

# Dentons Flashpoint

## Daily Global Situation Report

June 15, 2021

# Global Situation Update: June 15, 2021

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## KEY TAKEAWAYS

The British financial crimes agency reported a 100 percent increase in scam investments during 2020.

A Scottish study finds that the Delta variant is more than twice as likely to cause hospitalization.

In a push to revive the transatlantic relationship, the US and EU are poised to end 17-year trade dispute over aircraft subsidies.

*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

Nicaragua is experiencing an acute escalation of political repression as the regime of President Daniel Ortega continues to arrest opposition politicians ahead of a November election. At least 12 opposition politicians have been arrested thus far in June, with more expected ahead.

Ortega's governing party, the Sandinista National Liberation Front, controls Nicaragua's courts and legislature and they are being used to charge his political opponents with a range of crimes, while also writing laws that label opposition political activity to be 'terrorism.' Many of those being arrested are former allies of the president during the revolutionary years.



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# Global

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**Globally, confirmed cases of coronavirus topped 175.8 million with 3.8 million deaths; 2.2 billion vaccine doses have been administered.**

- **China** denounced a joint **NATO** communique that said China posed “*systemic challenges*” to the rules-based international order, calling on the group to stop “slandering” Beijing.
- A new Scottish study found that people infected with the **Delta variant**, originally discovered in India, are more than twice as likely to be hospitalized compared with the English Alpha variant.
- Britain and Australia announced a **free trade deal** today that will eliminate tariffs and red tape.

# COVID-19 Vaccine

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**Evidence is still too scant to determine whether those who have been fully vaccinated against coronavirus will require a booster shot later this year, per the director of the Oxford Vaccine Group.**

- Governments should work with a mix of different coronavirus vaccines to stand the best chance of ending the pandemic, per the head of the **European** Medicines Agency, warning that depending too heavily on a single shot or type of vaccine could be self-defeating.
- Public Health England reported that the **Pfizer and AstraZeneca vaccines** are 90 percent effective in prevent hospital admissions from the Delta variant, originally discovered in India.
- **AstraZeneca** reported that a study of its monoclonal **antibody treatment**, AZD7442, did not meet the main goal of preventing symptomatic COVID-19 in people recently exposed to the novel coronavirus.
- **Iran** granted emergency approval to the domestically produced **Barekat vaccine**.
- **Johnson & Johnson** (J&J) will export more ready-to-administer COVID-19 vaccines to **South Africa** beyond the 300,000 doses already pledged, to compensate for the loss of 2 million ready doses that Aspen, J&J's local contract manufacturer, will have to destroy due to contamination.
- **Japan** will send a million doses of COVID-19 vaccine to **Vietnam** and is considering sending additional doses in July to **Indonesia, Malaysia, the Philippines and Thailand**.

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# Markets & Business

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## GM and Hyundai said that they are serious about flying car efforts, and that they could reach commercialization by 2030.

- The CEO of **Morgan Stanley** strengthened his call for workers to return to the office, saying he would be “*very disappointed*” if workers had not returned by Labor Day.
- UK businesses have received more than £750 million in **insurance payouts** related to pandemic-related business disruptions since January.
- Portugal’s **Galp**, a partner of **Exxon**, said it would not invest in Mozambican LNG projects until the authorities can ensure stability.
- A French court on Tuesday ordered **IKEA** to pay a 1-million-euro (\$1.21 million) fine for spying on its French staff.
- **Emirates** posted an annual loss of \$5.5 billion in its last financial year as the pandemic forced the airline to slash its workforce and turn to its Dubai government shareholder for support.
- **Bitcoin** rose above \$40,000 after Elon Musk said that **Tesla** could resume using it if its climate footprint is reduced.
- **Legal & General Investment Management**, Britain’s biggest asset manager, announced it will drop four companies from a number of its funds over their “*insufficient*” response to the challenge of climate change, including U.S. insurer **AIG**.

# How do You Manage Incident Response?

*2021 has already seen business disrupted by extreme weather, ransomware attack, the ongoing pandemic and more. The common refrain “It’s not if, but when” rings truer than ever for disruptive incidents that will impact business as usual.*

*Working with Dentons, you can effectively develop an organizational incident-behavior adopted by all your team members. Dentons will help you build muscle memory through tabletop exercises, which are crafted to fit the business strategy of every client.*

*Our team plays events and incidents of different severities and complexities and accounts for real-world factors such as inconclusive evidence, mistakes by responders, and the business impact of eradication steps. Our tech-savvy lawyers continuously revise the playbooks per the evolving sector-specific threat landscape.*

*Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:*

- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

*All interaction with Dentons is attorney-client privileged*

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

# Africa

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- Top development banks from the world's richest countries made a landmark joint pledge on Monday to pump \$80 billion into **African** companies and projects over the next five years.
- **Sudan** said that it is open to a “partial interim agreement” on Ethiopia’s GERD after insisting on a comprehensive deal for years; trilateral talks with **Egypt** have stalled.
- **Kenya** announced that it will reopen its embassy in **Somalia** “*as soon as possible,*” after breaking off diplomatic relations in December.
- A **Ugandan** military court released on bail 18 supporters of singer-turned-opposition leader Bobi Wine detained since the start of the year on charges lawyers and government critics say are politically motivated.
- Results from **Algerian** elections are expected later this week; less than a third of residents participated amid longstanding anti-government protests and calls for boycotts.

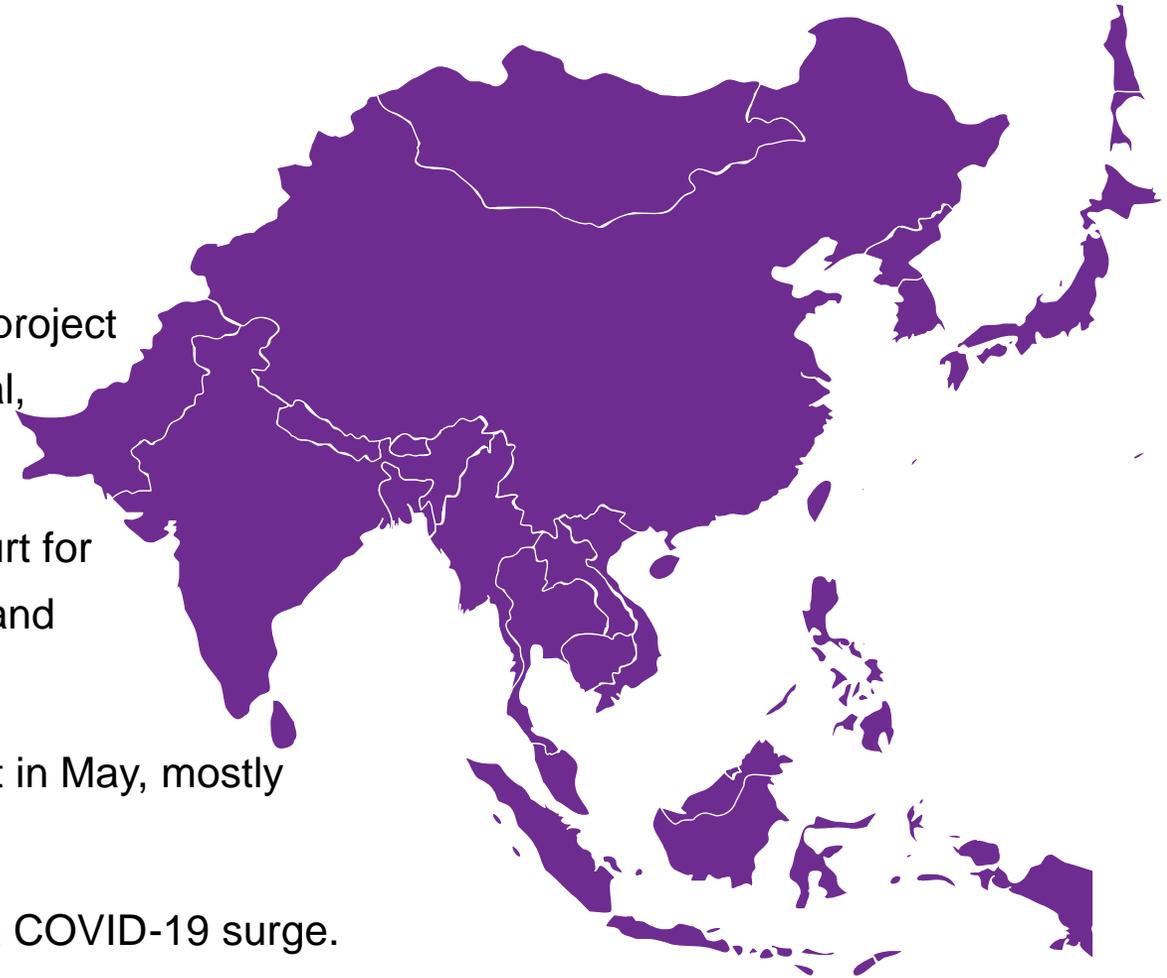


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# Asia

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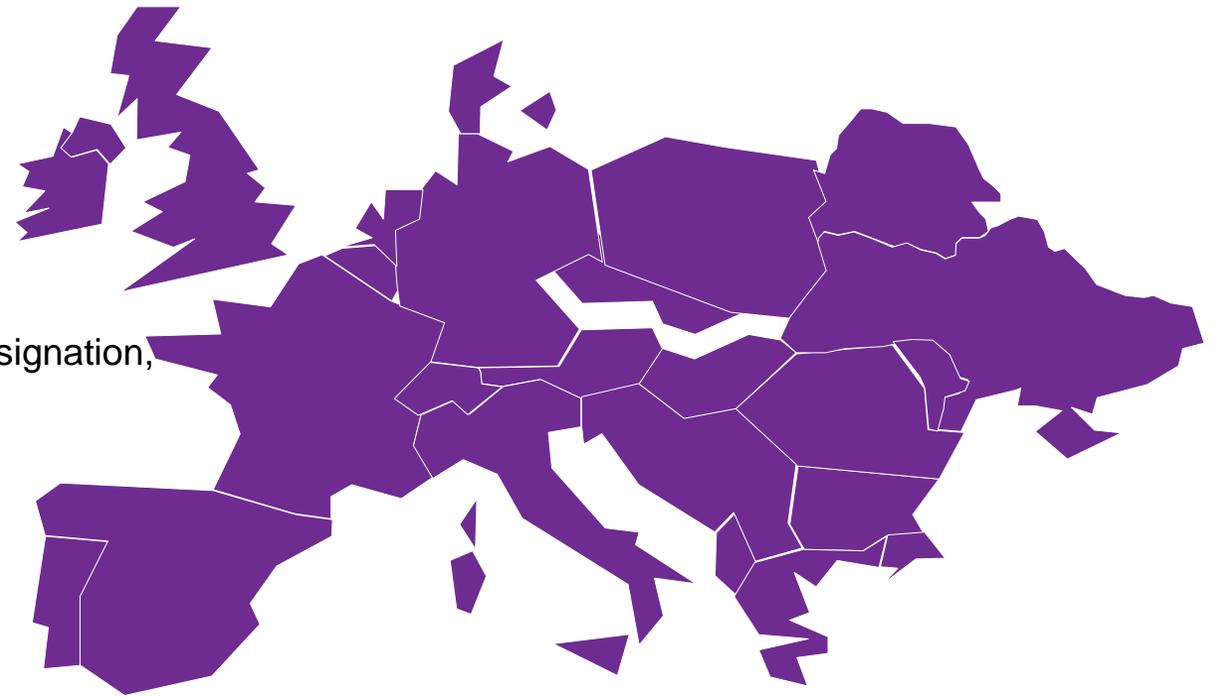
- **China** said that radiation levels around the Taishan nuclear project in the southeastern province of Guangdong remained normal, following media reports of a leak at one of its reactors.
- Ousted **Myanmar** leader Aung San Suu Kyi appeared in court for the first time on charges of breaking COVID-19 regulations and incitement, reportedly appearing unwell but alert.
