

Dentons Flashpoint

Daily Global Situation Report

September 3, 2021

Global Situation Update: September 3, 2021

KEY TAKEAWAYS

Amid criticism over handling of the pandemic, Japanese Prime Minister Suga announced he would not seek re-election.

WhatsApp was fined €225 million for breaking the EU's GDPR privacy law.

Prime Minister Draghi signals Italy may introduce a COVID-19 vaccine mandate after full regulatory approval.

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WHAT WE'RE WATCHING

Today, the US Federal Trade Commission (FTC) is taking steps to alert victims of corporate surveillance products and apps used by bad actors to track their targets. For the first time, the FTC banned a commercial spyware company this week over its publicly available software that illegally collects data from unsuspecting persons. The company is now under order to notify all those compromised over the years.

Although advertised as a way to monitor the devices of children or dependents, stalkerware technology is misused for corporate espionage and by abusive romantic partners because it can secretly track mobile device use (including text messages and voicemails), geolocation, and more. The banned company, Puerto Rico-based SpyFone, even provided instructions on how to hide the spyware on the target's device so it would go unnoticed.



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 218.2 million with 4.5 million deaths; more than 5.2 billion vaccine doses have been administered.

- AstraZeneca and the European Commission and have reached a settlement on the delivery of pending COVID-19 vaccine doses by the drugmaker, ending a row about **vaccine shortages**.
- The **US** plans to invest \$3 billion in the **vaccine supply chain** as it continues to work to position itself as a leading supplier of vaccines for the world.
- The EU will return millions of doses of Johnson & Johnson's coronavirus vaccine that the drugmaker exported from South Africa back to the continent, after the supply deal prompted outrage among health activities as Africa has the **lowest vaccination rates in the world**.

Markets & Business

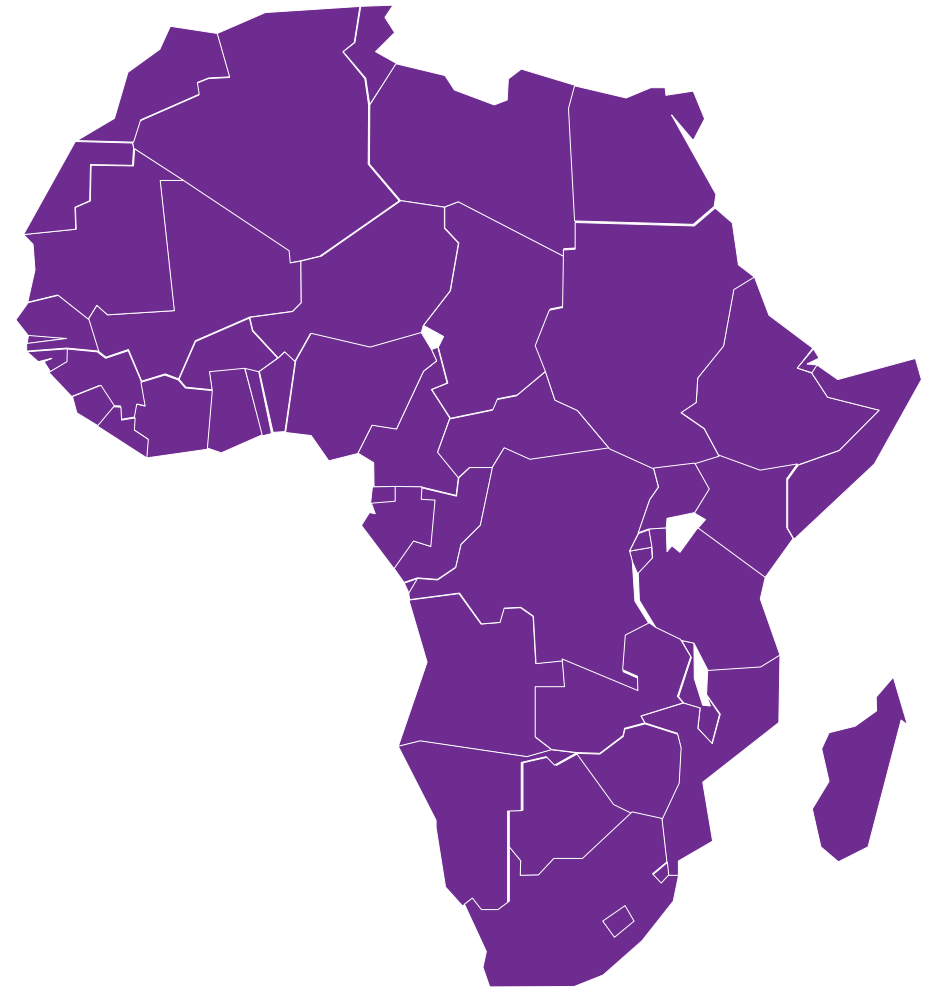
Walmart raised its minimum wage to \$12 and will raise wages for over 500,000 US store workers as a tight labor market continues to push major employers to increase pay.

