

Dentons Flashpoint

Daily Global Situation Report

February 4, 2022

Global Situation Update: February 4, 2022

KEY TAKEAWAYS

At the Sino-Russian summit, Putin and Xi Jinping show solidarity in East-West tensions.

US oil prices top \$90 a barrel for the first time since 2014.

Austria and Luxembourg will pursue legal action to stop the EU from including nuclear and gas projects in its green investment taxonomy.

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WHAT WE'RE WATCHING

General elections take place in Costa Rica on Sunday to elect the president, two vice-presidents, and all 57 deputies of the Legislative Assembly. There are 25 presidential candidates and no single one is expected to secure the 40 percent share of the vote required to avoid a second-round run-off, so presidential campaigning will likely continue until a run-off in April.

Every major candidate would favor business and foreign investment as president and during debates they all vowed to put economic revitalization and job creation plans at the center of their platforms. Regardless of the election's outcome, companies can expect the next administration to adopt policies that successfully boost investment and improve the business environment.



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Global

Globally, confirmed coronavirus cases topped 383.5 million with 5.6 million deaths; more than 10.0 billion vaccine doses have been administered.

- At the **Sino-Russian summit**, Putin and Xi Jinping opposed the expansion of NATO and issued a veiled rebuke to the US, criticizing “*certain states*” for trying to impose “democratic standards” on other countries.
- US intelligence believes Russia could use a fabricated video showing the graphic aftermath of an explosion, including equipment appearing to belong to **Ukraine** or allied nations, to justify an incursion.
- The **Beijing Winter Olympics** open today with Russian President Putin and many Arab and Asian leaders in attendance, while leaders from the US, Canada, UK, Lithuania, Denmark, Netherland, Germany, Switzerland, Austria, Slovenia, Sweden, Estonia, Belgium, Japan, Taiwan and Australia are not attending.

Markets & Business

Quest Diagnostics forecasts that the emerging marketplace of consumer-initiated lab testing may be worth more than \$2 billion by 2025.

- Russia's **Gazprom** has agreed a 30-year contract to supply **China's CNPC** with natural gas from a new pipeline connecting Russia's Far East with China's northeast.
- **US oil prices** top \$90 a barrel for the first time since 2014, demand for petroleum products continues to surge while supply remains constrained.
- **Southwest Airlines** will resume alcohol sales on flights this month after nearly two years, the measure imposed due to in-flight disruptions by passengers.
- **European government bonds** were hit with a wave of selling as traders ratchet up expectations that the European Central Bank will assume a more aggressive stance in pushing back against record inflation.

Environment, Sustainability & Governance

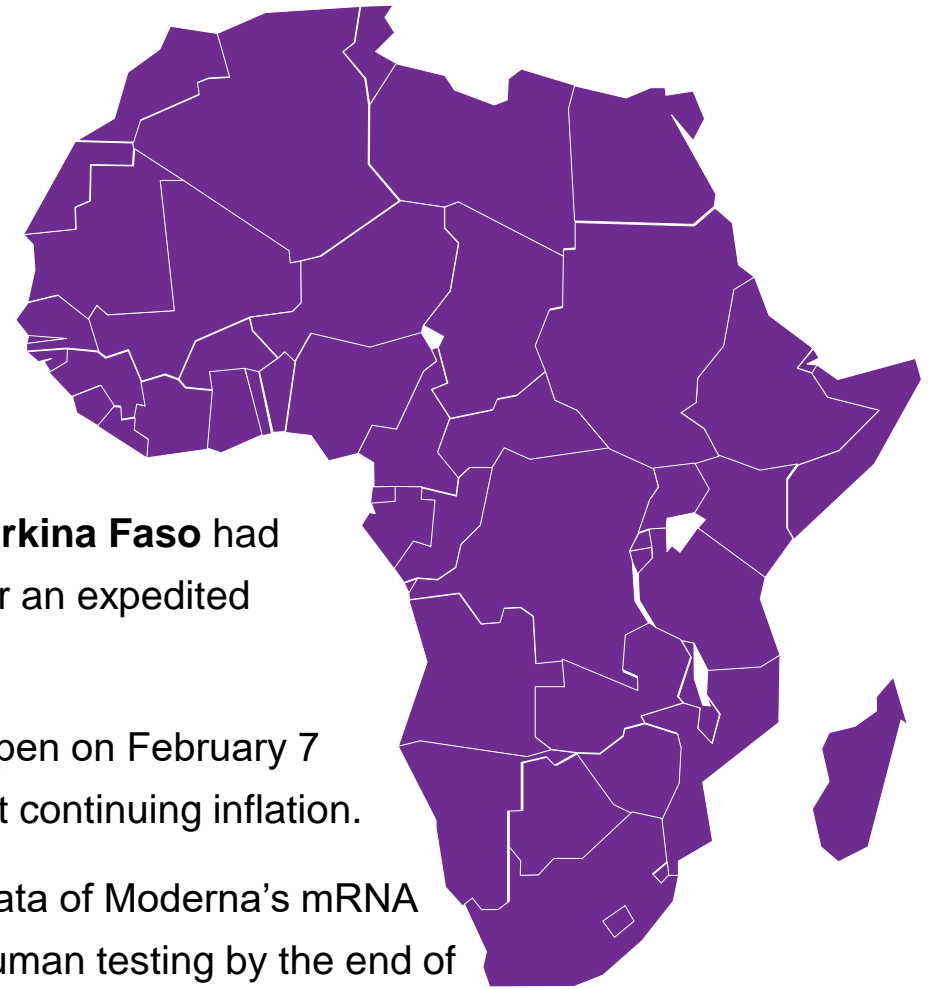
Beauty retailer Ulta pledged \$50 million for DEI initiatives, including starting an accelerator program to support Black founders and putting money toward marketing their brands.

