

Dentons Flashpoint

Daily Global Situation Report

July 26, 2022

Global Situation Update: July 26, 2022

KEY TAKEAWAYS

Global criticism widens against Myanmar's junta for execution of pro-democracy activities.

The US Federal Reserve is expected to raise interest rates today.

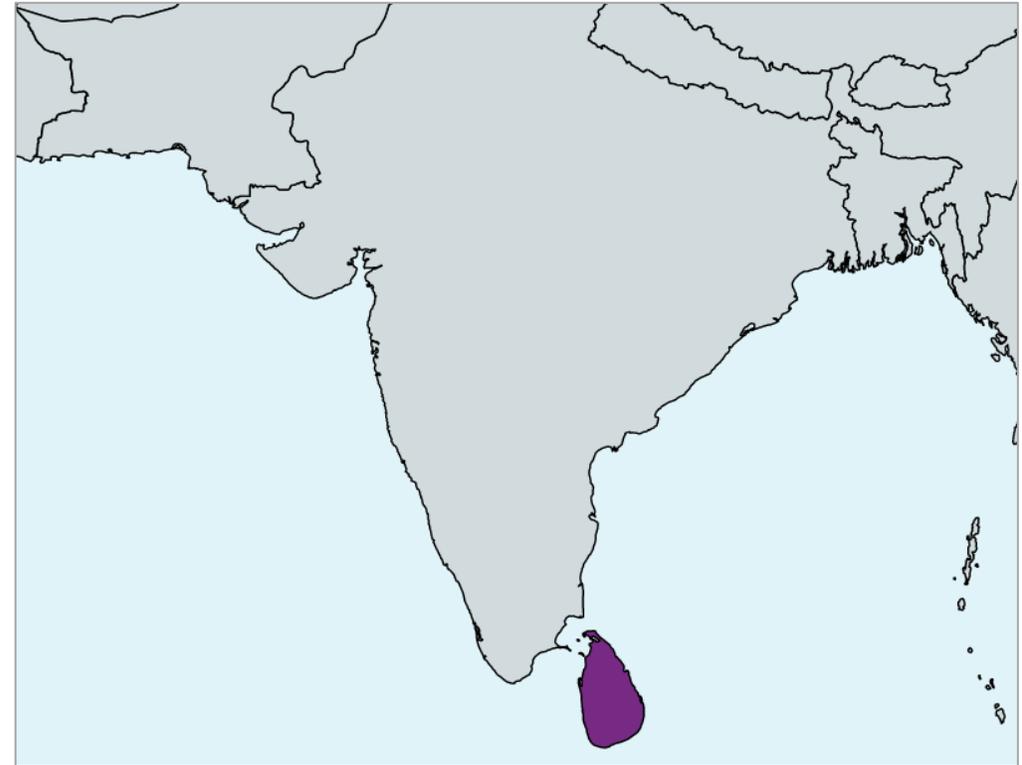
Ukraine prepares first grain exports through Black Sea amid concerns Russia will not honor the UN-brokered agreement.

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WHAT WE'RE WATCHING

The appointment of a new prime minister in Sri Lanka and subsequent crackdowns on protestors will not solve the island's worst ever economic crisis. An estimated USD 6 billion is needed over the next six months to pay for food and fuel shipments and to stabilize its currency, but the government has failed to make recent payments for oil purchases and food inflation has put six million people in danger of starvation.

The crisis serves as a warning to other nations about the dangers of economic mismanagement amid recovery from the pandemic and war in Ukraine. Public anger is unlikely to dissipate as there are no immediate solutions to mitigate the economic crisis. Protests, including sporadic incidents of violence, are likely to continue in the coming weeks, posing operational risks to businesses.



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

Global

On an Africa tour, Russian Foreign Minister Lavrov said Moscow's overarching goal in Ukraine is to remove from power its "unacceptable regime," expressing the Kremlin's war aims in some of the bluntest terms yet.

- **Oil prices** rose today for a second day on increasing concerns about tightening European supply after Russia, a key oil and natural gas supplier to the region, cut gas supply through a major pipeline.
- The recent rise in cases of **acute hepatitis among children** is likely linked to a common childhood virus, adenovirus – a type of virus that causes the common cold. At least 1,010 cases have now been found in 35 countries, according to the WHO. In total, 46 children have required a liver transplant and 22 have died.

Markets & Business

Walmart, which makes up nearly 10 percent of all US retail sales, excluding cars and car parts, and is also the biggest private US employer, reported it will miss its profit targets because customers are rethinking how to spend, an indicator of a broader downturn in the US retail market.