- **WhatsApp** was fined €225 million for breaking the EU's GDPR privacy law through not telling users how it was sharing data with Facebook.
- **JP Morgan** reached a €25 million settlement with French prosecutors over a tax avoidance case.
- Japan's largest brokerage, **Nomura**, banned its employees from smoking during work hours, even for remote workers.
- China will set up a **third mainland stock exchange** in Beijing; President Xi made the announcement as part of broader plans to set up more digital trade zones.
- **Ford and GM** are both limiting production as they continue to feel the impact of the global chip shortage.
- **Amazon** plans to take a more proactive approach to content moderation with content that violates its cloud service policies.
- About six months after investor enthusiasm for **SPACs** peaked, a broad selloff has wiped approximately \$75 billion off of the value of companies that went public via SPAC. **Singapore** will become the first major Asian financial hub to allow SPACs to list.

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Africa

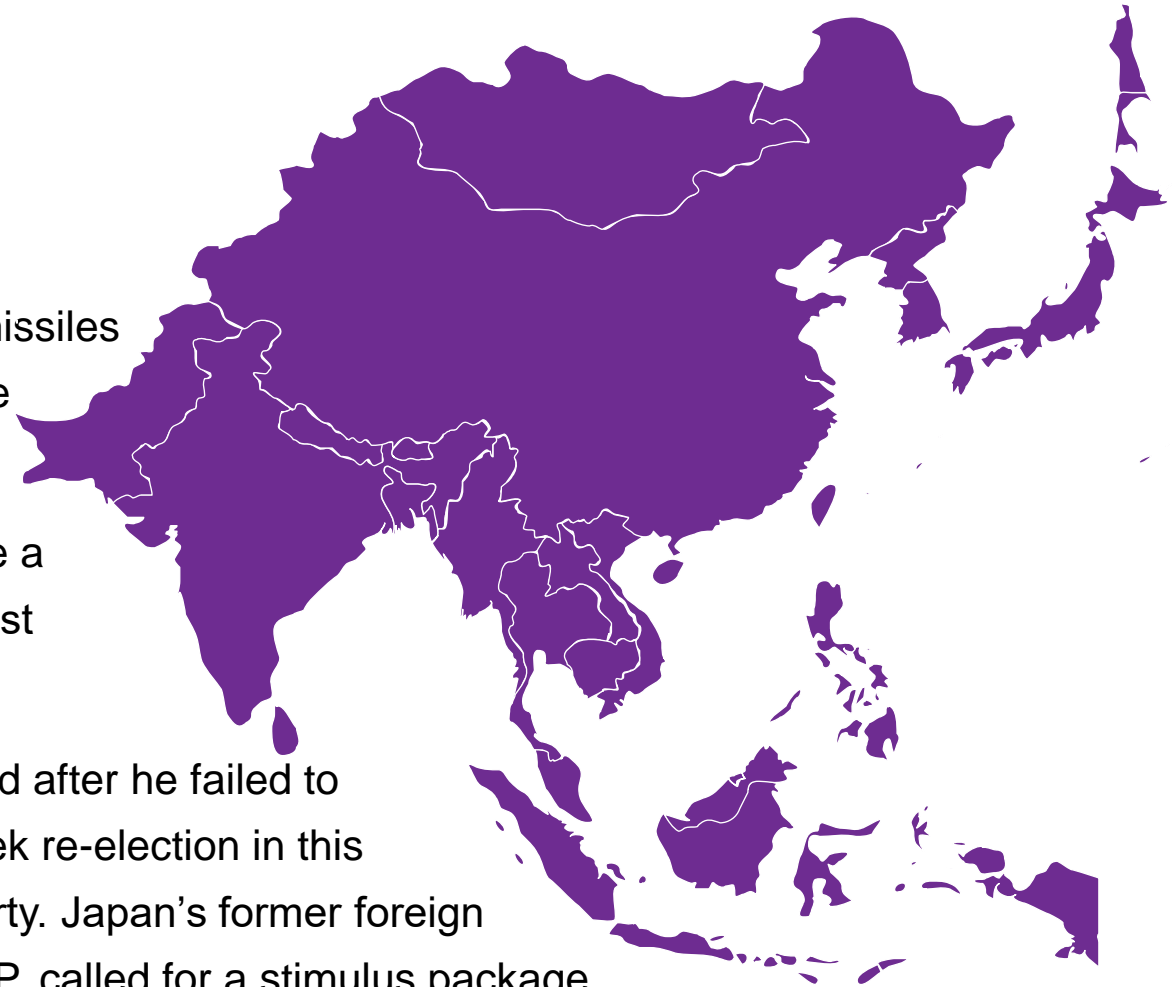
- The UN warned that a de facto blockade on **Ethiopia's** Tigray region risks a “*looming catastrophe*” of famine and humanitarian disaster.
- At least four people were killed in northeastern **Democratic Republic of Congo** by suspected ADF rebels, who also set fire to dozens of vehicles.
- **Tanzanian** police said that the gunman who killed four people in a diplomatic quarter of Dar es Salaam last month was a terrorist.
- **South Africa** said it is “not in a position” to host Afghan refugees.