- The European Investment Bank earmarked €3.2 billion for **new financing of projects** to support climate action, sustainable transport, education, and COVID-19 recovery.
- Austria and Luxembourg announced their intention to pursue legal action to challenge the European Commission's proposed inclusion of nuclear and gas projects in its **green investment taxonomy**.
- From natural carbon dioxide refrigeration at ice rinks to 100 per cent renewables-powered venues, China is striving to run a "**green**" **Olympics** to showcase its leadership in climate-friendly tech.
- Danish energy fund, Copenhagen Infrastructure Partners, will lead a massive **green hydrogen project** in Spain, powered by wind and solar. The Catalina Phase I project will be made up of 1.7 gigawatts of wind and solar in Aragon, northeast Spain, and a 500-megawatt electrolyzer able to generate more than 40,000 tons of green hydrogen annually.

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Africa

- **Sudanese** security forces dispersed thousands of protesters with tear gas during a demonstration in Khartoum recognizing the deaths of 79 civilians since Sudan's military coup.
- At a meeting of ECOWAS Ghana, officials said that the military junta in **Burkina Faso** had shown willingness to return to a constitutional order, and reiterated calls for an expedited elections timetable.
- The **Zimbabwean** teachers' union pledged not to return when schools reopen on February 7 unless the government agrees to pay their salaries in US dollars to combat continuing inflation.
- **South Africa's** Afrigen Biologics used the publicly available sequencing data of Moderna's mRNA vaccine to produce its own version of the shot, which could be ready for human testing by the end of the year; Afrigen Biologics is the first group to reproduce the shot without the aid of the developer.
- **South Africa** is seeing more cases of the BA.2 sub-variant of the Omicron coronavirus variant and is monitoring it but finds no clear sign that BA.2 is substantially different from the original Omicron strain.



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Asia

- A court in military-run **Myanmar** postponed a hearing in the trial of Aung San Suu Kyi this week, after media reported the ousted leader had not been feeling well.
- The Reserve Bank of **Australia** will end a bond-buying program that has anchored its response to the COVID-19 pandemic, given accelerated inflation and a tight job market.
- An extensive buildup of barriers along **China's** 3,000-mile southern border is under way, ostensibly to battle COVID-19 but with likely long-lasting ramifications on trade and travel.
- **Australia** could use its defense forces to help manage a COVID-19 outbreak in senior-care facilities that has stretched staffing and forced many homes into lockdowns. **South Korea** extended COVID-19 limits on gatherings to six people for an additional two weeks as Omicron variant infections soar. **Hong Kong** is procuring millions of rapid tests for “*universal*” screening as authorities warn the city is facing its worst wave of infections yet. **India's** capital city Delhi will ease COVID curbs, allowing schools and colleges to reopen physically from Monday amid a drop in daily cases. India surpassed a half million COVID-19 deaths, the fourth highest in the world.



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How do You Manage Political Risk?

Today, the economic and political changes affecting international business are more complex than ever. Conflicts, coups and the coronavirus pandemic continue to impact governments and people worldwide and shape the business landscape in 2021.

