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Dentons Flashpoint

Daily Global Situation Report

September 29, 2021

Global Situation Update: September 29, 2021

KEY TAKEAWAYS

Former foreign minister Fumio Kishida won a ruling Liberal Democratic Party leadership and will likely become Japan's next prime minister.

Pfizer and BioNTech began submitting data on their vaccine's use in children; approval could come from the FDA in November.

The European Central Bank signaled that it is unlikely to follow an international trend of tightening monetary policy.

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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Global Situation Update: September 29, 2021

WHAT WE'RE WATCHING

Today, there are two important international trade summits that will impact policy and thinking on global commerce over the near term. The World Trade Organization's 2021 Public Forum convenes virtually to discuss building resiliency to the pandemic and future crises, while the inaugural US-EU Trade and Technology Council will meet in Pennsylvania to discuss several major economic and technological challenges facing the trans-Atlantic alliance.

The multi-day WTO gathering has called for maximizing current capacities and tech transfers to ensure greater access to vaccines as less than 3% of adults are fully vaccinated in most low-income countries compared to almost 60% in high-income countries. In Pittsburgh, the US Secretary of State, Secretary of Commerce and US Trade Representative will set terms of trade and tech cooperation to compete more effectively with China.

US-EU Trade & Technology Council Ministerial

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Global

Globally, confirmed coronavirus cases topped 232.0 million with 4.7 million deaths; more than 5.9 billion vaccine doses have been administered.

- A new study showed that COVID-19 patients are 1.4 times more likely to experience **long-term symptoms** than flu patients.
- The **side effects** Americans experienced from a third dose of a coronavirus vaccine are similar to those from a second dose, per a study by the US CDC.
- Pfizer and BioNTech began submitting data to the FDA for their **COVID-19 vaccine to be approved for use in children aged 5-11** and will submit a full application in coming weeks, meaning that US children may have vaccine access in November.
- A group of six investors with a combined $4 trillion of assets under management, announced plans to engage with large Asian companies like banks and energy producers to ensure they have a road map to meet **climate change** targets.

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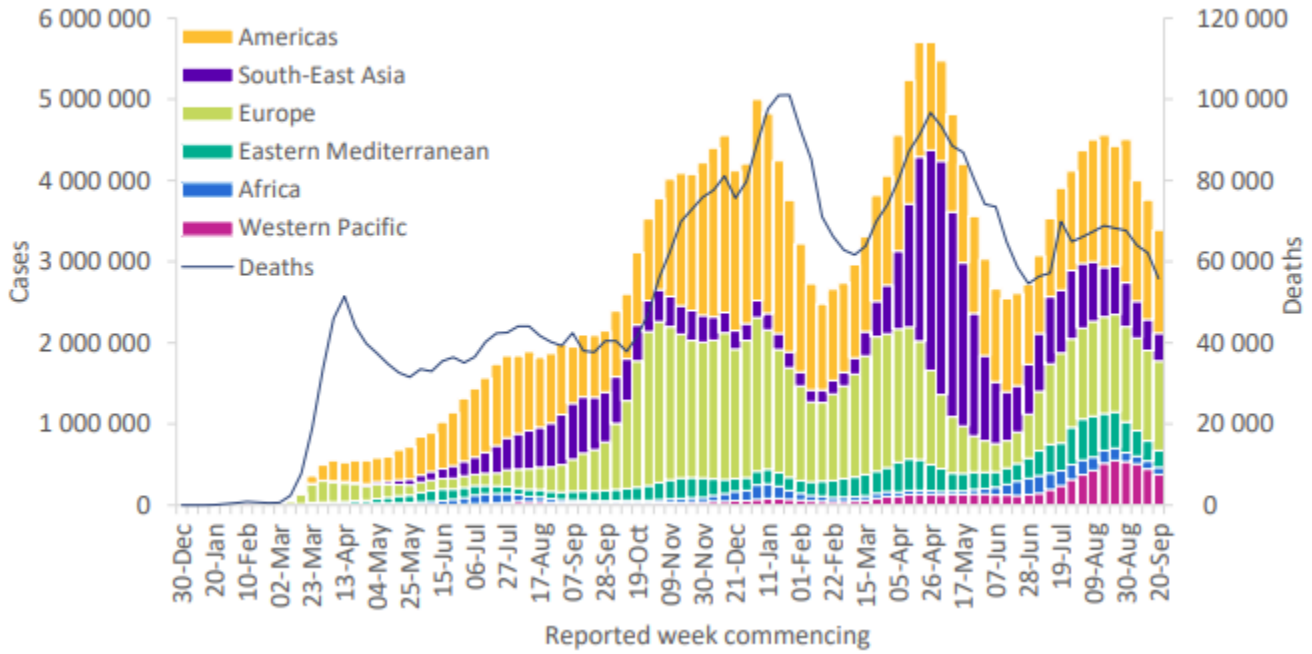
Global

Globally, the numbers of weekly COVID-19 cases and deaths continued to decline. Over 3.3 million new cases and over 55,000 new deaths were reported during the week of 20 – 26 September 2021, decreases of 10 percent as compared to the previous week for both cases and deaths.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 26 September 2021**



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Markets & Business

China's Belt and Road Initiative (BRI) is in danger of losing momentum as opposition in targeted countries rises and debts mount, paving the way for rival schemes to squeeze Beijing out, per a new study.

