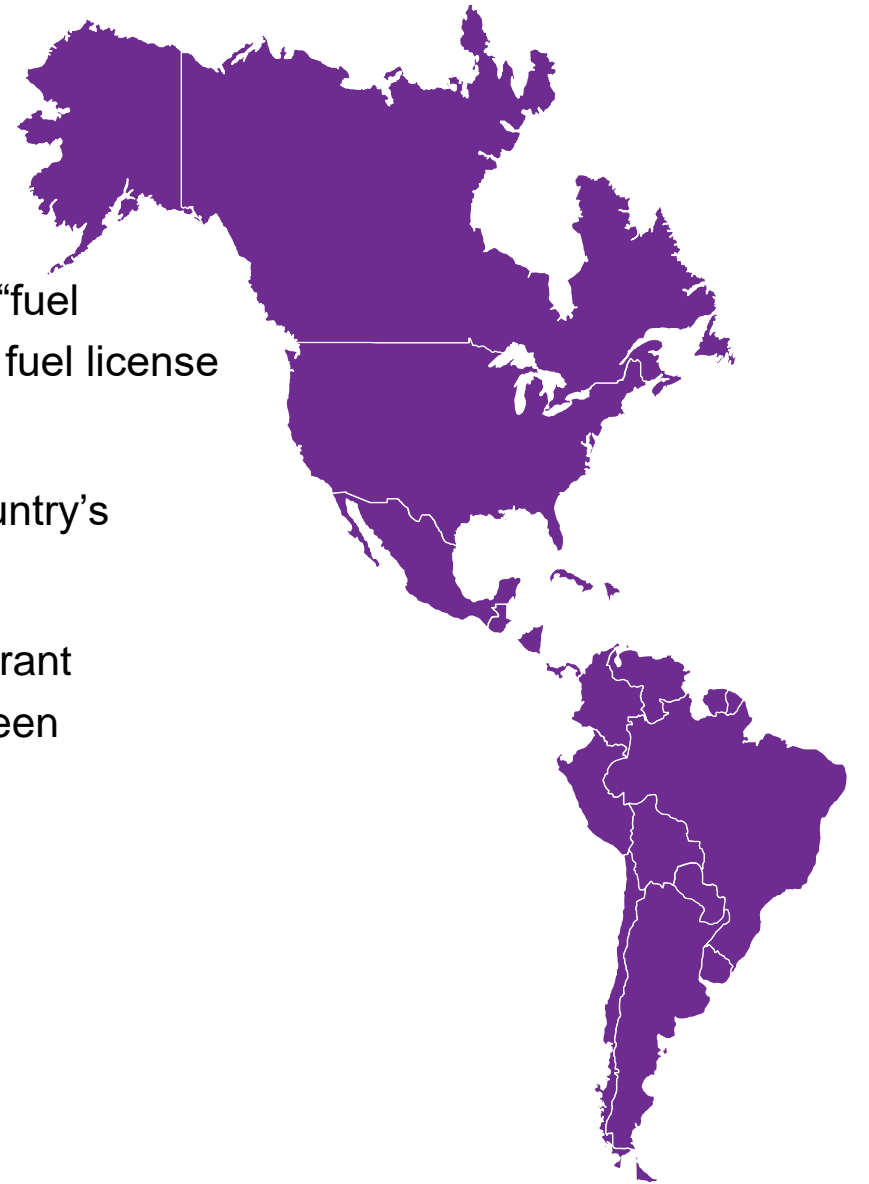
- ❖ organizational cyber risk assessment
- ❖ crisis management for cyber incidents
- ❖ privacy law and compromised data advice
- ❖ self-reporting, liaising with law enforcement following cyberattack
- ❖ ransomware attack guidance
- ❖ cybersecurity readiness and remediation
- ❖ cyberattack source and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

Americas

- **Mexican** President Obrador accused major foreign energy companies of “fuel smuggling,” naming multinational Trafigura as just one perpetrator whose fuel license has subsequently been suspended.
- **Colombian** coffee farmers have fallen at least 10 percent short of the country’s national coffee crop due to frost, fueling a rise in coffee prices worldwide.
- United Nations children's agency UNICEF reported that some 19,000 migrant children have crossed the dangerous jungles that sprawl the border between **Panama and Colombia** in migration flows to the **US**.