Dentons offers business leaders routine and one-off political risk assessments on specific interests. Many clients also retain our team of attorneys and former intelligence and military professionals, equipped with the latest big data analytics tools, deep substantive knowledge and extensive networks of contacts, to provide services, including:

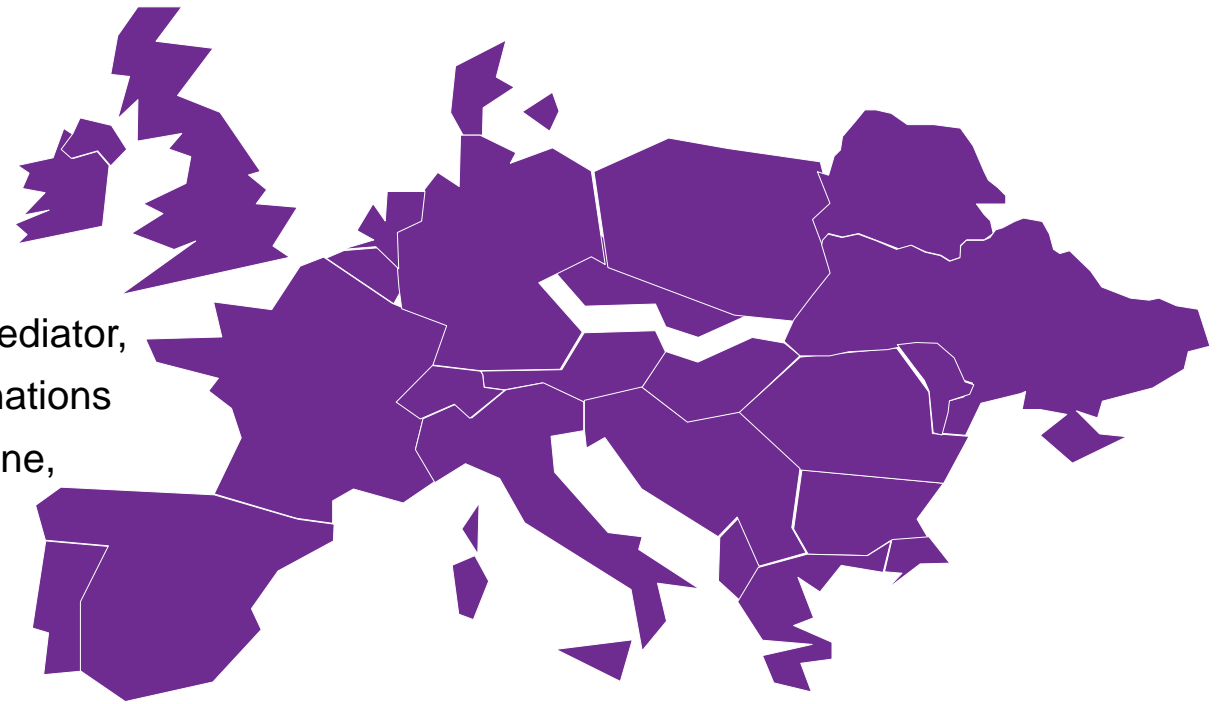
- ❖ Political and country risk forecasts and analysis
- ❖ Market-entry assessments
- ❖ Legislative and government action forecast
- ❖ Comprehensive project analysis
- ❖ Coronavirus vaccine tracker and return-to-work monitoring
- ❖ Investment risk analysis

All interaction with Dentons is attorney-client privileged

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

Europe

- Speaking in **Ukraine** in an effort to secure a position as a mediator, **Turkish** President Erdogan said the **US** and other Western nations had not helped to solve the crisis between **Russia** and Ukraine, and there were no European leaders fit to resolve it.
- **Northern Ireland's** first minister resigned in protest at post-Brexit trade rules yesterday, likely complicating talks between the **EU** and **Britain** to rework a politically divisive Northern Ireland protocol governing trade that was agreed by London as part of its exit from the EU two years ago.
- In response to the denial of a broadcast license in Germany for RT, **Russia** retaliated against **German** media by ordering the closure of Deutsche Welle's office in Russia and cancelling the accreditation of its employees. Deutsche Welle's satellite for broadcasting in Russia will also be terminated.
- After the resignation of four top aides, **UK** Prime Minister Johnson is bracing for further departures of senior aides as pressure ticks up for his resignation.

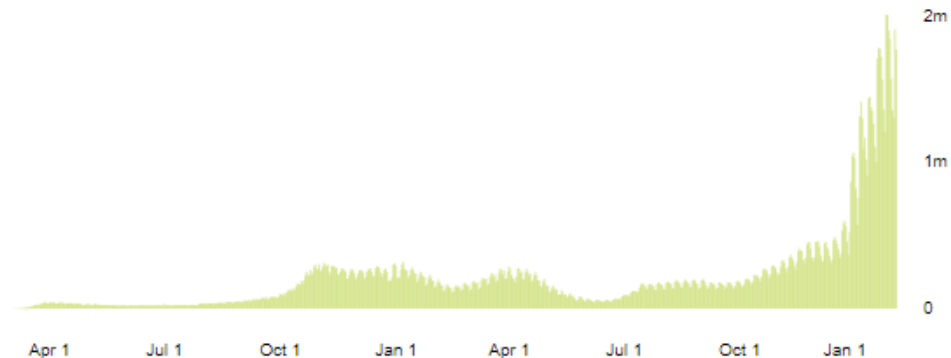


Europe

The Omicron surge shows signs of peaking in Europe. Portugal joins other European countries in dropping a requirement to present a negative COVID-19 test for air passengers arriving with a valid digital European Union certificate or recognized proof of vaccination.