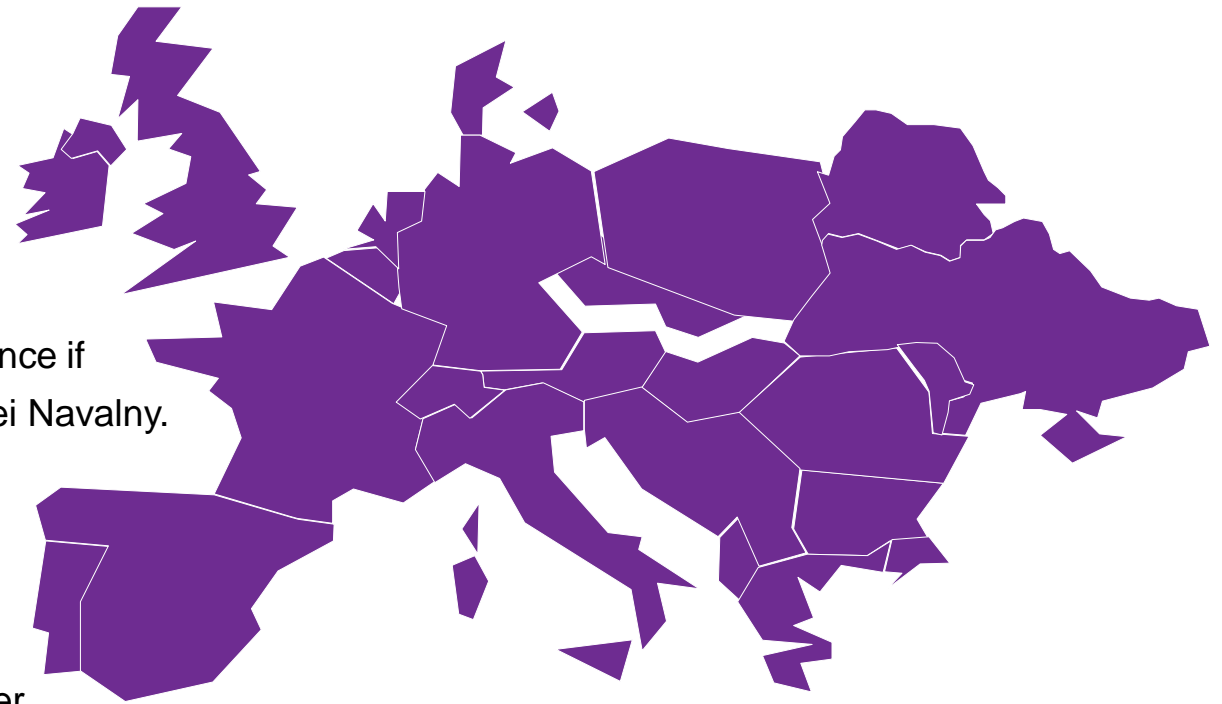
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Asia

- **South Korea's** defense ministry pledged to develop more missiles to deter the North, announcing plans to increase the defense budget.
- **Vietnam's** prime minister warned that the country could face a prolonged battle against COVID-19, as the country's deadliest outbreak yet continues to grow.
- **Japanese** Prime Minister Suga, whose popularity plummeted after he failed to rein in the COVID-19 outbreak, announced he would not seek re-election in this month's leadership race for the ruling Liberal Democratic party. Japan's former foreign minister Fumio Kishida, who is seeking leadership of the LDP, called for a stimulus package worth "*tens of trillions of yen*" to combat the impact of the coronavirus.
- A knife-wielding "*extremist*" who was known to **New Zealand** authorities as a supporter of ISIL, stabbed and wounded at least six people in a supermarket in Auckland.



Europe



- **Russia** threatened to fine Apple and Google for election interference if they do not remove an app developed by opposition activist Alexei Navalny.
- **Poland** declared a state of emergency in two regions bordering **Belarus** on Thursday following a surge of illegal migration that Warsaw has blamed on its neighbor.
- **Switzerland's** economy grew by 1.8 percent in the second quarter of the year, erasing losses from the COVID-19 pandemic.
- **Ireland** announced a record spending plan to tackle the country's housing crisis.
- **Poland's** finance minister expressed hope that the European Commission will approve its request for tens of billions of euros in pandemic recovery funds.
- **Italian** Prime Minister Mario Draghi said the country may eventually mandate COVID-19 vaccines, pending full regulatory approval. Almost 1 million people in the **UK** say they have long COVID, per new figures from the Office for National Statistics. Public Health England released new figures showing that the rollout of vaccines prevented some 140,000 hospitalizations and 105,000 deaths. Public Health England called for an additional £10 billion in funding to cover COVID-19 related costs.

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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