- **US and European stocks** fell yesterday, with tech shares suffering particularly heavy losses as the selloff in US government bonds expanded to further parts of the market and concerns about inflation and rising interest rates weighed on investors.
- The Brent benchmark for **oil prices** surpassed $80 per barrel on Tuesday, marking a three year high.
- As prices in Europe for coal, carbon, and gas have all hit recent record highs, the oil price sends a further signal of an **energy supply crunch** that could slow global growth.
- **Evergrande** has raised Rmb10 billion ($1.5 billion) by selling part of its stake in a bank to a state-owned investment group, as the heavily indebted Chinese property developer scrambles to meet bond repayment deadlines.
- **Ford Motor Co** became the second Detroit automaker to ask US salaried employees to reveal their vaccination status against COVID-19 in a bid to comply with wider federal guidelines.

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Africa

- **Sudan** reported that five security officials had been killed by ISIS-affiliated terrorists, a militant group calling itself the Movement for Preaching and Combat.
- **France** will sharply cut the number of visas available to migrants from **Tunisia, Algeria and Morocco,** accusing them of not doing enough to stem the flow of illegal migrants.
- **Ethiopia's** women's minister, who was the first official to acknowledge that rape had occurred in the conflict with Tigray, resigned.
- **Algeria's** military chief promised to respond "*firmly*" to **Moroccan** "*conspiracies*," upping the rhetoric in the bilateral feud over Morocco's contested sovereignty over the **Western Sahara**. Algeria will begin manufacturing China's Sinovac COVID-19 vaccine today.

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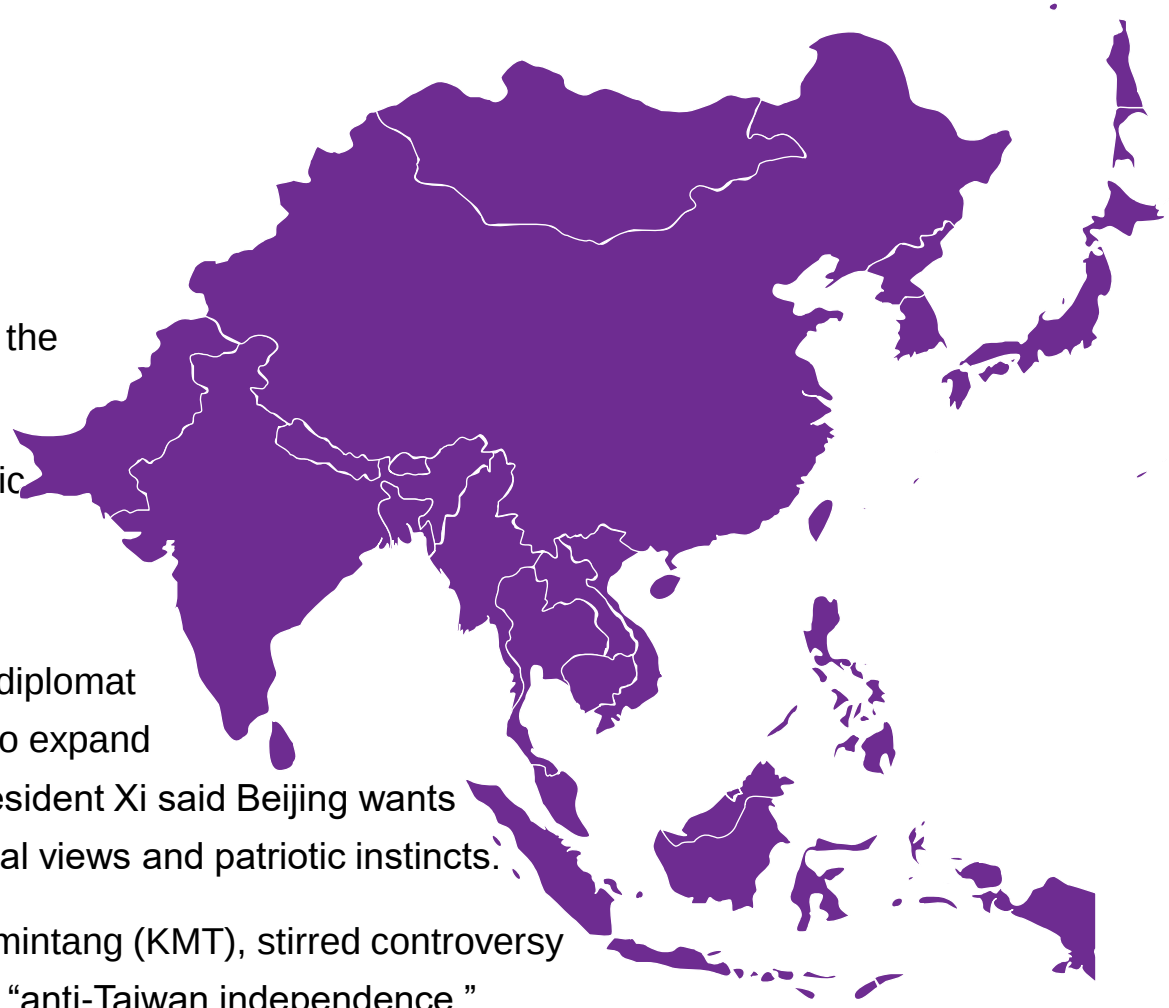
Asia



- **Myanmar's** currency has lost more than 60 percent of its value since the military coup eight months ago.
- Former foreign minister Fumio Kishida won a ruling Liberal Democratic Party leadership race, a victory that virtually ensures he will become **Japan's** next prime minister within days.-
- **Chinese** Foreign Minister Wang Yi held his first meeting with top **EU** diplomat Josep Borrell in over a year; Borrell said that the EU would continue to expand relations with Taiwan but would not recognize statehood. China's President Xi said Beijing wants to increase the pool of intellectuals and scientists with "correct" political views and patriotic instincts.
- The newly elected leader of **Taiwan's** main opposition party, the Kuomintang (KMT), stirred controversy by responding to a message from **Chinese** President Xi, saying he is "anti-Taiwan independence."
- **North Korea** said that it had test fired a new hypersonic missile. Unlike ballistic missiles that fly into outer space before returning on steep trajectories, hypersonic weapons fly towards targets at lower altitudes and can achieve more than five times the speed of sound.