- **India's** wholesale inflation rate rose to a record 12.9 percent in May, mostly driven by fuel prices.
- **Thai** hospitals canceled vaccine appointments to deal with a COVID-19 surge.
- **Philippine** President Duterte extended coronavirus restrictions to the end of June amid rising cases.



# Europe

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- **Northern Ireland's** First Minister Foster officially tendered her resignation, giving the parliament a week to form a new government.
- Mark Steward, director of enforcement at the **UK** Financial Conduct Authority, reported that the FCA issued more than 1,200 warnings about scam investments in 2020, a 100 percent increase on the previous year.
- The **Belarusian** journalist arrested onboard a grounded Lithuanian flight last month was brought to a Belarusian Foreign Ministry; opposition activists said he was being used as a “trophy.”
- The **US and EU** will seek to end a 17-year running trade dispute over state subsidies to aircraft manufacturers Boeing and Airbus at today's summit, in a push to revive the transatlantic relationship.
- **British** Prime Minister Johnson confirmed the extension of lockdown restrictions to July 19, saying it would build a “*wall of immunity.*” **German** health minister Spahn said that states could begin setting their own mask policies and recommended dropping mask requirements outdoors. **Greek** health authorities have recommended that the Oxford/AstraZeneca vaccine be restricted to people over 60. **Russia** has its own emerging strains of COVID-19, according to the head of the laboratory that created the Sputnik V vaccine.