- The US Energy Department on Monday announced it intends to loan a joint venture of **General Motors Co** and **LG Energy Solution** \$2.5 billion to help finance construction of new lithium-ion battery cell manufacturing facilities.
- **Alibaba Group Holding Ltd.** will pursue a primary listing of its stock in Hong Kong. More than 250 Chinese companies including Alibaba face mass delistings from the US if the two countries cannot reach a deal for U.S. regulators to inspect the audit papers of Chinese firms.
- **Unilever** increased prices for its products 11 percent in 2Q from a year earlier, as it battles to pass on more cost increases to consumers.
- **Amazon** is increasing prices for its Prime membership across its major European markets, several months after raising fees for US customers, to offset the ecommerce company's operating costs.

Environment, Sustainability & Governance

Dozens of non-governmental organizations have sent an open letter to Tesla Inc advocating against investing in Indonesia's nickel industry on environmental concerns.

- A quarter of firms operating at Lloyd's of London have reached the commercial insurance market's target for 35 percent of leaders to be women, though progress on *diversity* was "*incremental*," Lloyd's said in a report.
- **Nationwide rail strikes** will go ahead in the UK in August after there was no breakthrough in talks between the railway union and train operators.
- Three of the largest US poultry processors have agreed to **settle claims of collusion** by the Justice Department over their alleged longstanding effort to share information about workers in order to **drive down compensation**.

Africa

- **South African** President Ramaphosa privately responded to questions from the anti-corruption watchdog over alleged criminal wrongdoing related to a break-in at his game farm, responding a subpoena after failing the answer the questions at the first request. Ramaphosa ordered five new corruption investigations at government agencies.
- **Somalia's** parliament agreed on Monday to give Prime Minister Hamza Abdi Barre more time to form a government, a month after his appointment in the Horn of Africa nation.
- **Liberia** will now allow dual citizenship, reversing a longtime ban viewed by some as hypocritical as many elites secretly held US citizenship.
- Human Rights Watch reported that the M23 rebel group has summarily executed at least 29 civilians since mid-June in northeastern **Democratic Republic of Congo**. Hundreds of protesters attacked a UN peacekeeping force's warehouse and looted offices in Goma in the eastern DRC, demanding that the mission leave for failing to protect the population.



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Asia

- In **Australia**, COVID-19 hospital admissions have reached a new high for a second straight day, while the daily death toll rose to its second-highest as an outbreak fueled by a coronavirus sub-variant BA.4/5 sweeps the country.
- **Indonesia** and the **US** are set to hold their largest military exercises in August, dispelling worries about a rift in their relationship over **China's** growing investments in the South-east Asian country.
- **China's** population has slowed significantly and is expected to start to shrink ahead of 2025. China is battling to reverse a rapid shrinkage in natural population growth as many young people opt not to have children due to factors including the high cost and work pressure.
- The **US** said there can be no "*business as usual*" with **Myanmar's** ruling military following its execution of four democracy activists, adding that all options were on the table as it considered further measures to punish the junta. The **UN** Secretary General reiterated his call for the immediate release of all arbitrarily detained prisoners, including President Win Myint and State Counsellor Aung San Suu Kyi.



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How do You Manage Incident Response?

2022 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:

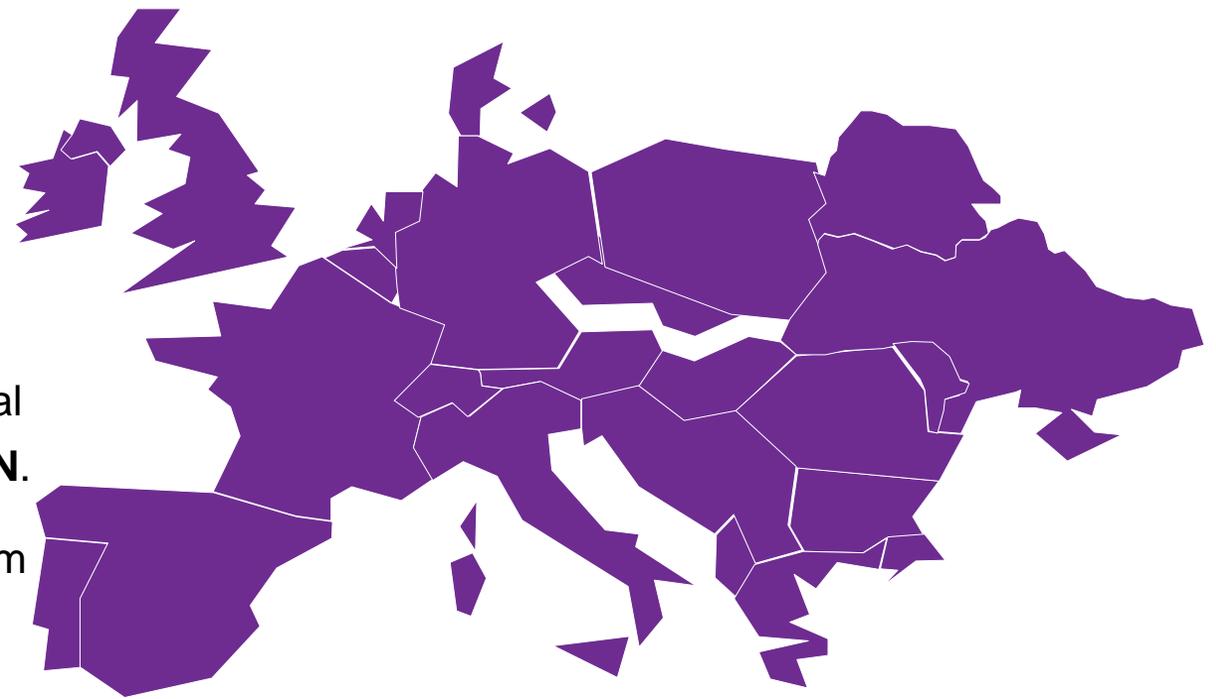
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