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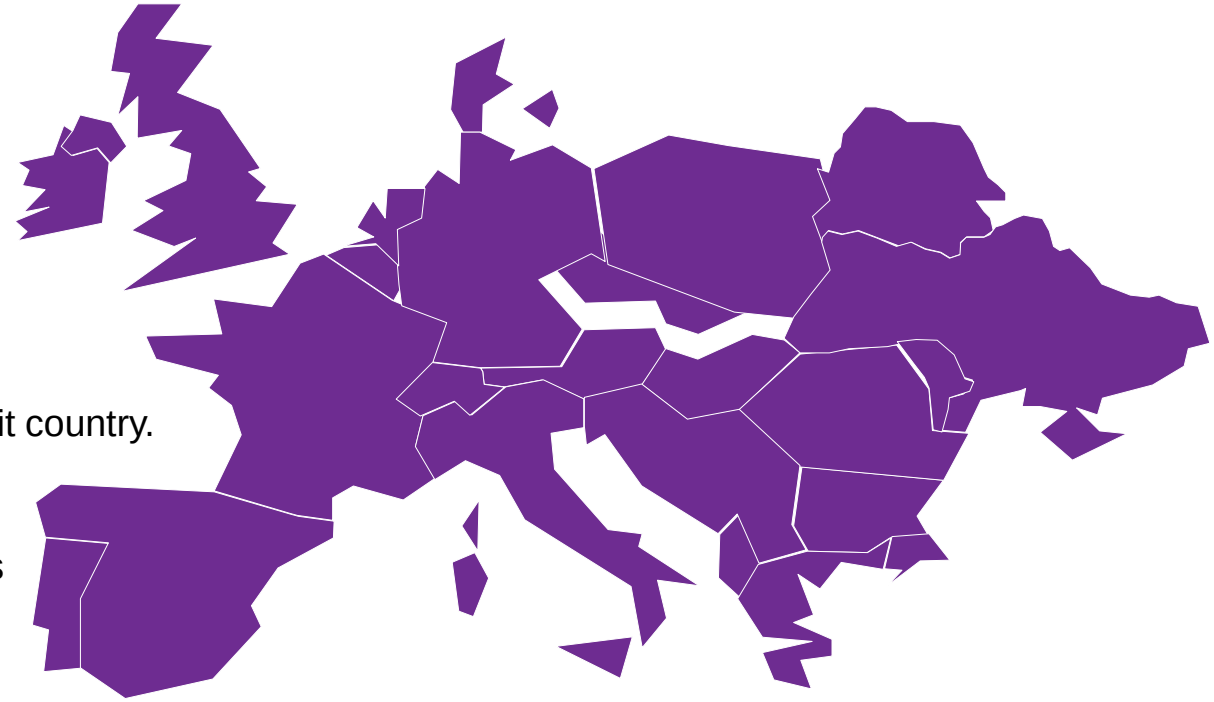
Europe



- **Ukraine** criticized **Hungary's** new gas supply deal with **Russia's** Gazprom, which will last 15 years and cuts off Ukraine as a transit country.
- The **UK** will allow only a handful of small **French** boats to fish within UK coastal waters, a move that is likely to worsen relations with Paris and be interpreted in Europe as a violation of the Brexit deal.
- **European** Central Bank President Lagarde pledged not to *"overreact"* to transitory inflation pressures, signaling that the bank will not follow an international trend of tightening monetary policy. Bank of **England** policymaker Catherine Mann predicted that "extreme" price increases should level off without a sustained inflation surge, saying: "*transitory, yes. Troubling, no*."
- **Russian** authorities opened a new criminal case against opposition activist Alexei Navalny, which could extend his imprisonment by a further 10 years. Russia has threatened to block YouTube unless the video service restores two **German**-language channels managed by Russia's state-owned media company RT that were deleted after they published what YouTube called "*misinformation"* about covid-19 and coronavirus vaccines.