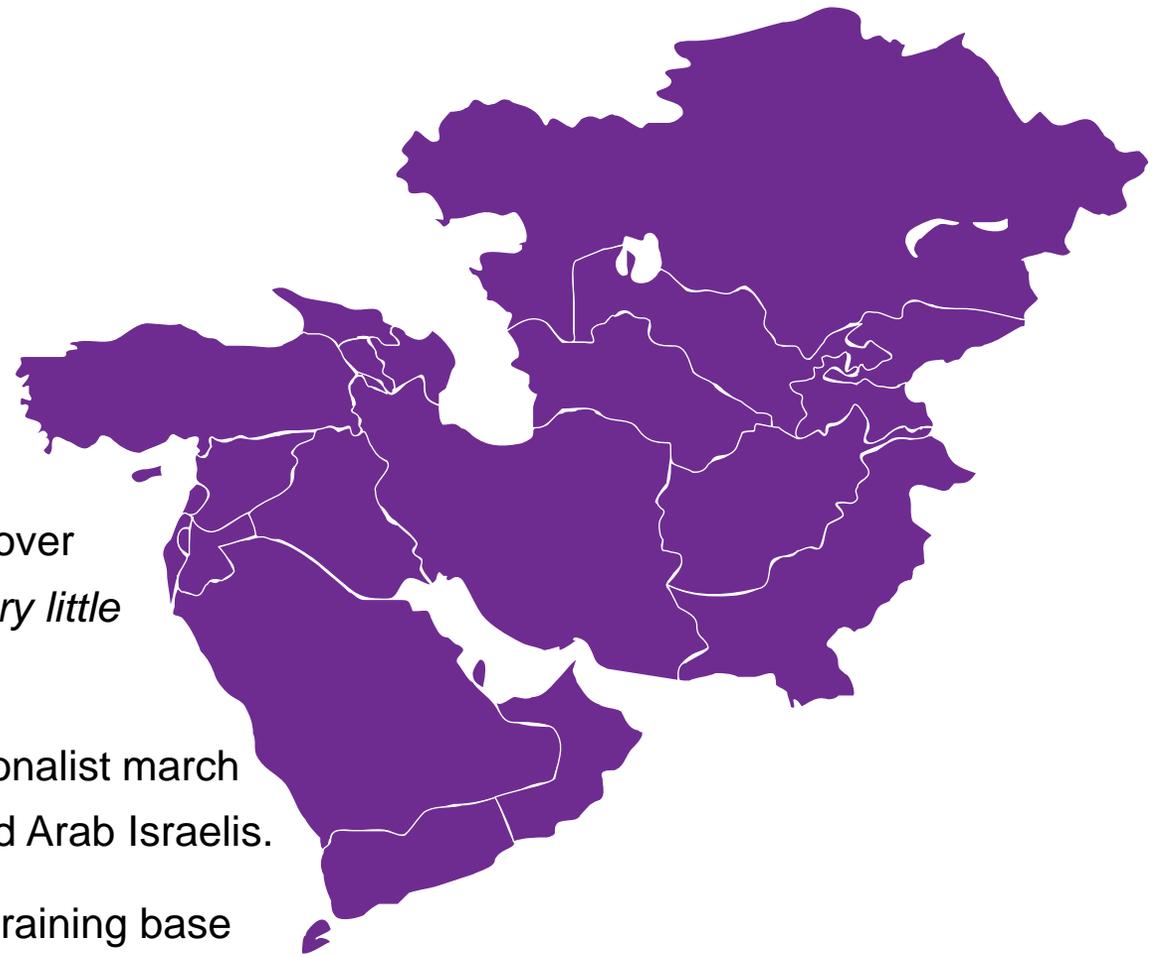


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# Middle East

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- Starting in August, **Saudi** malls will only be open to the vaccinated.
- **Iran** said that it had reached a broad agreement with the **US** over the lifting of sanctions on several sectors but said there is “*very little time*” to reach a deal to renew the nuclear deal.
- The new **Israeli** government approved a delayed Jewish nationalist march in Jerusalem, risking inflaming tensions with **Palestinians** and Arab Israelis.
- NATO officials reportedly approached **Qatar** about hosting a training base for **Afghan** forces following its withdrawal.