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

Middle East

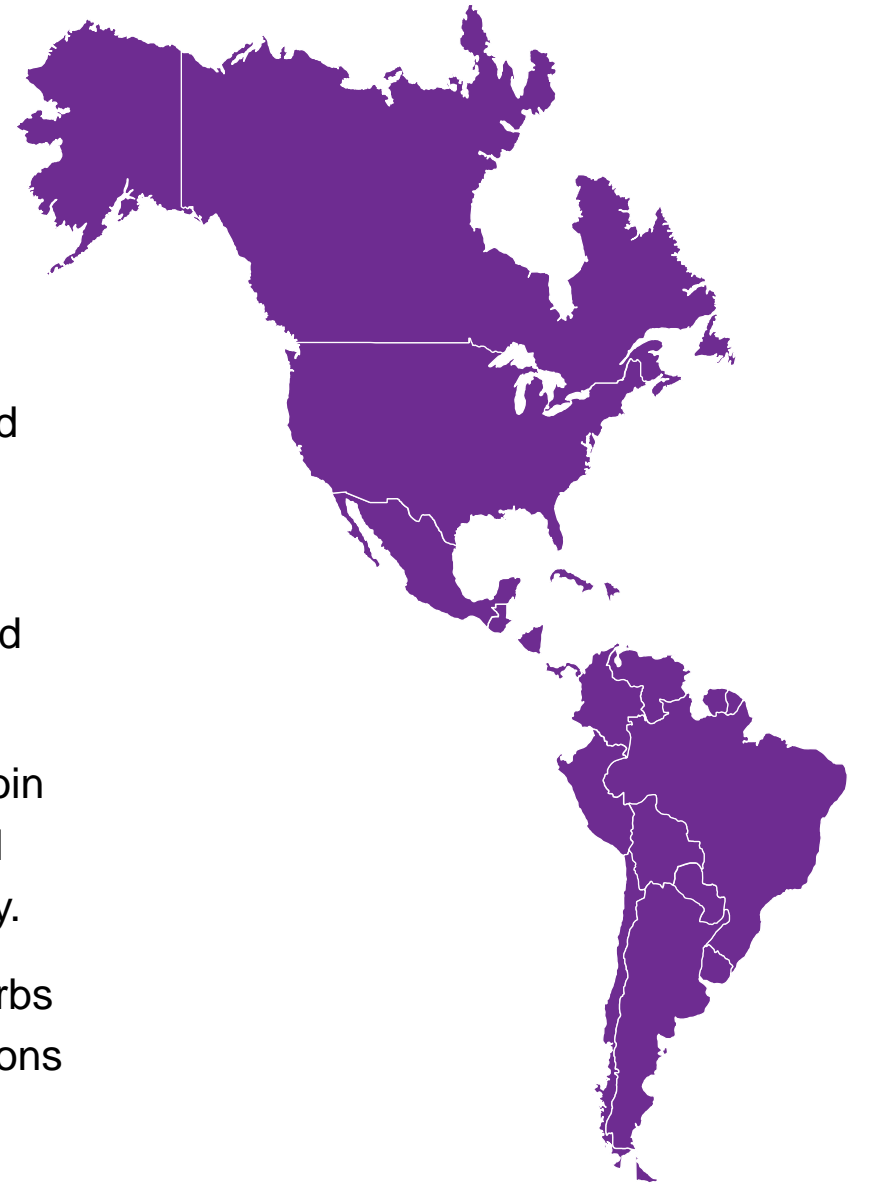
- Mullah Baradar, the head of the Taliban's political office, will lead the new government in **Afghanistan**, according to insiders. The **US** announced that it will allow personal remittances to be transferred into Afghanistan, in an effort to improve the country's humanitarian situation.
- Egypt's President Sisi held talks with King Abdullah of **Jordan** and **Palestinian Authority** President Abbas to discuss reviving a Middle East peace process.
- **Israel** named its first ambassador to **Bahrain**, one year after the two countries normalized ties.
- **Israel's** parliament granted preliminary approval for a 2021-2022 state budget, the first in over three years.



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Americas

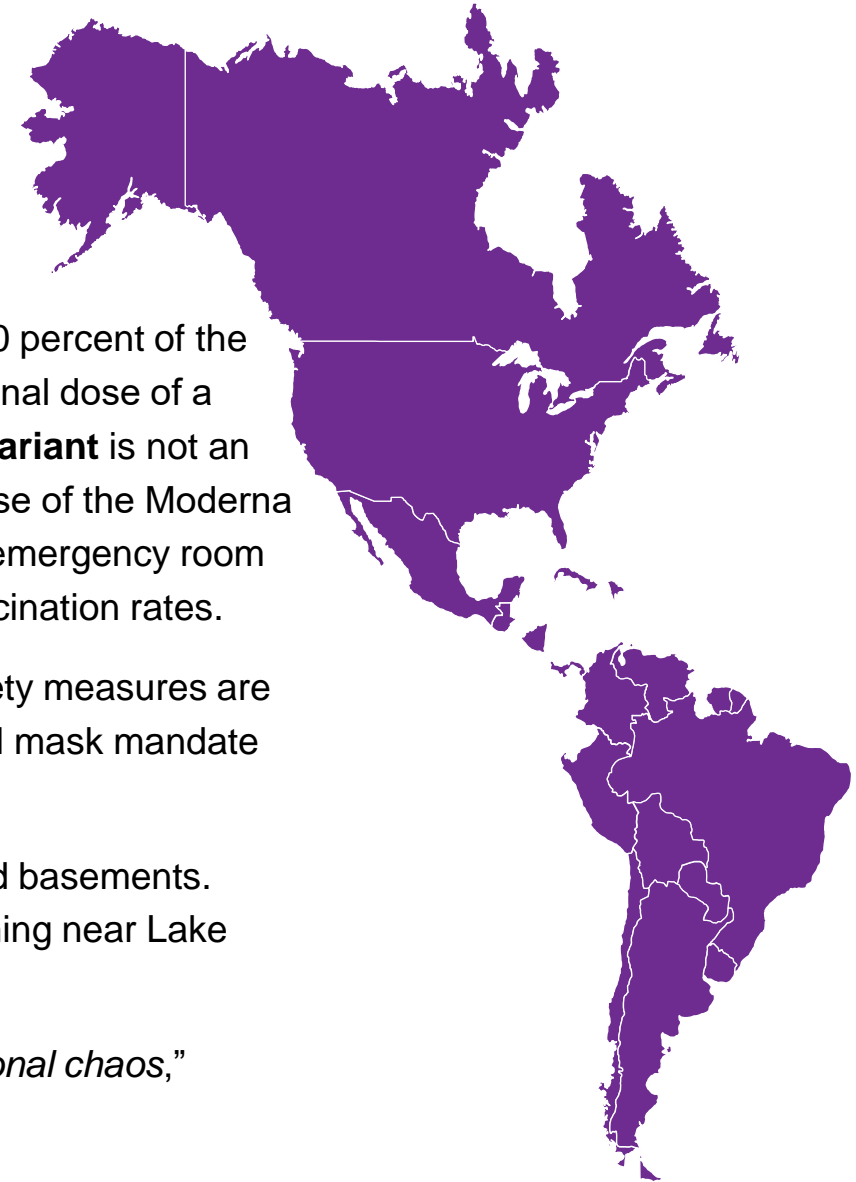
- **Mexican** President Lopez Obrador's legal counsel and advisor Julio Scherer, seen as a moderating influence on the administration's efforts to strengthen state control of the private sector, will step down to be replaced by Maria Estela Rios.
- Negotiators for the **Venezuelan** government and Venezuelan opposition members will meet in Mexico today, starting a second round of talks aimed at easing the country's crisis.
- Most **Salvadorans** disagree with the government's decision to adopt bitcoin as legal tender, with many unaware of how to use the digital currency and distrustful of the project, per a new poll by the Central American University.
- **Guatemalan** President Giammattei announced new national transport curbs and social restrictions in an effort to contain a surge of coronavirus infections and relieve pressure on hospitals.