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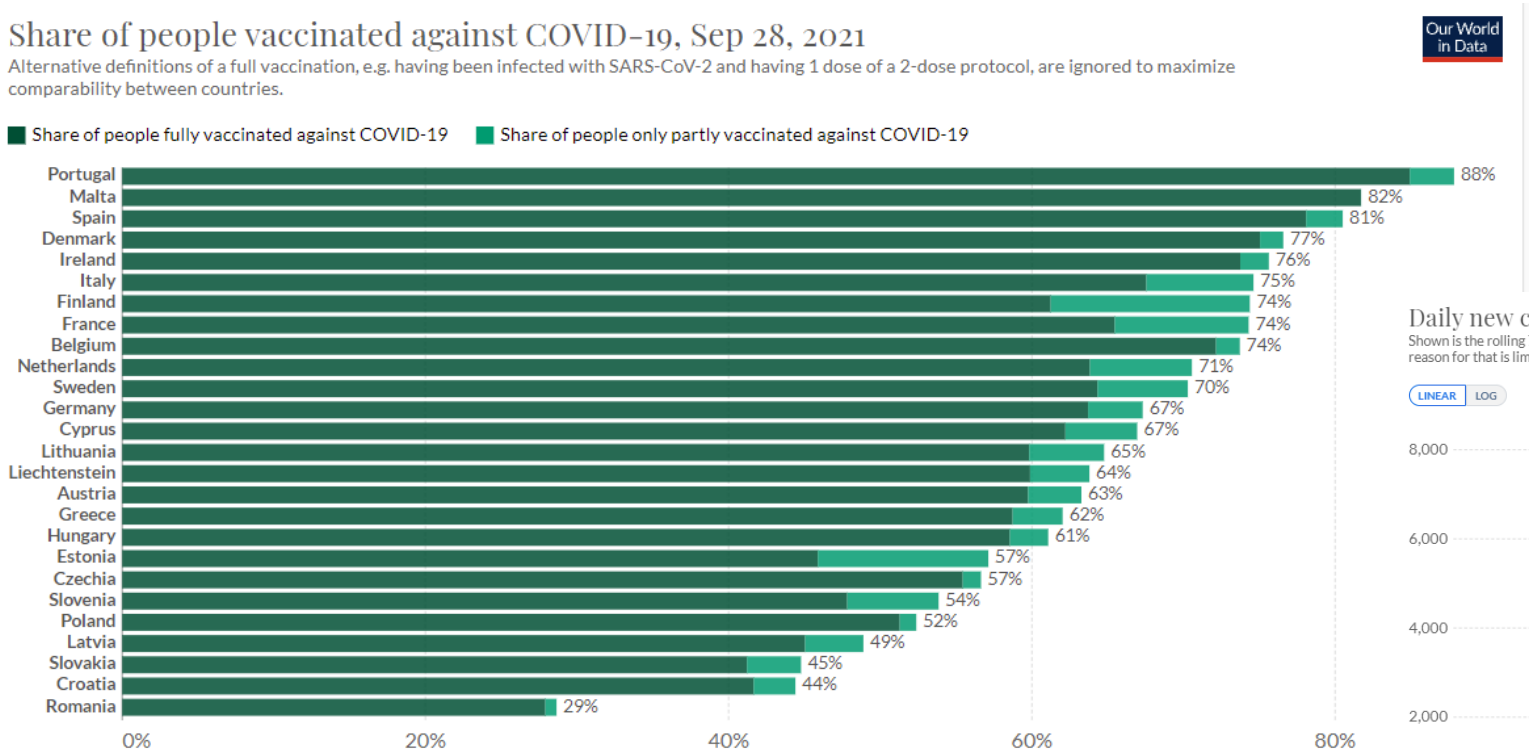
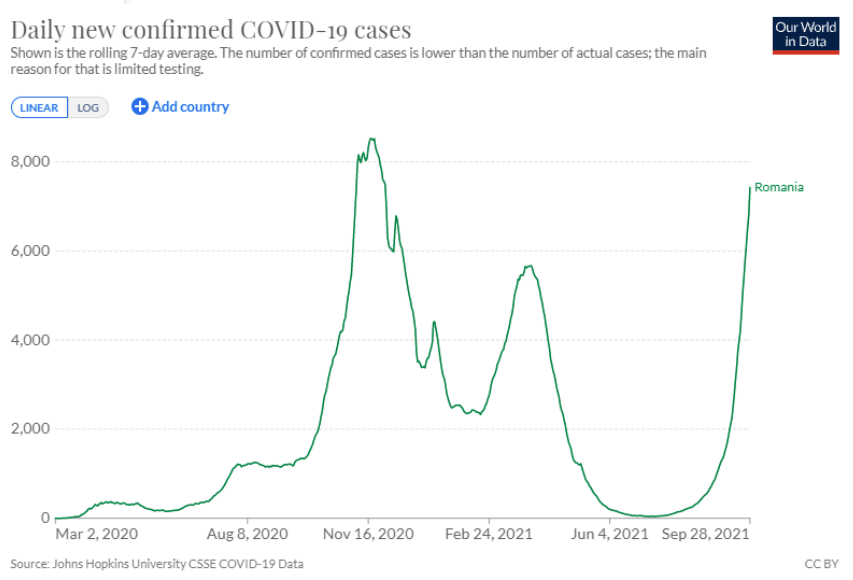
Europe

Romania is seeing a record increase in COVID-19 cases, as the country's vaccination drive continues to struggle amid vaccine hesitancy; Romania has the EU's second lowest vaccination rate, after Bulgaria.