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Americas: US

- Across the nation, 216.9 million have received at least one dose of the **vaccine**; or 65.3 percent of the total population. Republican Texas Governor Abbott barred all COVID-19 **vaccine mandates** in the state by any entity, including private employers.
- **New COVID-19 cases** reported have dropped 22 percent in the past two weeks, with hospitalizations down by one fifth, in a tentative sign that the summer Delta wave is receding. More than 24,000 nurses and other health-care workers at Kaiser Permanente in California and Oregon **authorized a strike**, threatening to walk out over pay and working conditions while the pandemic continues to strain hospitals and clinics.
- Southwest Airlines denied that a series of cancelled and **delayed flights** over the weekend were due to an employee “sick out” protesting the vaccine mandate, as service disruptions dragged on for a fourth day. Southwest Airlines has blamed air traffic control and weather. Analysts assess as a consequence of airlines shedding staff during the pandemic, scheduling problems can more easily snowball, leading to mass flight cancellations.
- Several beaches in Southern California began reopening as cleanup of one of the state’s largest **oil spills** in history continues.



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Emerging and Existing Hotspots: Growing Insecurity in Mexico

Contributed by Kevin Hulbert, Senior Advisor to Dentons and Founder of the XK Group

Last Friday's US-Mexico High-Level Security Dialogue in Mexico City and the subsequent joint statement by the White House highlighted the growing insecurity in Mexico, and US concerns about the spillover effect across the southern US border. The security situation in Mexico been trending for the worse during President Andres Manuel Lopez Obrador's tenure, and the Dialogue is an effort to reset the bilateral security relationship, as the close security cooperation enjoyed ever decades has suffered under President Obrador.

The White House joint statement released after Friday's meetings, however, was not encouraging, pledging in very broad terms and in language straight out of Mexico to "*prevent crime by working with our youth to provide them with options other than joining organized crime*" before declaring earnestly that, "*we pledge to create better education, social programs, and alternatives for young people.*" The joint statement notably lacked a framework to addressing the problem of rising crime rates in Mexico.

Mexico has always been a challenging business environment for foreign businessmen to navigate but is even more so today as investors find themselves walking a tightrope between profitable investments and omnipresent corruption and security risks in Mexico that are getting worse.

Impact of the "Hugs, not Bullets" Policy

President Andres Manuel Lopez Obrador (commonly referred to as "AMLO") has been in office for almost three years, and Mexico is gripped in a paroxysm of violence. During his campaign for the presidency three years ago, AMLO heavily criticized what he characterized as the overly aggressive approach his predecessors had employed to fight crime and he promised that his strategy would be a kinder and gentler - "*abrazos, no balazos*" (i.e., "hugs, not bullets"). Three years in, the "hugs, not bullets" policy is widely assessed to be a failure. The police and military lack clear guidance on their authorities and rules of engagement, and the cartels have interpreted the policy as a license to kill. Consequently, violence throughout Mexico has risen to new heights.

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Emerging and Existing Hotspots: Growing Insecurity in Mexico

To be effective in their fight against crime, Mexico would ideally develop a good overall strategy, effective and competent policing, and a working judicial system. Unfortunately, Mexico is failing on all three fronts. Further, there are disturbing signs that the resolve needed from senior political leadership to prevail against organized crime is dissipating. As such, it is improbable that security conditions in Mexico will improve in the next three years, the remainder of AMLO's term in office.

The primary reason for Mexico's increasing violence is intra and inter-cartel violence

Many of Mexico's previously dominant cartels such as Knights Templar, Los Zetas, Sinaloa Cartel, Gulf Cartel, Juarez Cartel, and Tijuana Cartel have splintered into several groups that are now fighting intensely for territory and power. Where there were once maybe seven main cartels operating in Mexico, there are now at least 20 very significant cartels with maybe as many as 100 smaller criminal enterprises or mini cartels across the country.

This cartel splintering occurred as a result of the joint US-Mexico "Kingpin Strategy" in which the two countries sought to counter the cartels by "decapitating" the leadership of the big cartels, targeting the leadership for arrest. This strategy was effective in that it led to the imprisonment or death of many key cartel members, Chapo Guzman of the notorious Sinaloa cartel included. But there was an unintended downside of this strategy: the resulting leadership vacuums in the cartels led to vicious infighting and a fracturing of the cartels that, in retrospect, seems to have made things worse, not better.