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Americas: US

- Across the nation, 205.9 million have received at least one dose of the **vaccine**, or 62.0 percent of the total population. Dr. Fauci projected that Americans will “*likely*” need to have an additional dose of a COVID-19 vaccine to be considered **fully vaccinated**. He also assessed that the **Mu variant** is not an “immediate threat” to the US. The FDA is reportedly considering authorizing a lower dose of the Moderna vaccine for a **booster shot**. New studies by the CDC indicated that COVID-19 cases, emergency room visits, and hospitalizations for **children** are much lower in communities with higher vaccination rates.
- In **Illinois**, the Chicago Teacher’s Union warned of “*escalating action*” if COVID-19 safety measures are not strengthened at city schools. In **Washington** state, Seattle is reinstating a universal mask mandate for large outdoor concerts or sporting events.
- **Flooding** in the Northeast has killed over 40 people; at least 11 had drowned in flooded basements. President Biden declared an emergency in California as the **Caldor fire** continues burning near Lake Tahoe.
- President Biden said that Texas’s restrictive **new abortion law** will cause “*unconstitutional chaos*,” particularly due to the individual enforcement allowance.
- **New weekly jobless claims** hit a new pandemic-era low of 340,000.



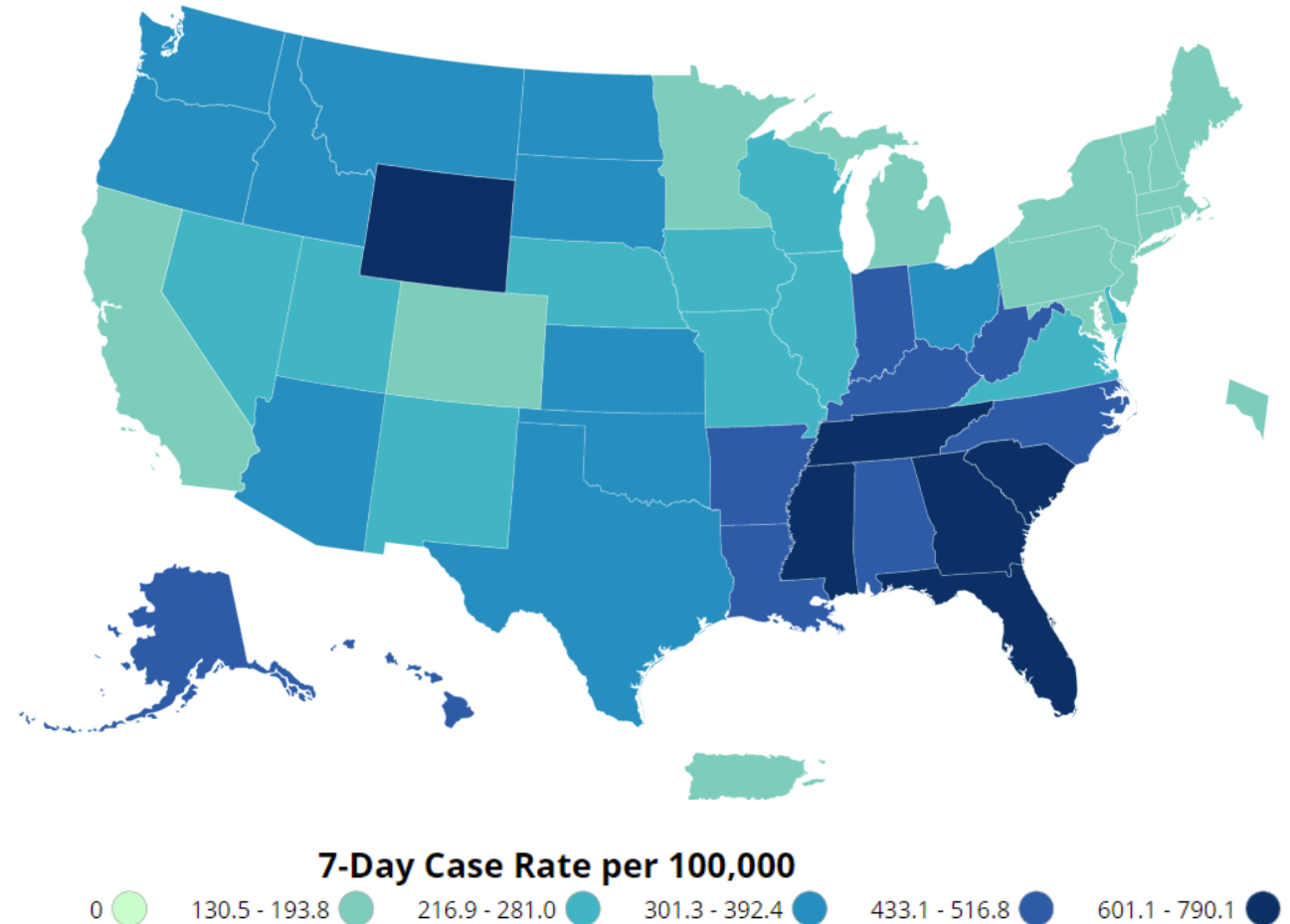
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Americas: US