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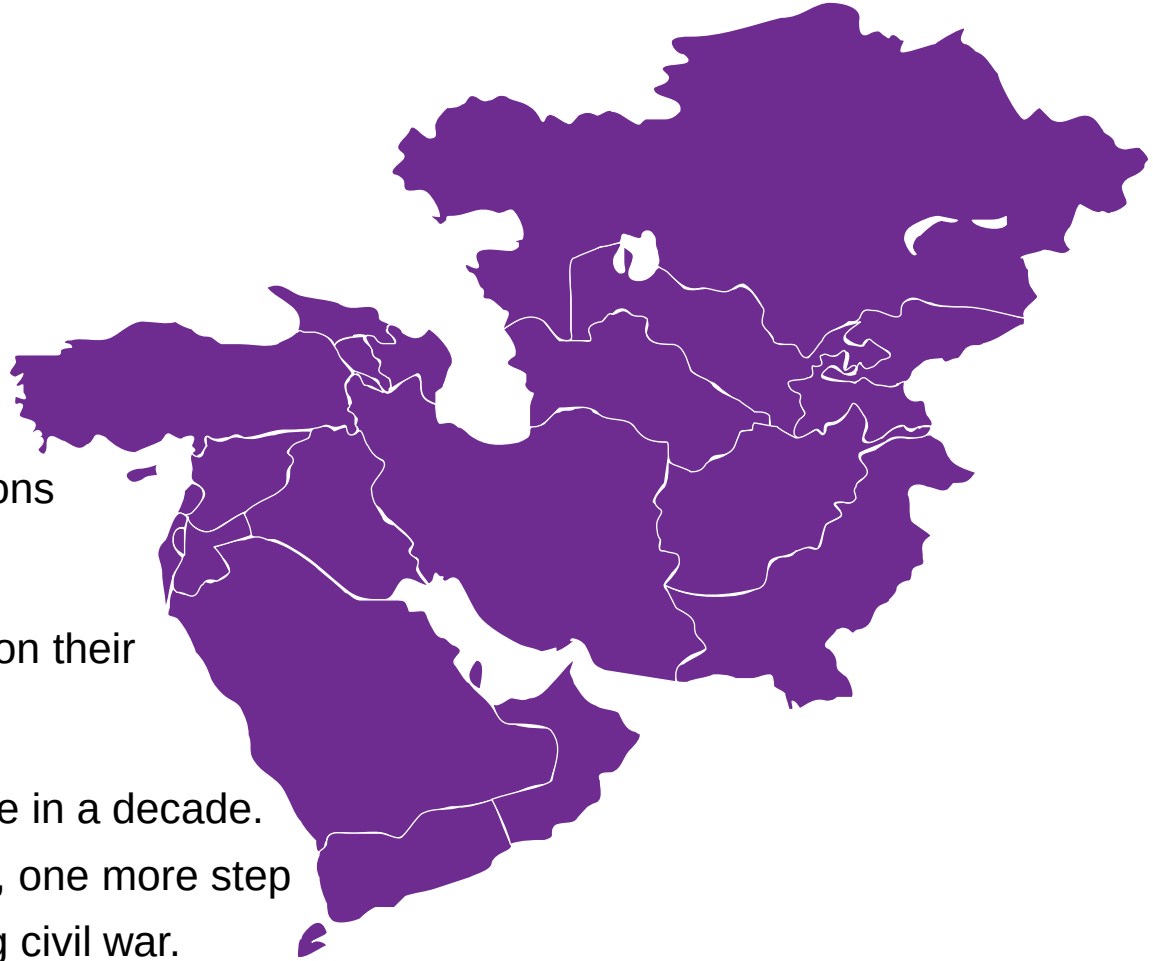
Middle East



- The Speaker of **Libya's** House of Representatives accused the High Council of State, the body that has negotiated a ceasefire and election roadmap, of not actually wanting elections to occur.
- **Iran** dismissed Azeri concerns over Iranian military exercises on their border, calling it a "*matter of sovereignty*."
- **Jordan's** state carrier resumed flights to **Syria** for the first time in a decade. Jordan also fully reopened its main border crossing with Syria, one more step to reintegrate Syria back into the Arab fold after a decade-long civil war.
- Parties to the conflict in **Syria** will return to the negotiating table in October to discuss a new constitution, announced Geir Pederson, UN special envoy for the country.
- **Tunisian** President Kais Saied has named Najla Bouden Romdhane as prime minister and asked her to quickly form a government,

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Americas

- **Haiti's** general election, scheduled for November 7, was postponed after Prime Minister Henry dismissed the electoral board, which many felt was too partisan; the elections were widely expected to be postponed amid political turmoil following the assassination of the former leader in July.
- **Canada's** Prime Minister Trudeau said that a decision on whether the country will ban Huawei 5G technology will be made "*in the coming weeks*." Following the release of the "two Michaels" from **China**, analysts are closely watching whether Canada will shift in its China policy.
- Authorities in **Costa Rica** announced all state workers will need to be vaccinated against COVID-19, making it one of the first countries in Latin America to impose a coronavirus vaccination mandate.

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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**.*