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# Americas

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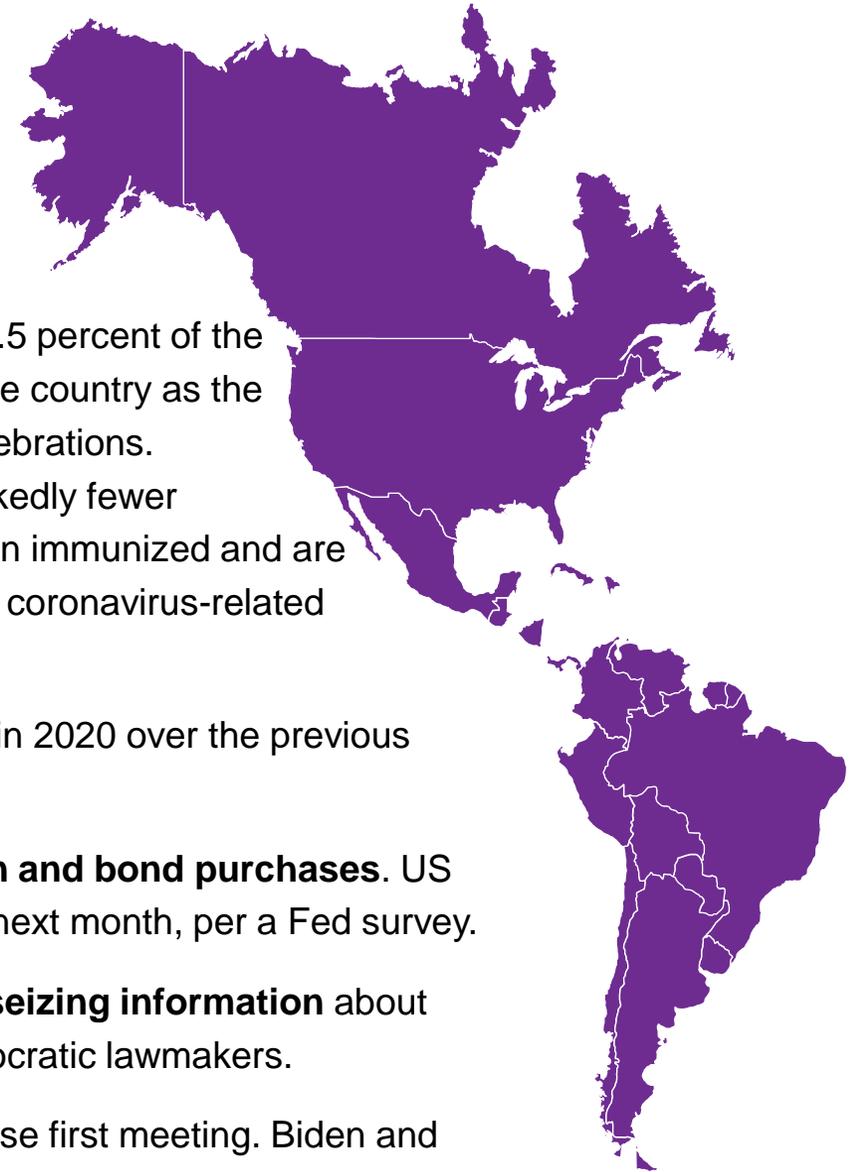
- The **Canadian** man accused of intentionally running over a Muslim family in a high-profile incident is being charged with terrorism charges in addition to first degree murder.
- **Chilean** health authorities will extend the health emergency to September to allow for COVID-19 restrictions to be extended.
- **Brazil** authorized a special security unit to protect the Yanomami indigenous people and their reservation from attacks by gold miners.
- Conservative **Peruvian** presidential candidate Fujimori led a protest against her socialist rival Castillo, who has held a narrow lead for several days, claiming election fraud.



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# Americas: US

- Across the nation, 174.2 million have received at least **one dose of the vaccine**, or 52.5 percent of the total population. Vice President Harris kicked off a **vaccination drive** in the south of the country as the White House hoped to vaccinate millions more Americans before the July 4 holiday celebrations. *Washington Post* analysis finds that states with higher vaccination rates now have markedly fewer coronavirus cases, as infections are dropping in places where most residents have been immunized and are rising in many places people have not. The US passed the **grim milestone of 600,000** coronavirus-related deaths.
- As cities reopen, mayors are facing **crime surges**; homicide rates were up 30 percent in 2020 over the previous year.
- At a meeting today, the Federal Reserve is expected to discuss the outlook on **inflation and bond purchases**. US consumers expect near-term inflation, house prices, and employment to pick up in the next month, per a Fed survey.
- Attorney General Garland said that the Department of Justice will tighten **rules about seizing information** about members of Congress, following a political uproar over Trump-era surveillance of Democratic lawmakers.
- President Biden will meet **Russian** President Putin tomorrow in what will likely be a tense first meeting. Biden and **Turkish** President Erdogan seemed upbeat about bilateral relations following their first meeting but announced no substantive change



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# China Bulletin: Local and Geopolitical Implications of the Digital Yuan

By Briana Boland

***China's development of a digital yuan has drawn global attention, poising Beijing to become a world leader in setting international standards for national digital currencies and sparking speculation about implications for US dollar dominance.***

The Chinese government is currently in the midst of multiple pilot programs to test the use of digital RMB, also known as e-CNY and sometimes Digital Currency Electronic Payment (DCEP), having accelerated the project's development in mid-2019. While the complete rollout of the e-CNY is still months or years away, the domestic and geopolitical ramifications of a fully functional digital yuan is already a hot topic of analysis, raising both excitement for a more efficient form of currency and concerns about implications for payment surveillance and impact on existing international transaction systems.