The deteriorating conditions pose significant challenges to companies seeking to operate or invest in Mexico. Companies looking to do business in Mexico should take proactive measures to protect their businesses and their people. Some paths forward would be to develop deep knowledge of the operating environment to avoid dangerous areas, to take on a trusted Mexican partner, to provide Mexico-specific security training to executives traveling or working in Mexico, to observe security best practices, and to carefully evaluate

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Emerging and Existing Hotspots: Growing Insecurity in Mexico

business opportunities while always considering the safety and security ramifications of any potential project.

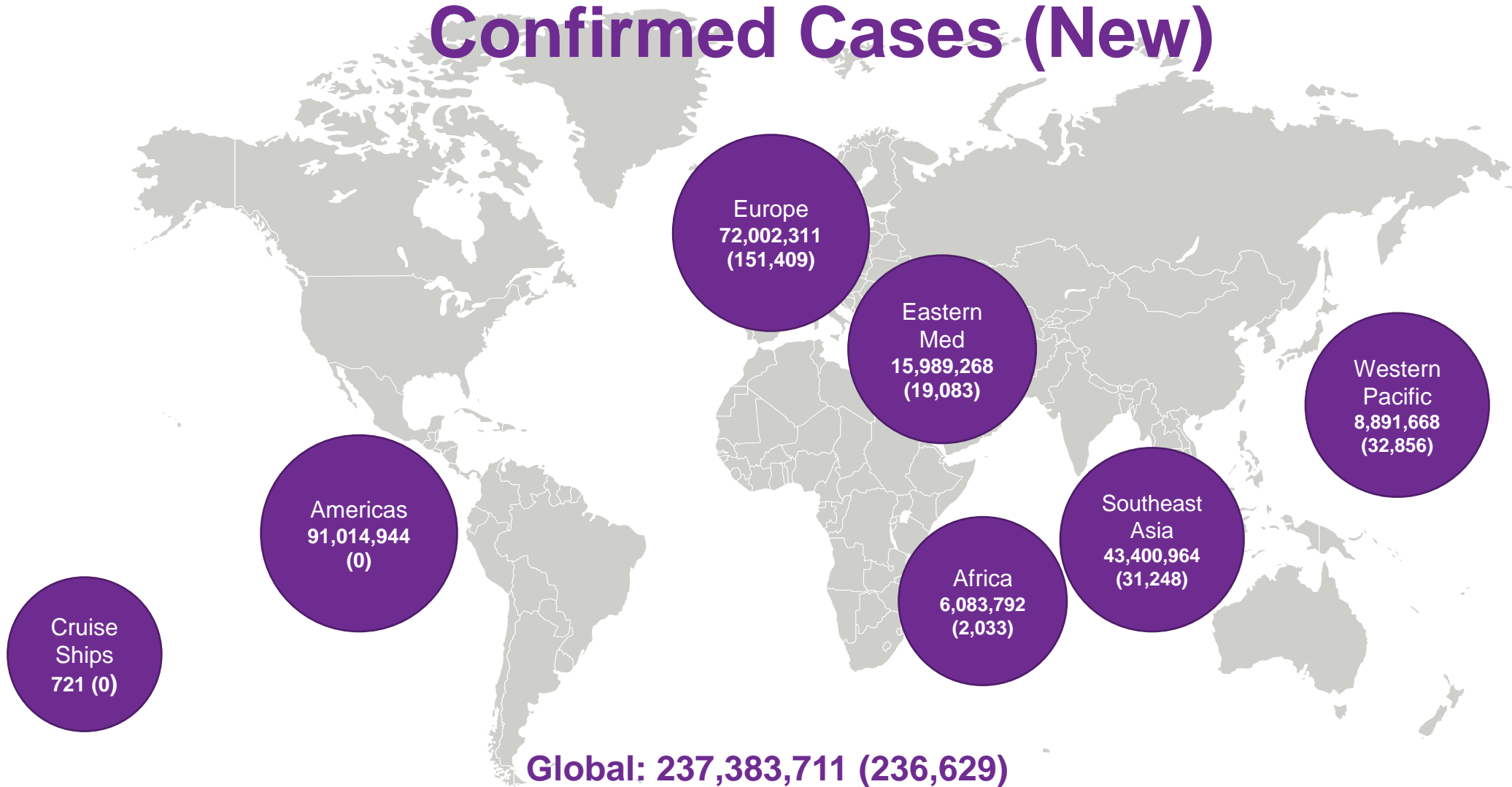
If there is any silver lining to this situation, it is that the vast majority of the carnage in Mexico is cartel-on-cartel violence, meaning that if travelers and businesses avoid areas with a heavy cartel presence, they are infinitely safer. However, it is becoming more difficult to stay safe by simply avoiding the cartels, as their size, power, and geographic reach are rapidly expanding. The historic “safe” areas in Mexico will continue to shrink if the Mexican government continues to fail to respond effectively.