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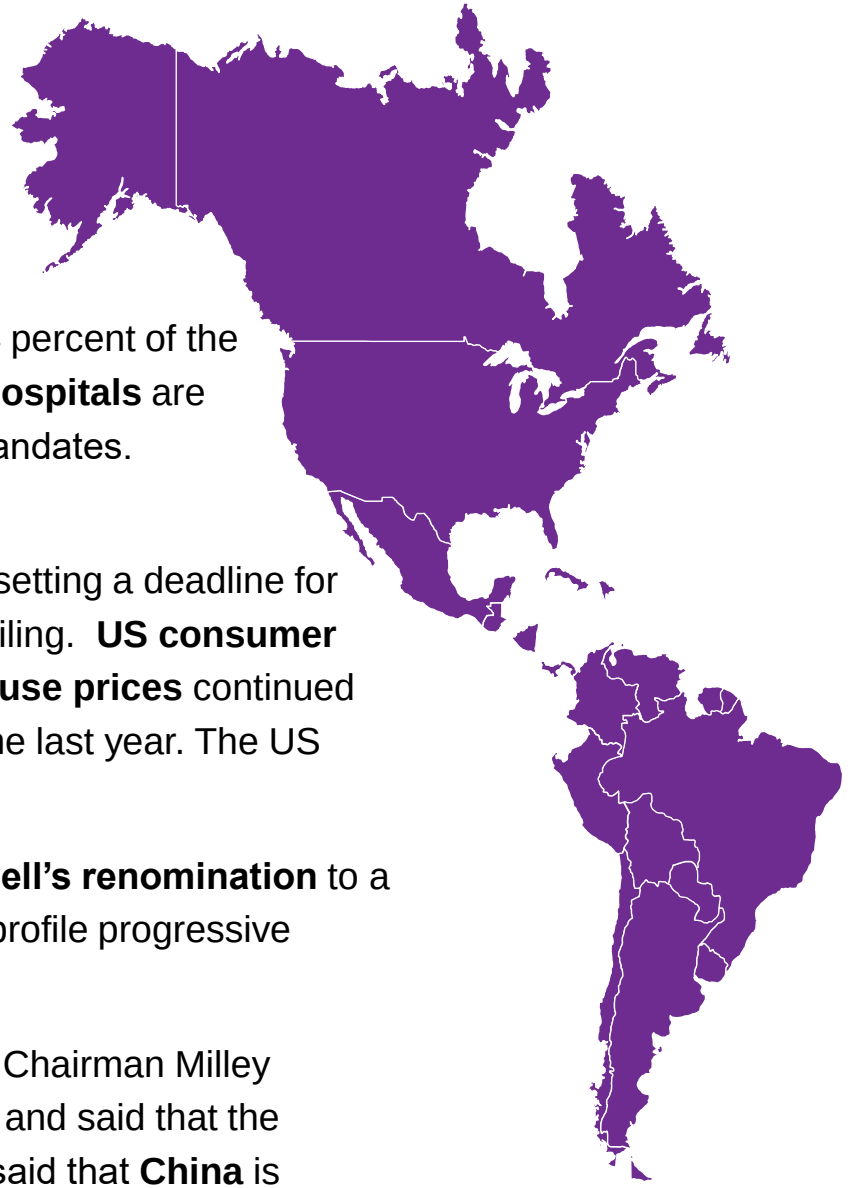
Americas: US



- Across the nation, 213.8 million have received at least one dose of the **vaccine**; or 64.4 percent of the total population. New York City health officials issued a reassurance message that all **hospitals** are "*fully operational*" amid concerns that staff shortages are being worsened by vaccine mandates. Novant Health in North Carolina **fired 175 employees** for failing to get the vaccine.
- Treasury Secretary Yellen warned that the US risks running out of cash by October 18, setting a deadline for Congress to raise the **debt ceiling** as Senate Republicans blocked a bid to raise the ceiling. **US consumer confidence** fell in September for the third consecutive month, hitting a 7-month low. **House prices** continued to grow for the fourth consecutive month in July, up nearly 20 percent from the same time last year. The US **goods trade deficit** rose slightly in August, nearing records.
- Senator Elizabeth Warren (D-MA) pledged to oppose **Federal Reserve Chairman Powell's renomination** to a second term due to his weakness on banking regulation; the opposition of such a high-profile progressive senator may make Biden think twice about sticking with Powell for a second term.
- In his first Congressional hearings since the withdrawal from **Afghanistan**, Joint Chiefs Chairman Milley confirmed that he had advised President Biden to retain a small US force in the country and said that the collapse of the Afghan army "*took us all by surprise*." Commerce Secretary Raimondo said that **China** is blocking its domestic airlines from purchasing "*tens of billions of dollars*" of American-manufactured airplanes.

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COVID-19 Related Supply Chain Disruptions Extend into 2022, Causing Holiday Crunch

By Anni Coonan

Almost a year and a half since the onset of the COVID-19 pandemic, global supply chains have still not recovered from the shock of virus-related lockdowns and a sharp economic contraction.

Plagued by persistent logistical issues, including overcrowded ports and a shortage of shipping containers, environmental issues, and stubborn COVID-19 outbreaks, shortages of products from food products to Christmas toys are emerging. As supply chains attempt to cope for a second year with no equilibrium, disruptions will continue to result in shortages, rising costs, and a growing gap between large companies with the resources to plug gaps in supply chains and those without.

Persistent Logistics Challenges

The largest driver of supply chain disruptions since the onset of the pandemic has been difficulties adapting the shipping industry to the rapidly fluctuating demands of the COVID-19 economy. Followed by a sharp dip in demand in the spring of 2020, a resurgence of consumer demand paired with logistical structures still weakened by COVID-19 has tested the supply chain. Throughout the world, ports have become crowded as virus-related closures or work restrictions have slowed their work, leading to delays and backups that have exacerbated another key issue in supply chain delays: a shortage of shipping containers. A shipping container that cost $1,500 prior to the pandemic reached an all-time peak of $11,109 earlier this month, according to shipping data aggregator Freightos. Worker shortages due to COVID-19, low pay, or immigration restrictions have also left ports, trucking companies, and freight agencies understaffed; in the UK, where Brexit-related immigration issues have hit supply chains especially hard, UK Prime Minister Johnson has had to direct soldiers to fill in as truck drivers to avoid shortages.

Resurgent COVID-19 outbreaks in manufacturing hubs have also exacerbated shortages - most prominently, several southeast Asian countries are experiencing their worst outbreaks yet. In Vietnam, which houses important apparel manufacturers, trade publication Supply Chain Dive estimates that a full third of textile and garment factories are closed due to the comprehensive COVID-19 lockdown.