Recently, China's regulatory crackdown on cryptocurrency caused a crash in Bitcoin's value and an accompanying flurry of media

attention. While some commentators have proposed that this crackdown is an attempt to hold back competitors to the e-CNY, the digital yuan is not a cryptocurrency and is unrelated to cryptocurrency mining and trading. The e-CNY will be a centralized, sovereign-backed currency, conceptually the same thing as a physical RMB and controlled by the People's Bank of China (PBOC). It would not use blockchain technology nor have a finite supply, the characteristic features of currencies like bitcoin. Moreover, it is unlikely that progress towards the e-CNY rollout will significantly impact China's regulatory approach to cryptocurrency, which centers on concerns about cryptocurrency market volatility impacting financial stability, potential for facilitating fraud, and in some provinces, energy consumption.

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The digital yuan is designed to eventually replace cash, a goal which Chinese officials say will reduce systemic financial risks. The e-CNY is meant to reduce costs associated with the printing, issuance, and circulation of banknotes, improve the efficiency and transparency of economic activities, reduce illegal activities such as money laundering and tax evasion, increase the PBOC's control of currency supply and circulation, and streamline the implementation of economic policies (such as access to money transfers in poverty alleviation programs). Its development, first begun in 2014, also appears to be a challenge to existing domestic online payment tools, such as Alipay and WeChat, which have recently been in the crosshairs of China's regulatory enforcement, following numerous signals that the government is uneasy with the power of these big platforms.

The e-CNY is currently in use in a number of Chinese cities, including Beijing and Shanghai, through pilot programs that issue a small amount of currency to residents through a lottery program, which can then be spent at a number of participating retailers, all facilitated by a cell phone app. The programs have continued to

expand in scale and scope this year, and some officials have floated the timeline of having the e-CNY ready by the 2022 Winter Olympics – though the PBOC has yet to state when the digital yuan will be officially implemented. COVID-19 also gave the e-CNY something of a boost, given increased concerns about sanitation of cash, but the digital yuan is still likely to go through significant testing before rollout as the government seeks to safeguard against cybersecurity threats and close loopholes before the official launch.

International analysts and journalists have raised concerns that the e-CNY could further enhance the Chinese government's surveillance abilities, as the same systems used to monitor financial fraud could also be used to target activists, dissidents, and persecuted groups like the Uighurs, as e-CNY use is linked to a person's Chinese personal identification number. However, others point out that compared with existing high levels of surveillance, the e-CNY would likely offer little change, given that regulators can already see how people spend money on mobile payment platforms like Alipay and WeChat. Only cash remains difficult to monitor, but the full replacement of cash is likely to take quite a long time, particularly as older citizens remain accustomed to its use.

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Most international interest has focused on the e-CNY's geopolitical implications. Many commentators have wondered if this new currency could challenge the supremacy of the dollar, becoming a new arena for US-China competition. But while the digital yuan maybe groundbreaking and reduce the costs of making payments, it will retain features of the existing yuan that may prevent its widespread adoption. The RMB is currently not a freely convertible currency, and the creation of a digital option will not affect its convertibility. Moreover, it remains unknown how widely individuals and businesses will be willing to use the e-CNY outside of China, as it requires a lot of trust in the central bank that controls the currency and could theoretically freeze or zero out accounts. Rather than the technology change of a digital currency, it is policy changes that will make the difference in the yuan's international status, depending on whether the Chinese government continues to recalibrate policy in order to make the yuan a more appealing reserve currency. China is also engaged in efforts to globalize its digital currency; in March, for example, the PBOC joined a cross-border digital currency pilot project with the central banks of Thailand, Hong Kong, and the United Arab Emirates to explore methods for cross-border digital

payments. However, international appetite for the e-CNY remains an uncertain factor.

Even if not widely adopted, the e-CNY could prove geopolitically significant if it grows into a means of bypassing the established global bank-based financial systems, and with them, sanctions from powers like the US. The use of e-CNY direct payments could undermine the predominance of the SWIFT intermediary system, with major implications for China's interactions with top targets of US financial sanctions, including Iran. Internationally, these threats are not going entirely unnoticed. In 2019, a group of high-ranking former US government officials conducted a wargaming exercise around the digital yuan, which included a scenario in which North Korea uses e-CNY to purchase missile materials. Notably, now-SEC Chairman Gary Gensler was a participant to this exercise.