Across the US, new COVID-19 infections increased 5.1 percent over the past week (down from 11 percent the previous week). The South remains the outbreak's hotspot and where vaccination rates are the lowest.

Daily reported deaths, nationwide, rose 25.5 percent and hospitalizations rose 0.7 percent, a notable easing from the previous week.

US COVID-19 7-Day Case Rate per 100,000, by State/Territory



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Industry in Focus: Cryptocurrency & Digital Assets

By Alexander Lucaci

On September 7, El Salvador will become the first country to adopt Bitcoin, the world's most popular digital currency, as legal tender. Over the last year, Bitcoin and assets associated with blockchain, the digital currency's underlying technology, have attained unprecedented attention from retail and institutional investors alike for their reputation as cutting-edge financial innovations and the future of asset-based investments.

This has resulted in an extremely volatile marketplace that nonetheless cemented its mainstream status in 2021 through the proliferation of alt-coins (alternative digital currencies to Bitcoin) meme stocks (popular stocks with value rooted in social sentiment and internet popularity) and NFTs (non-fungible tokens, or unique digital assets representing items like photos, videos audio, or other digital files). The expansion of Bitcoin, cryptocurrencies, and other blockchain-based technologies has thus far outpaced government regulation and institutional adoption, a trend that is likely to reverse in late 2021 and 2022 as lawmakers around the world recognize that digital currencies and assets are here to stay. The open question remains how digital currencies, assets, and their users will adapt to the inevitable scrutiny from national regulators, institutional investors and global financial institutions.

Ahead of El Salvador's September 7 deadline, there are worrying signs for proponents of widespread Bitcoin adoption. The country's status as the world's first official adopter of Bitcoin has understandably drawn the attention of economists, international financial institutions, crypto-enthusiasts, banks and politicians who are looking at El Salvador as a petri dish for their relevant digital currency experiments. Initial positive indicators, including an August research note from Bank of America, highlighted Bitcoin's ability to reduce the cost of cross-border transactions from El Salvador, where remittances account for 20 percent of the country's GDP. Furthermore, the Bitcoin adoption law passed in July included incentives for foreign investment, including residency in exchange for three Bitcoins and an exemption for capital gains taxes for transactions in the digital currency.

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Industry in Focus: Cryptocurrency & Digital Assets

As the official Bitcoin adoption date approaches, economic and societal uncertainties around the new law have increased and as a result, so have political tensions. Ratings agency Moody's lowered their outlook on El Salvador's economy, citing a "*deteriorating in the quality of policymaking*" and "*weakened governance*" in the country as a consequence of Bitcoin adoption. Simultaneously, the IMF has expressed concerns about the new law while negotiating a \$1 billion loan to the Central American nation, stating that domestic prices would likely become highly unstable, and El Salvador's "financial integrity" would be at risk without robust anti-money laundering measures related to Bitcoin. El Salvadorian President Nayib Bukele, the populist leader who spearheaded the law, has also contributed to negative perceptions around the country's bitcoin adoption through his government's detention of a high-profile anti-bitcoin activist earlier this week. The activist, Mario Gomez, is a computer systems specialist who remains under arrest without charge.