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COVID-19 Related Supply Chain Disruptions Extend into 2022, Causing Holiday Crunch

The Effect of Climate Change

Another growing concern for supply chains is the increasing impact of extreme weather events on industry. The most visible example at the moment is the coffee shortage resulting from a combination of drought and unseasonably cold temperatures in Brazil - the price of coffee is currently up 50% from the start of the year, and is only expected to increase through the end of the 2021. Wildfires in the western US and Canada have also negatively impacted lumber supplies, which were already scarce due to COVID-19-related logistical disruptions, and experts expect that the loss of lumber will continue to strain the construction industry over the next year. Risks will only grow as extreme weather becomes more common: a speculative McKinsey study, for example, found that hurricanes in the rare earth metals-rich areas of Asia will be four times more likely to cause months-long semiconductor chips shortages such as the shortfall currently hobbling global car production. Extreme weather also impacts supply chains when weather events, such as extreme heat, make it impossible for workers to do their jobs - the United Nations Development Program estimates that climate change could result in $2 trillion in productivity losses by 2030.

Businesses Adapt to Long-term Disruptions

Governments and businesses have taken various tacks to counteract enduring supply chain issues. President Biden recently leaned on the ports of Los Angeles and Long Beach, California, where most of the US' trade with China enters the country, to extend gate hours for truck pickups to counter congestion; in the following weeks, Long Beach announced that it would trial 24-hour operations, and Los Angeles said that it would extend its weekend hours. Mainly, however, businesses are taking matters into their own hands: Walmart and Home Depot have chartered their own freight ships to counter shortages and exorbitant fees, with Walmart specifically purchasing several smaller vessels that can bypass congestion at large ports. Retailers such as Lululemon are shifting to air freight. And most companies are simply lengthening their ordering timelines significantly to account for delays - many grocery stores began placing their orders for Thanksgiving turkeys last February. More broadly, businesses are learning to diversify their supply chains to make them less sensitive to individual shocks, such as one country's COVID-19 lockdown, and to move away from just-in-time supply chains that are fragile in the case of any disruption.

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COVID-19 Related Supply Chain Disruptions Extend into 2022, Causing Holiday Crunch

As always, some businesses have been better able to adapt to the shifting realities of post-COVID supply chains than others. All retailers do not have the resources to charter their own freight ships or planes to circumvent high prices, or place bulk orders ten months ahead to lock in supply. Smaller retailers that do not are likely to lose out to larger companies, mirroring a pandemic trend across industries in which large companies with the capital to be flexible have thrived where smaller companies struggle. Shortages in brick-and-mortar stores may also drive consumers to purchase goods online, continuing the trend away from in-person retailers seen throughout the pandemic.

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Coronavirus Condition Updates

As of 3:36 pm CEST on September 28, 2021

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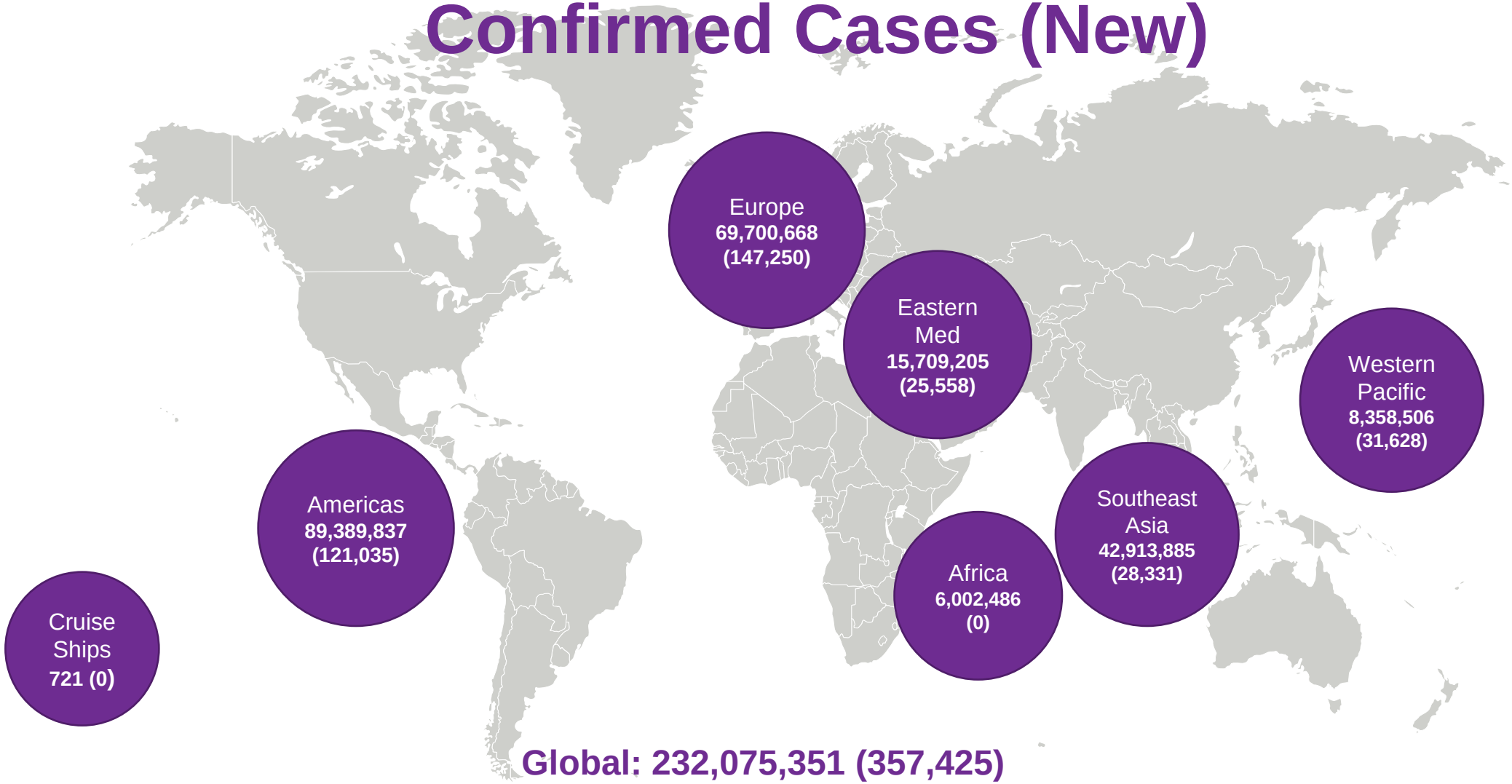
Confirmed Cases (New)