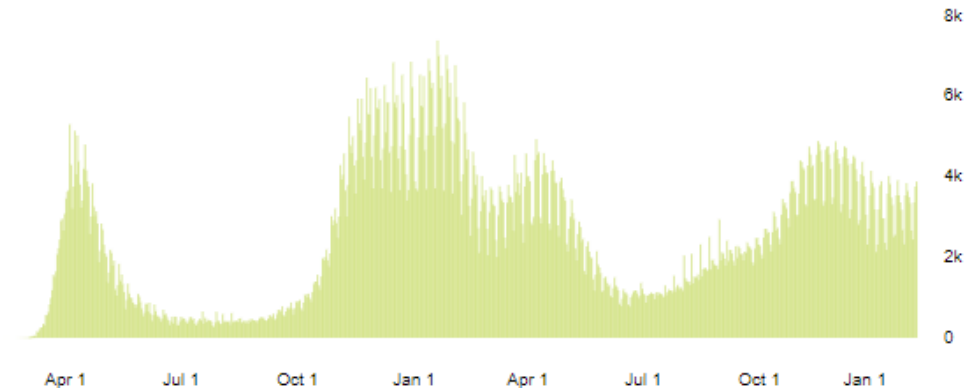
Europe

149,655,337
confirmed cases



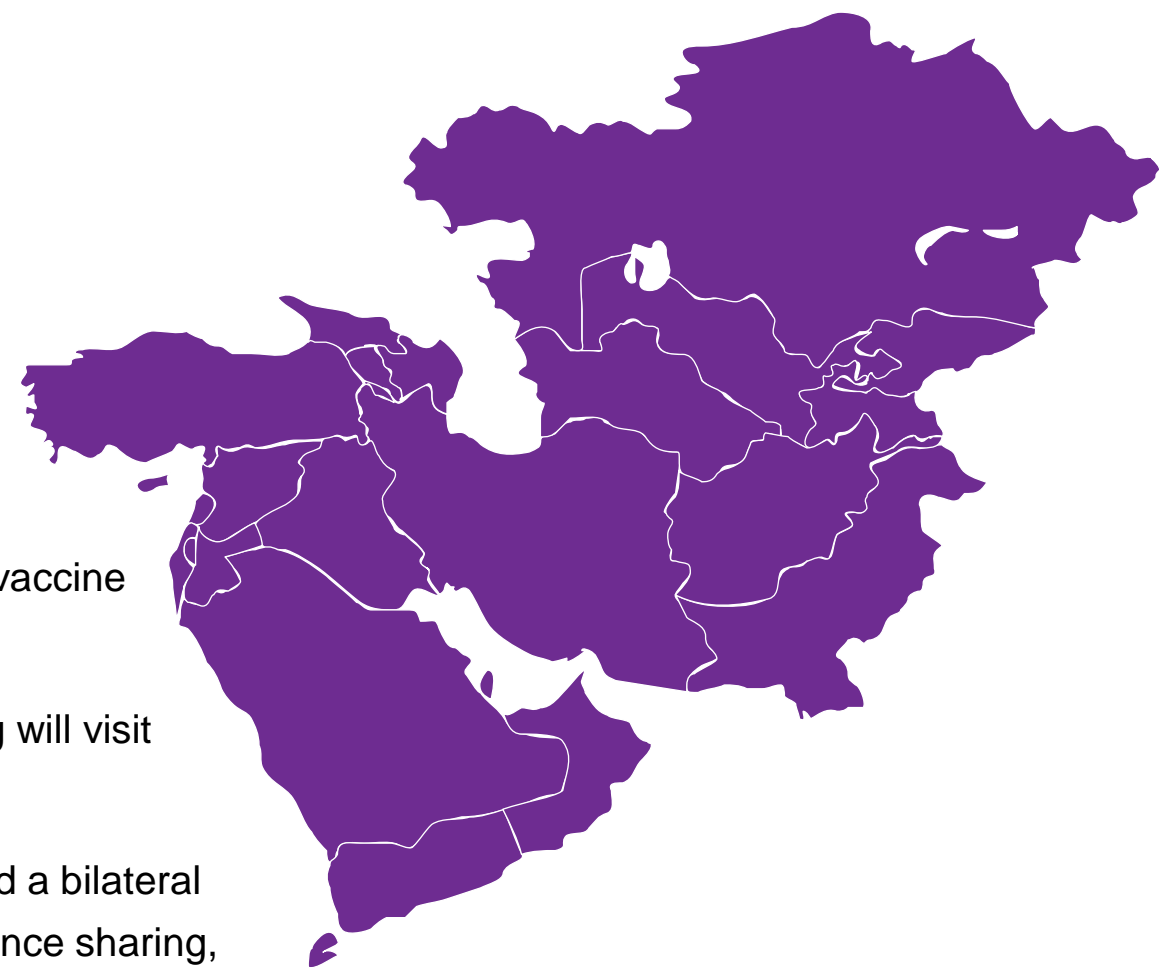
Europe

1,778,905
deaths



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Middle East



- The **US** reported that the ISIS leader killed himself via suicide bomb during the US raid in **Syria**, resulting in the reported casualties of 10 women and children.
- **Saudi Arabia** will mandate booster shots, in addition to an initial vaccine course, for citizens travelling outside of the country.
- **Turkish** President Erdogan said that the **Israeli** President Herzog will visit Ankara in March, a further sign of thawing Israeli-Turkish ties.
- On his first visit to **Bahrain**, **Israeli** Defense Minister Gantz signed a bilateral memorandum of understanding on defense, providing for intelligence sharing, procurement and joint training, the first such agreement between Israel and a Gulf country.