The main question around cryptocurrencies and other digital assets is how the industry transitions from a speculative investment class to more mainstream, regulated usage. Part of this transition appears to

be regionally focused in Latin America, where pro-Bitcoin legislators in Brazil, Panama, Nicaragua, Paraguay, Mexico, and Argentina have introduced bills to adopt cryptocurrency along the lines of what is being done in El Salvador. Although this regional trend appears to be driven by a "*fear of missing out*" on the potential benefits of Bitcoin adoption, as well as the desire for innovative, nontraditional methods of driving economic growth, there does not at this time appear to be an organized crypto lobbying force in any of the above countries. The unique political dynamics in El Salvador have made it possible for President Bukele to institute his vision for crypto in the country, but it is unlikely to be implemented to the same degree elsewhere in Latin America in the short term. Furthermore, more traditional legislatures throughout the world will be closely observing the socio-economic effects of Bitcoin adoption in El Salvador, and whether or not the digital currency's benefits outweigh the resulting pricing and financial volatility.

Another hurdle for the cryptocurrency industry is the fact that the world's superpowers, the US, Russia and China, appear to be resistant, if not openly hostile, to the mainstreaming of Bitcoin.

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Industry in Focus: Cryptocurrency & Digital Assets

Both Chinese and US regulators acted, to varying degrees, to curb the growing influence of crypto as an investable asset or competitor to the renminbi and US dollar, respectively. Beijing has recently cracked down on cryptocurrency mining and trading in the country, with the Chinese central bank saying that cryptocurrencies “*are not legal tenders and have no actual value support.*” Similarly, Russia’s Central Bank likened Bitcoin to a “*technological financial pyramid scheme*” and asked that Russian stock exchanges not list companies whose businesses are affiliated with crypto and other non-accredited investors. The US, for its part, appears to be taking a lighter touch - Securities & Exchange Commission chair Gary Gensler has called for increased regulation and oversight of the crypto industry, while the Biden Administration continues to push for legislation requiring crypto trading platforms to share data about foreign account holders. Because one of the primary differentiators of Bitcoin and other cryptocurrencies is its ability to conduct highly secure, anonymous, decentralized transactions, industry proponents and lobbyists remain resistant to any form of government regulation. Indeed, Bitcoin users and enthusiasts cite independence from

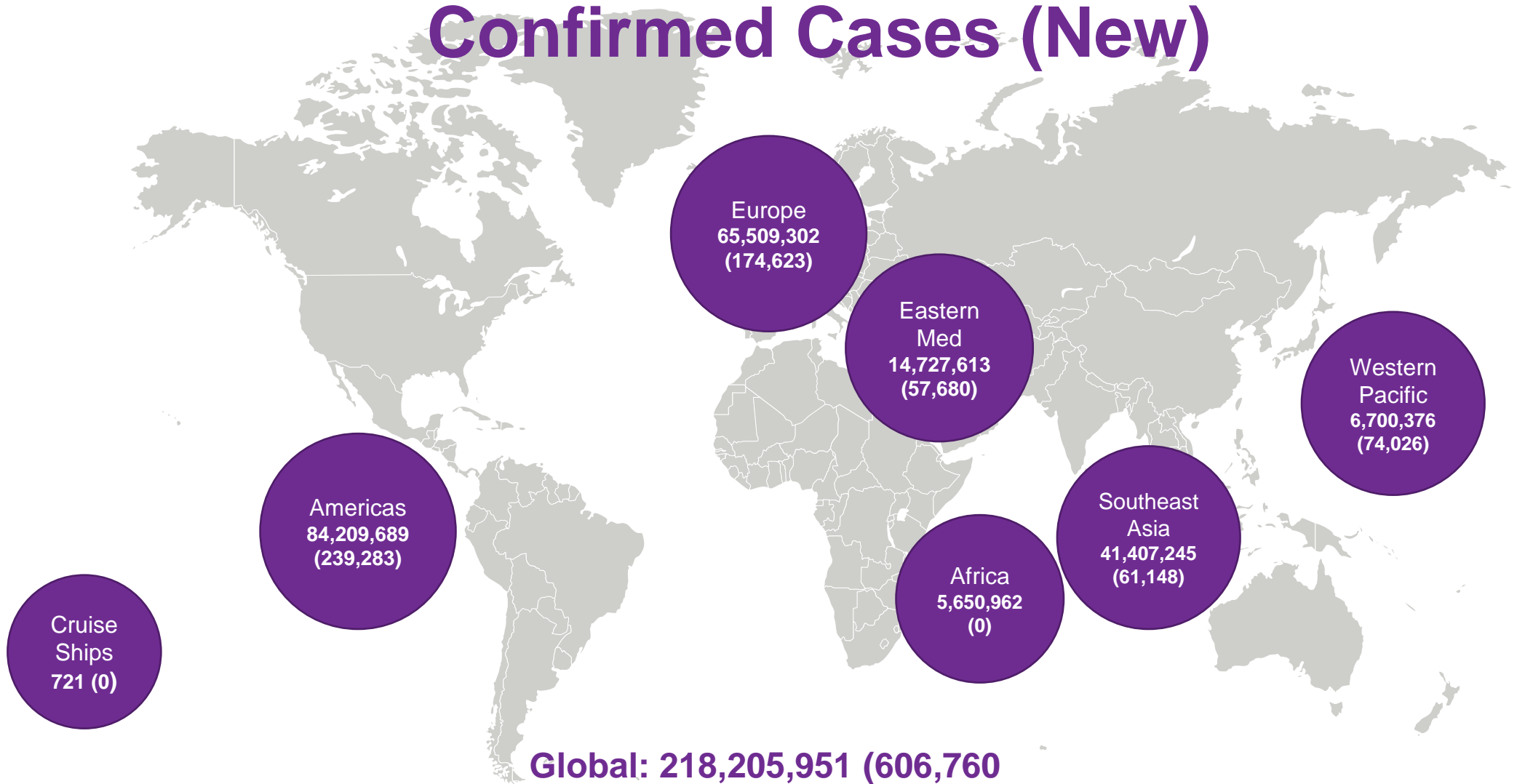
central banks as a primary reason for interest in the digital currency. Nevertheless, they appear to be fighting a losing battle - the Internal Revenue Service (IRS) has reported the seizure of over \$1.2 billion worth of cryptocurrency this fiscal year as a result of financial and digital crimes. This indicates that powerful governments, including in Beijing and Moscow, have the power and ability, if not yet the legislative will, to dictate the terms of global cryptocurrency markets.