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Coronavirus Condition Updates

As of 5:52 pm CEST on October 11, 2021

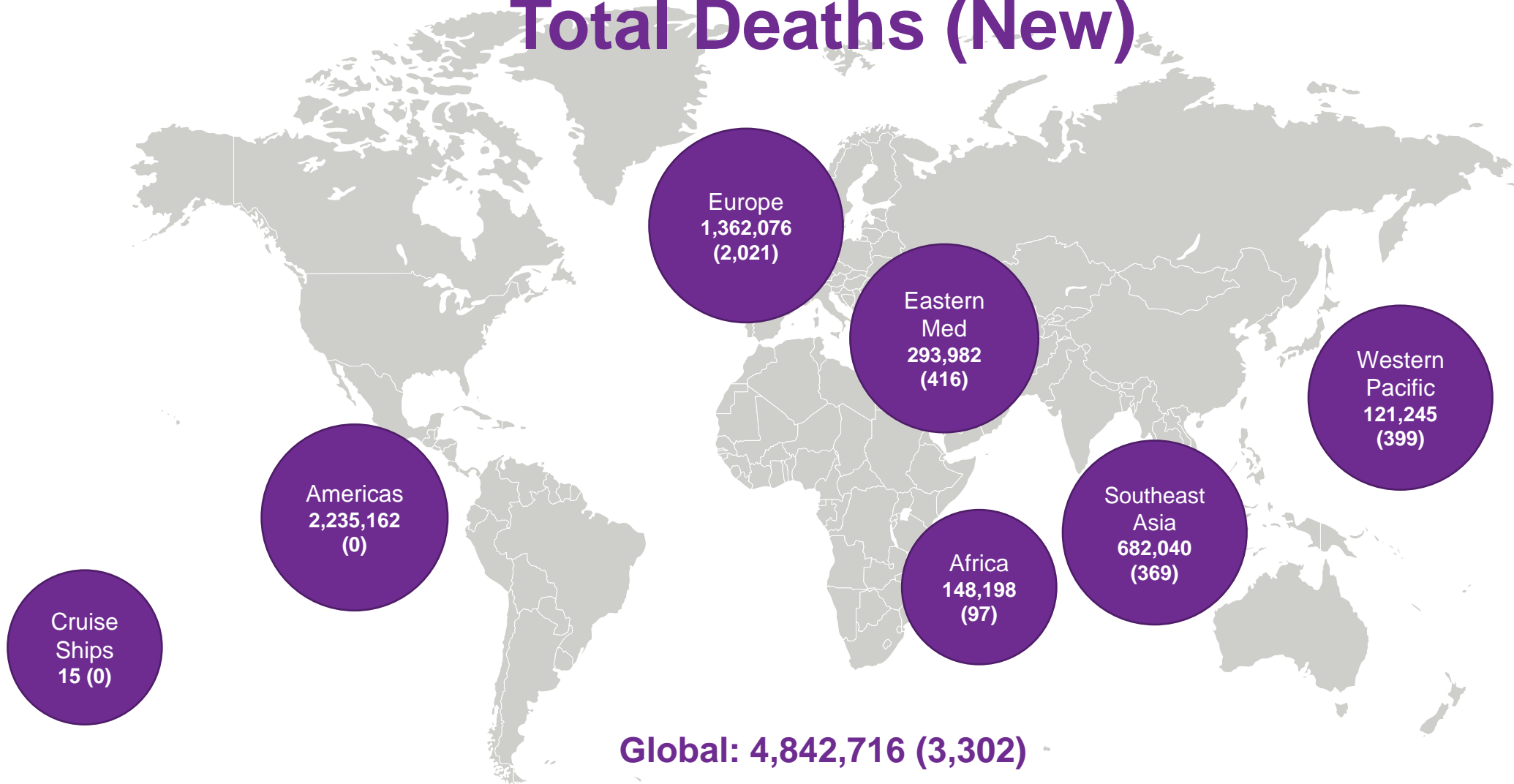
Confirmed Cases (New)



Reflects data as of 5:52 pm CEST on October 11, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:52 pm CEST on October 11, 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.

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