- The **Abu Dhabi** National Oil Company announced the discovery of natural gas in offshore sites, the first successful discovery of new exploration efforts.

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Americas

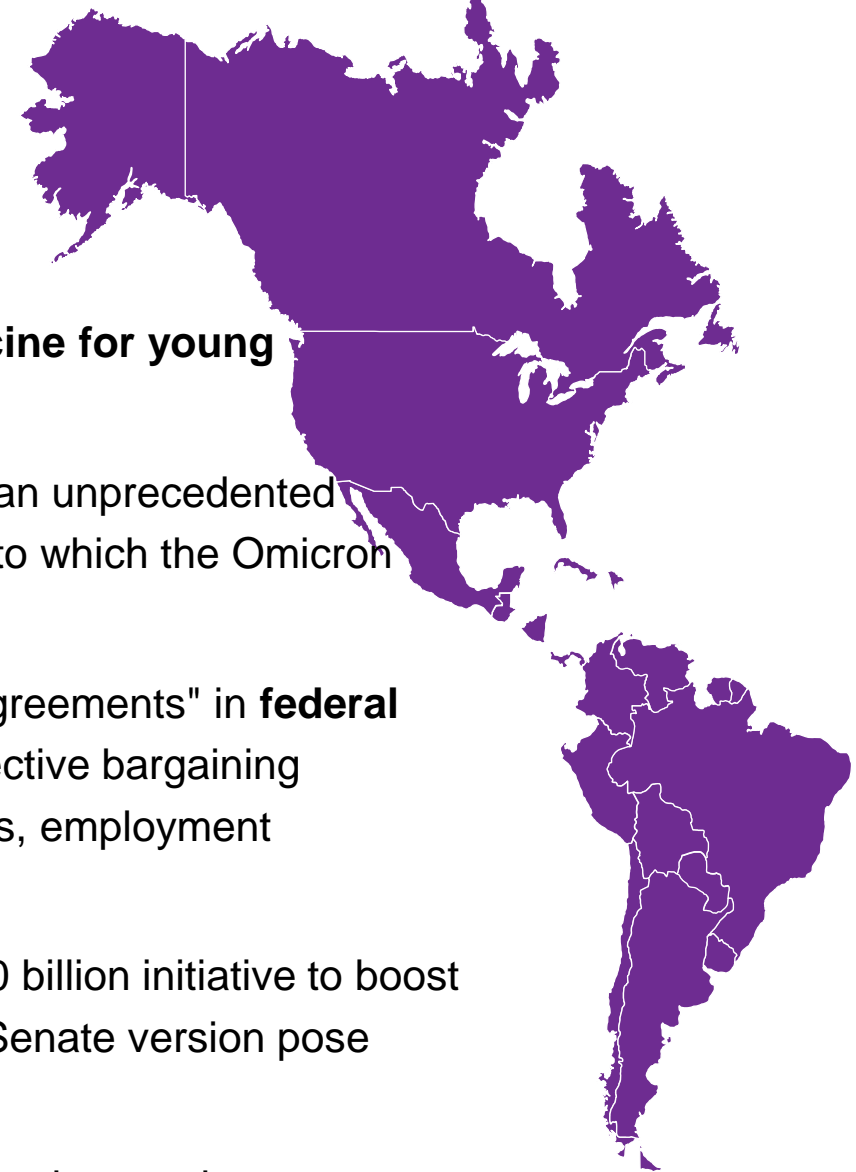
- **Canadian** Prime Minister Trudeau ruled out the use of federal troops to clear anti-vaccine protests in Ottawa, despite reports of similar planned protests in Toronto.
- **Brazilian** President Bolsonaro met with his Peruvian counterpart and continued pressing for a cross-border road that would permit Brazil access to the Pacific, which **Peru** has declined several times.
- A union started by international activists won a sweeping victory in a **Mexican** General Motors plant, forecasting larger raise demands from union representatives.
- New **Peruvian** Prime Minister Valer, an ideological rival but coalition member of leftist President Castillo, said that the country is facing a fuel shortage after a decree that prevents Repsol from unloading new oil into a local refinery following a massive oil leak.