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Coronavirus Condition Updates

As of 5:05 pm CEST on September 2, 2021

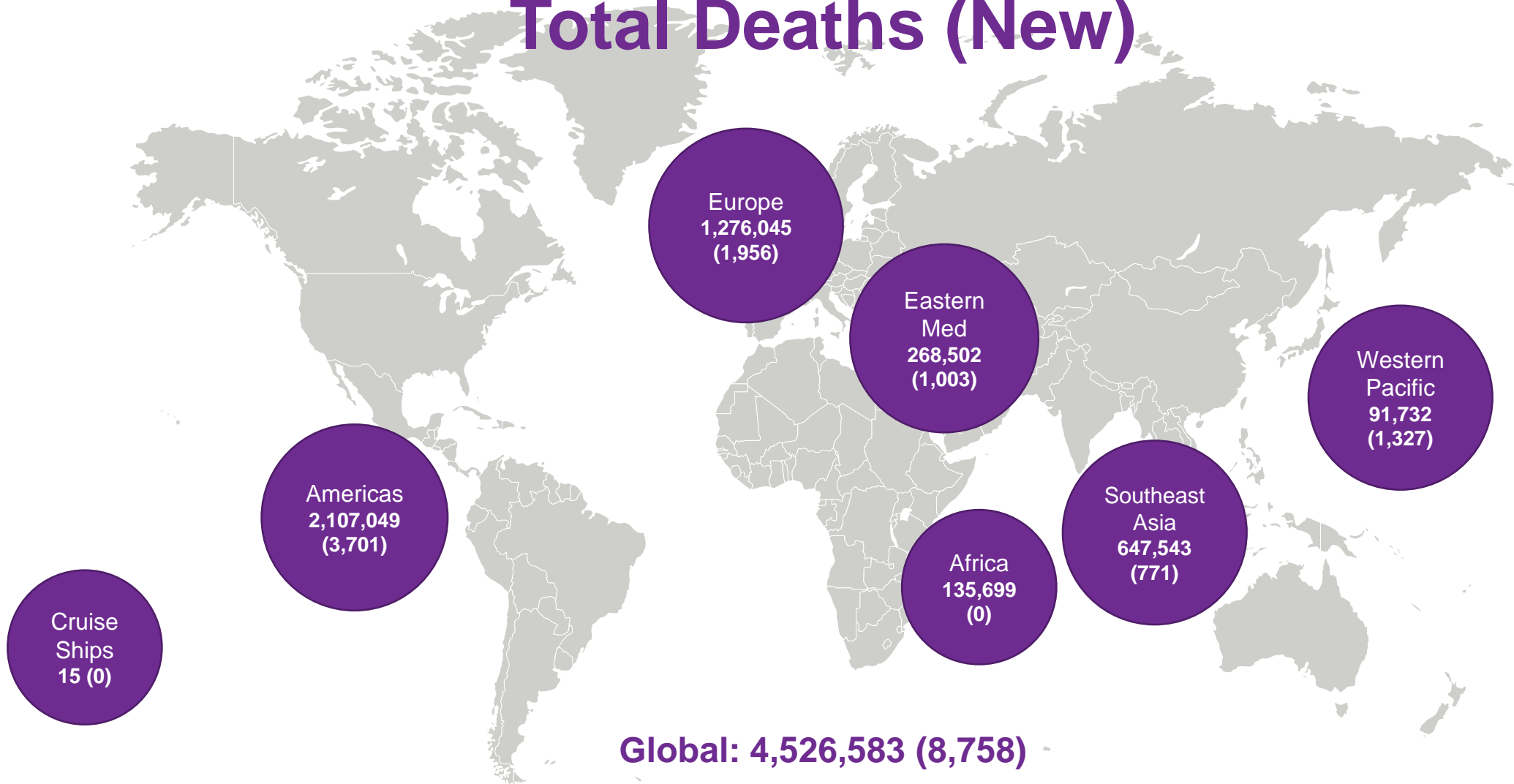
Confirmed Cases (New)



Reflects data as of 5:05 pm CEST on September 2, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:05 pm CEST on September 2, 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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