Perhaps the biggest global impact of the e-CNY will be its influence on the development of central bank digital currencies (sometimes abbreviated CBDCs) in other countries. China is not alone in its pursuit of digital currency – at least 60 countries are exploring the use of an official digital currency, with the Bahamas becoming the

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first nation to officially launch one in October 2020. But China is considered the clear world leader with its digital yuan, as the major economy that has progressed furthest on digital currency development. While US policymakers have expressed some interest in a digital dollar, it could not be called a policy priority. As the first major digital currency, the e-CNY could set standards and expectations for how digital currencies function and are controlled – though other nations may pursue different characteristics. Some democracies have discussed methods to safeguard user privacy, while economists have speculated that digital currencies could be tailored to incentivize economic behavior, such as through making limited editions of digital currencies that expire after a set timeline in order to incentivize spending.

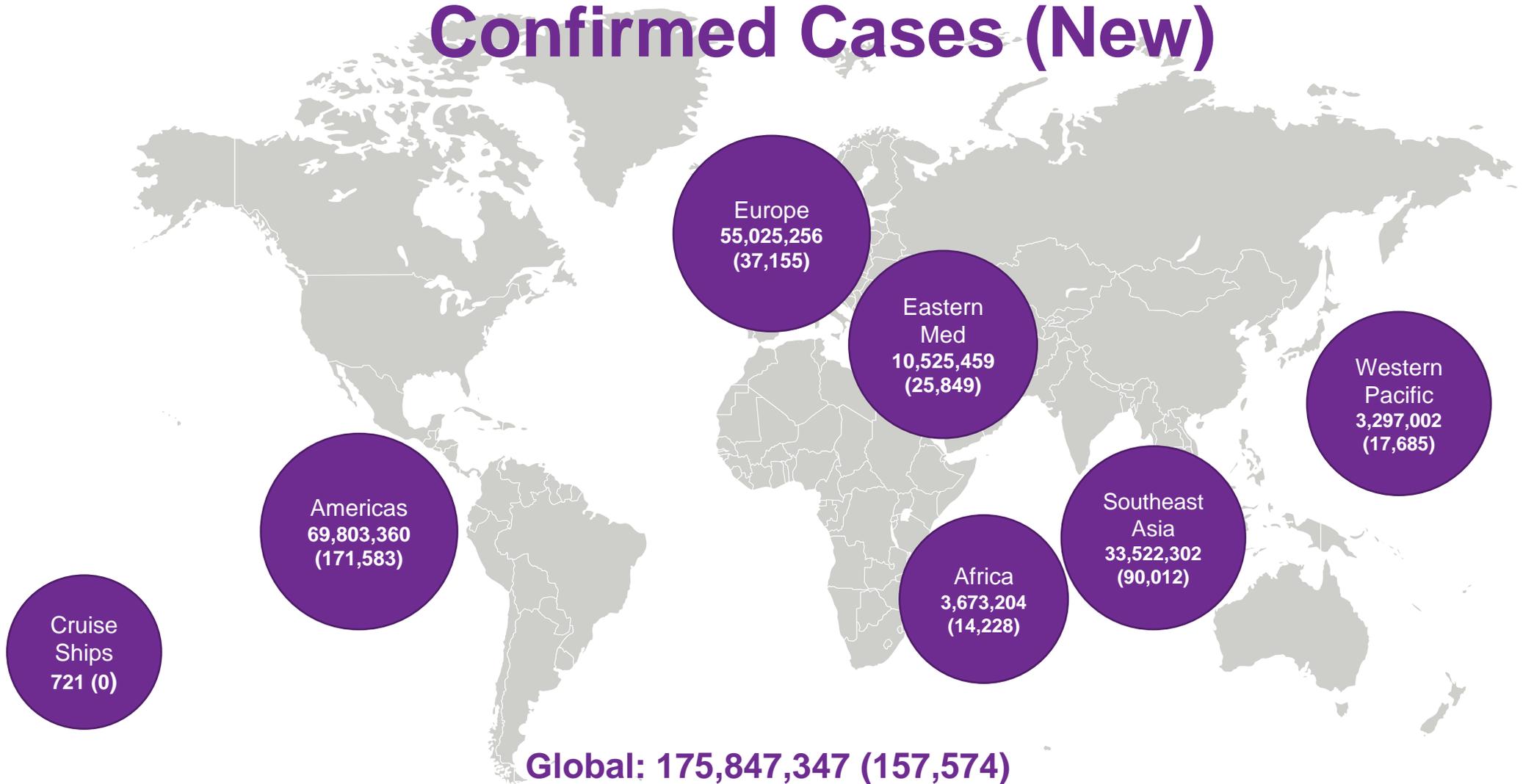
Within the context of geopolitical tensions with China, much coverage of the digital yuan has focused on its implications for the US dollar and China's increased power. But the e-CNY can also be seen as a key part of a larger story about national digital currencies – which may prove greatly useful for both regular consumers and international policymakers. On the everyday level, digital currencies

like the e-CNY could lower transaction costs at both the interbank and consumer level. Unlike third-party online payment tools, banks will not be allowed to charge users for settling e-CNY transactions, a change that may pressure third-party platforms to provide more favorable terms for users. On a broader scale, digital currencies could help fight money laundering, reduce financial crime, and increase transparency overall in the global financial system.