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Americas: US

- US Surgeon General Murthy assured parents that the Pfizer-BioNTech **vaccine for young children** will be thoroughly reviewed by the FDA.
- Nearly 4 million Americans on average quit their jobs each month last year, an unprecedented wave of workplace turnover. The January **jobs report** will reveal the extent to which the Omicron variant of COVID-19 dented US employment last month.
- President Biden will sign an executive order today requiring "project labor agreements" in **federal construction projects** over \$35 million. Project labor agreements are collective bargaining agreements between building trade unions and contractors, which set wages, employment conditions, and dispute resolution on specific projects.
- The US House of Representatives will likely approve today a sprawling \$350 billion initiative to boost **US competitiveness with China** and other rivals, but differences with the Senate version pose challenges for finding compromise language for final passage.
- The US announced new visa restrictions on several unnamed **Belarus** nationals over the treatment of athlete Krystsina Tsimanouskaya and other efforts to suppress dissent abroad.



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Future of Money: Cryptocurrencies in 2022

By Alexander Lucaci

“The Biden Administration is set to issue an executive action for federal agencies to regulate cryptocurrencies, digital assets and bitcoin, contending that the rapid expansion of the crypto industry is a matter of national security. The move comes at a time of extreme uncertainty for the broader cryptocurrency market, as prices for popular assets such as Bitcoin and Ethereum have collapsed nearly 50 percent from their highs last November.”

The White House has said that it will coordinate all regulatory efforts between agencies such as the SEC, IRS, and Commodity Future Trading Commission, as well as their global equivalents. Reporting further indicates that the federal government will review whether or not these digital tokens should be considered and registered as securities. Increased federal intervention into the crypto space would likely be a game changer for an industry rife with money laundering, pump-and-dump schemes, as well as other forms of sales and market manipulations. The White House appears to have assessed that the digital asset world is now too big and ubiquitous to fail and must be further regulated to prevent additional risk to retail investors.

The risks inherent in the highly speculative cryptocurrency industry are also increasingly apparent on a global scale, as sharp price

swings are causing destabilizing capital flows in emerging markets. “Cryptoization,” or the policy of replacing traditional, established currencies with crypto assets, has added immediate and acute risks to countries that have adopted this process. El Salvador in particular has emerged as a case study for cryptoization, as the country officially adopted Bitcoin as legal tender in August of last year. The IMF has since urged El Salvador to reverse the decision, citing “large risks” for the stability and integrity of the country’s financial system. The request comes as El Salvador and the IMF engage in protracted talks for a \$1.3 billion bailout, showing that the instability of cryptocurrencies as tender has already imposed costs on the El Salvadorean economy. Nevertheless, there appears to be a significant undercurrent of momentum towards broader crypto ive

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Future of Money: Cryptocurrencies in 2022

adoption - less powerful states, as well as those who perceive themselves to be left behind by the established international financial architecture, are seeking to wean themselves off the US dollar and dependence on foreign fiscal policymakers. India, for example, has proposed a 30 percent tax on crypto transactions, which proponents view as a step towards broader acceptance and eventually legalization as tender within the country. Furthermore, the crypto industry has several high-profile proponents on Capitol Hill – Senators Pat Toomey (R-PA) and Cynthia Lummis (R-WY) both sit on the Senate Banking Committee and have advocated for a hands-off approach towards the cryptocurrency market.