Global: 232,075,351 (357,425)

Reflects data as of 3:36 pm CEST on September 28, 2021.
Data Source: World Health Organization

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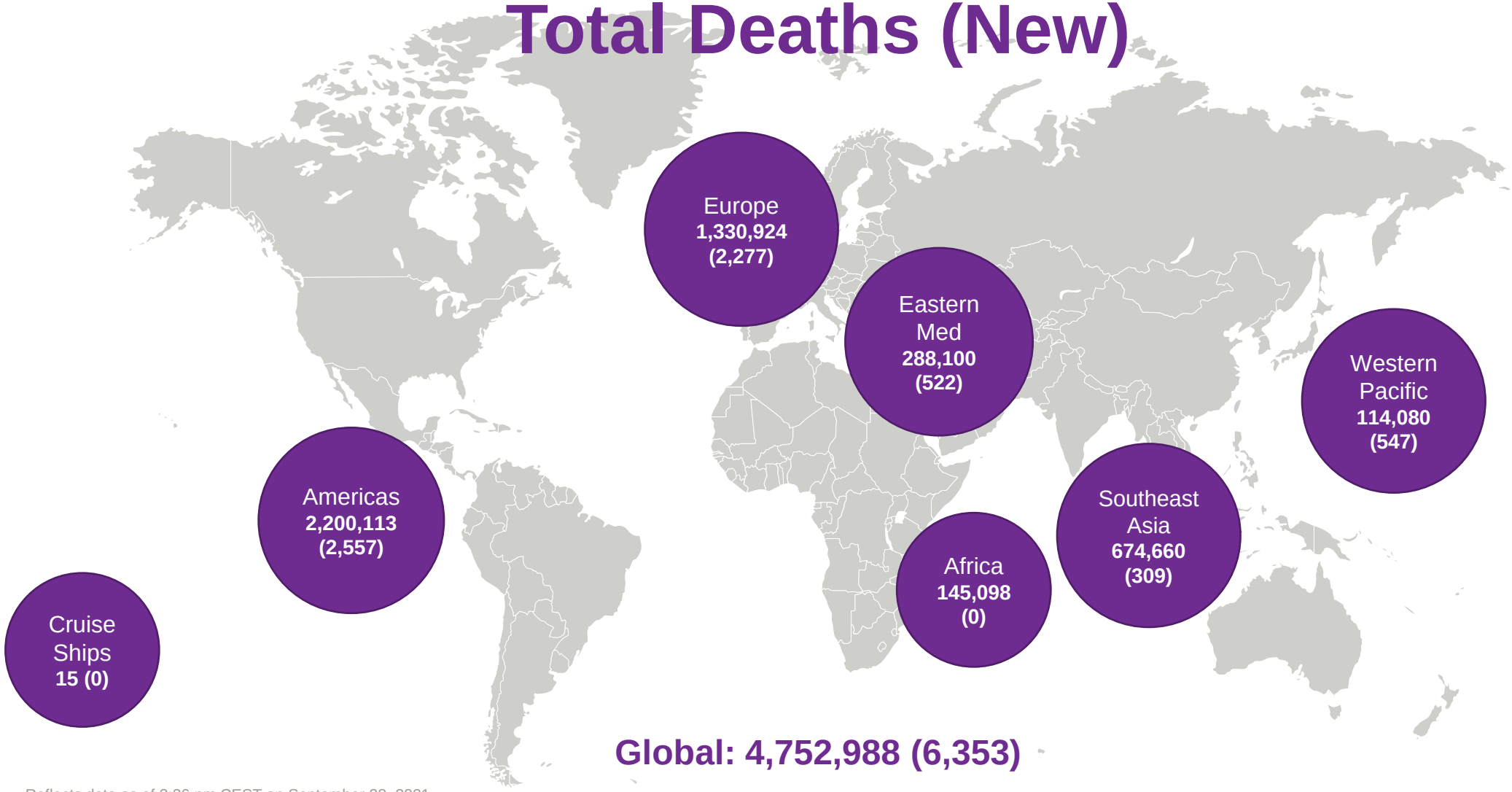
Total Deaths (New)



Global: 4,752,988 (6,353)

Reflects data as of 3:36 pm CEST on September 28, 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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