# Coronavirus Condition Updates

As of 4:00pm CEST on June 14, 2021

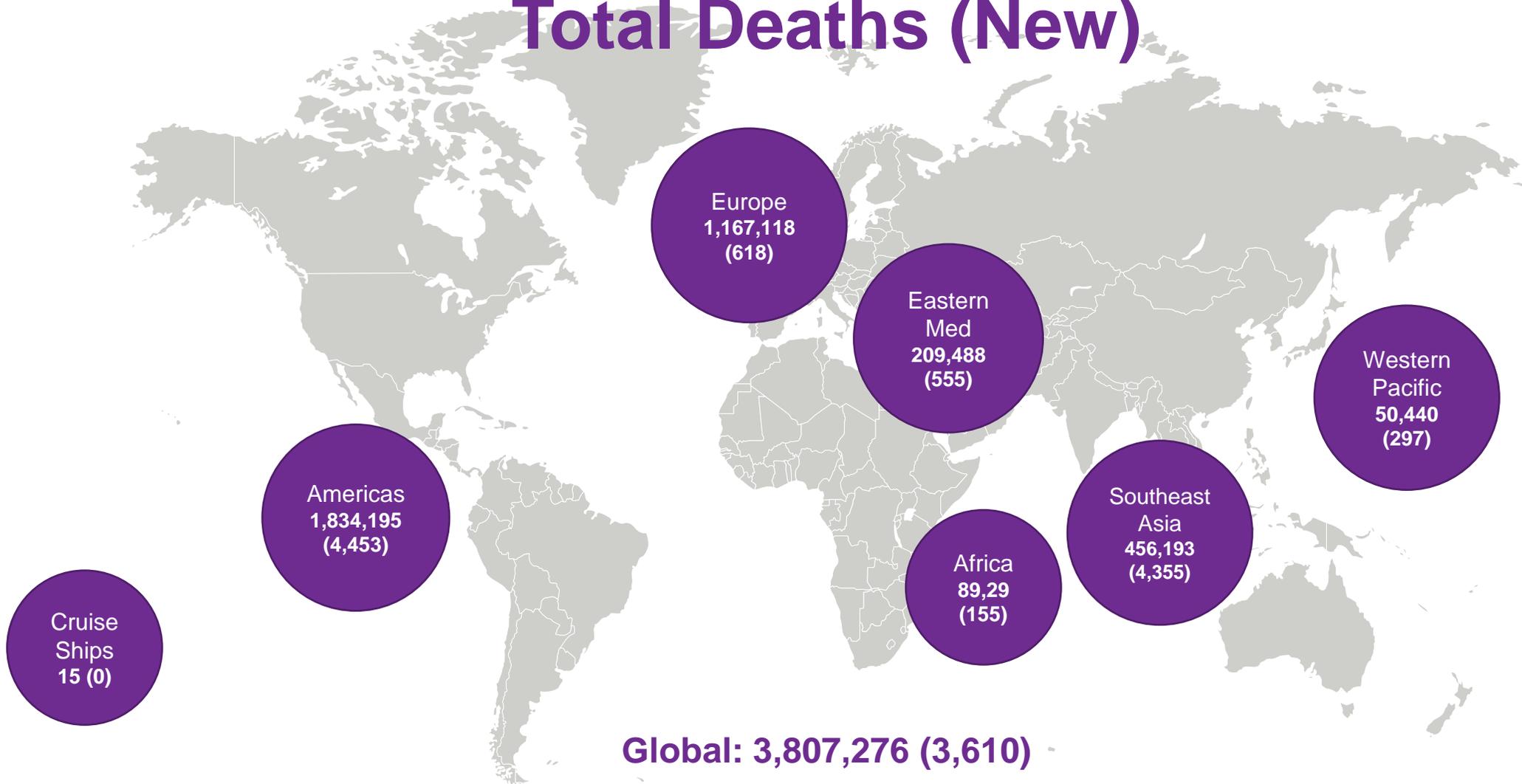
# Confirmed Cases (New)



Reflects data as of 2100 hours the evening before the date of the situation report.  
Data Source: World Health Organization

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# Total Deaths (New)



Reflects data as of 2100 hours the evening before the date of the situation report.  
Data Source: World Health Organization

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# Contacts

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*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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