Going into 2022, the crypto industry is likely to continue experiencing high levels of price and trading volatility, despite signs that major assets such as Bitcoin and Ethereum are increasingly synchronized with stocks and other equities. The drivers of bitcoin prices are often not based on fundamental assessments of the market value of the asset but by hype and wild speculation, oftentimes encouraged by high-profile celebrities, longtime crypto enthusiasts, and online communities. Companies and institutions looking to enter the crypto market should be aware of the sustained high levels of volatility and

susceptibility of crypto assets to short-term publicity and increased regulation in the medium-to-long term. Research by the cryptocurrency and blockchain analysis organization Chainalysis revealed that cryptocurrency-based crime reached all-time highs in 2021, with illicit crypto wallets receiving more than \$14 billion throughout the year. Just this week, media reported that hackers had stolen \$325 million in cryptocurrency from the decentralized finance platform Wormhole, ranking the heist as one of the five largest crypto thefts of all time. High-profile breaches of blockchain networks supporting cryptocurrencies are likely to become more frequent in 2022, as hackers and digital criminals increase their capabilities in tandem with the rising popularity of the crypto industry.

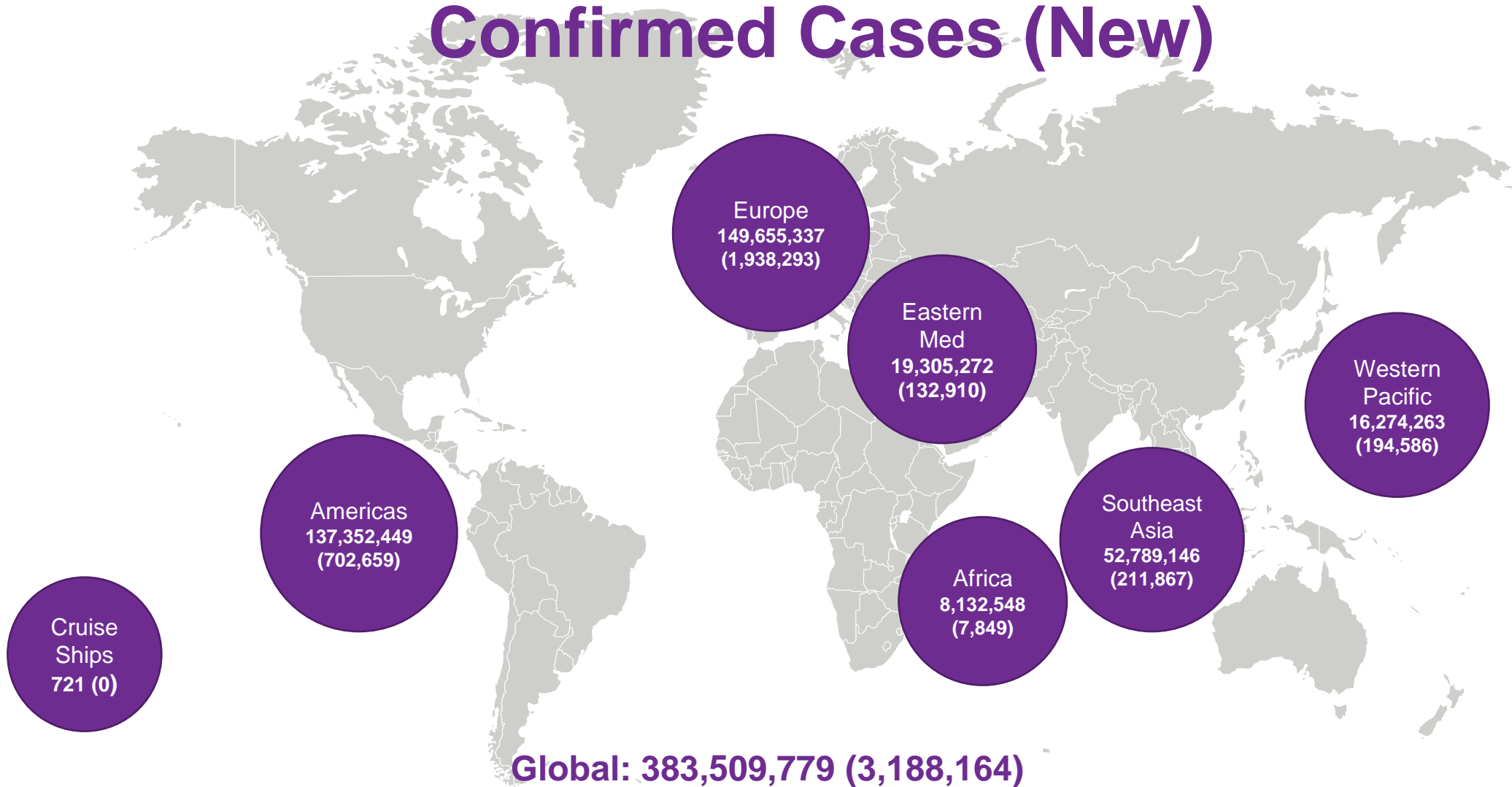
Source: *Burbio*

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Coronavirus Condition Updates

As of 6:02 pm CEST on February 3, 2022

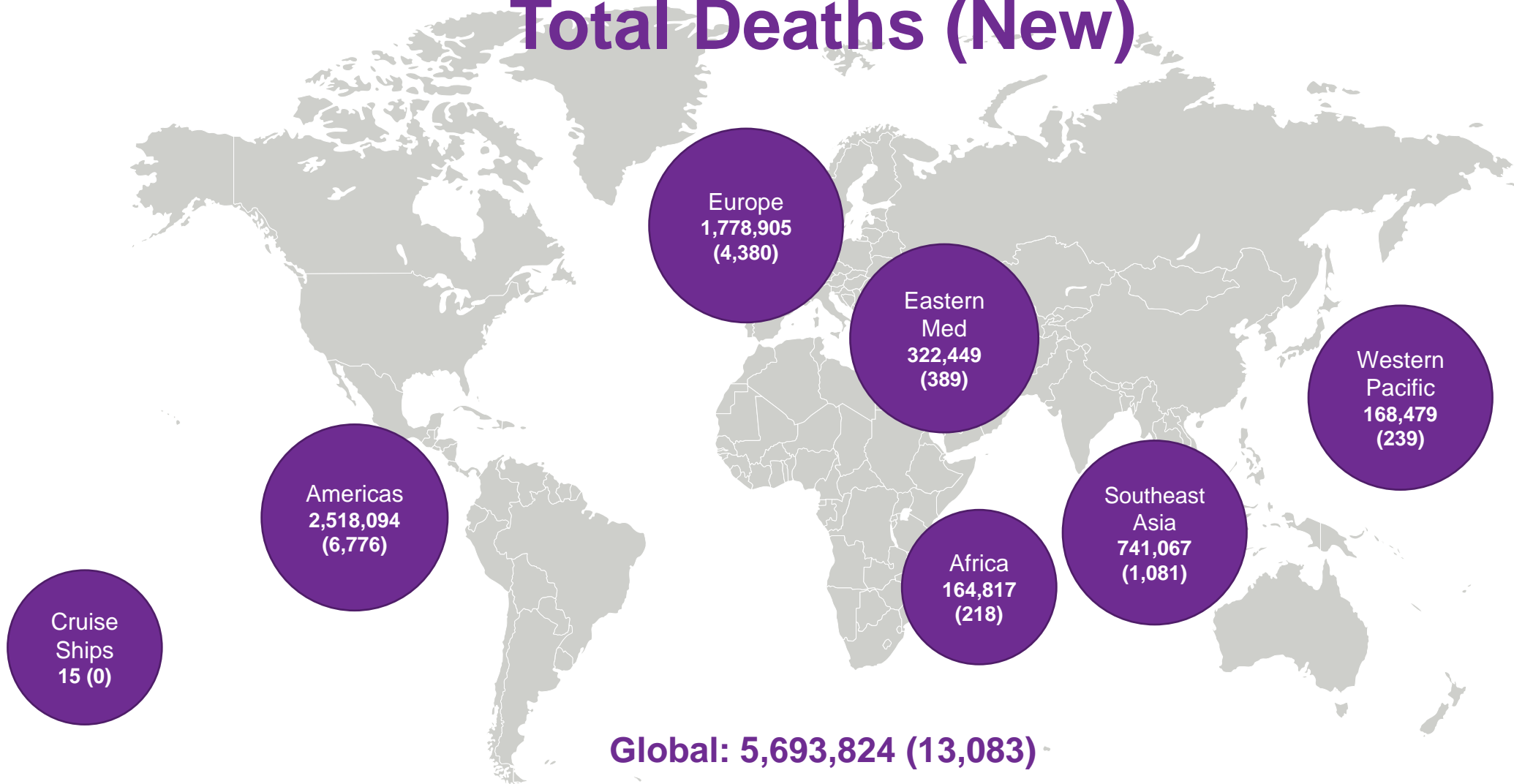
Confirmed Cases (New)



Reflects data as of 6:02 pm CEST on February 3, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:02 pm CEST on February 3, 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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Karl Hopkins

Partner and Global Chief Security Officer
Dentons
Washington, DC

D +1 202 408 9225
karl.hopkins@dentons.com

Melissa Mahle

Senior Analyst
Dentons
Washington, DC

D +1 202 408 6383
melissa.mahle@dentons.com