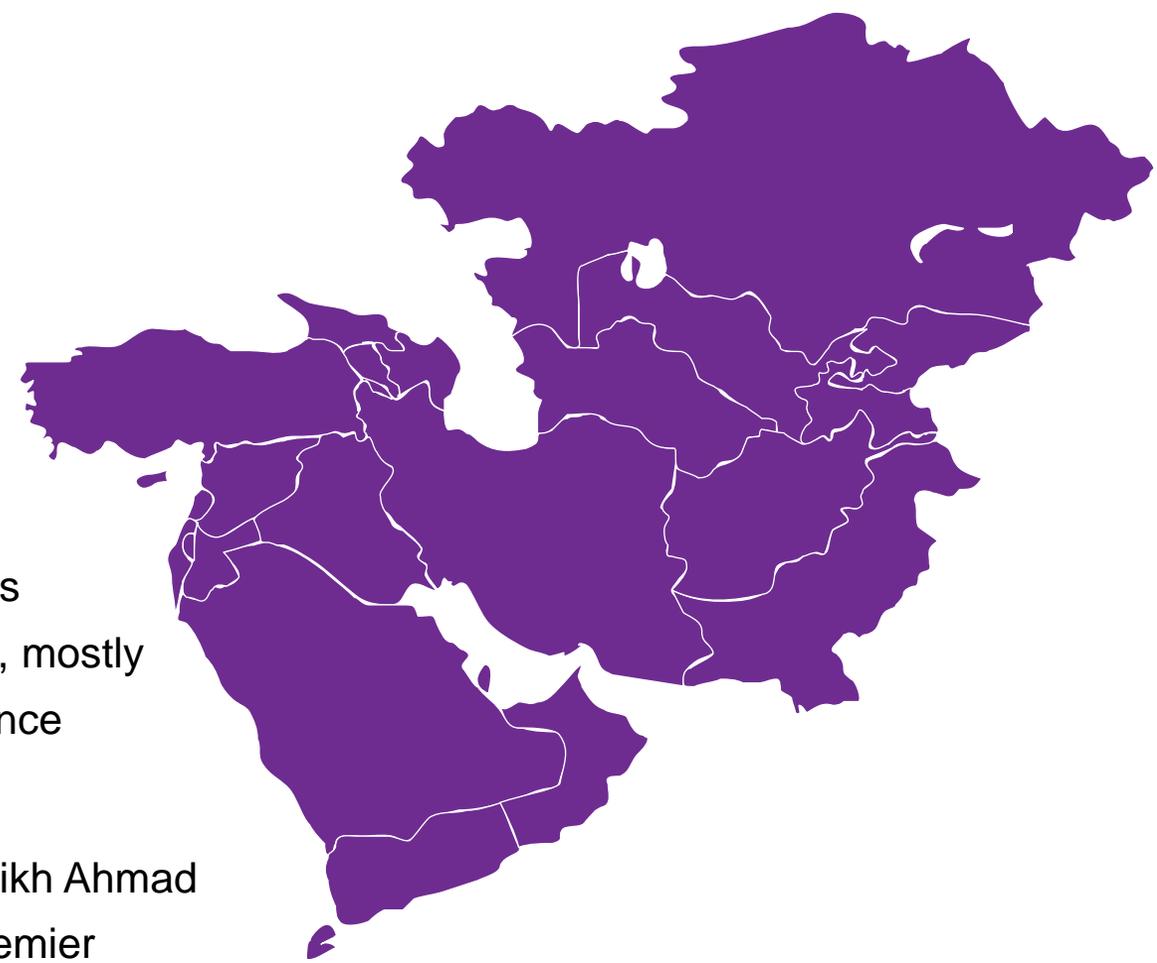
Europe

- The first ships to export **Ukraine** grain from the country's Black Sea ports may move within a few days under a deal agreed on Friday by Ukraine, **Russia**, **Turkey** and the **UN**.
- **Russia** tightened its gas squeeze on **Europe** as Gazprom said supplies through the Nord Stream 1 pipeline to **Germany** would drop to just 20 percent of capacity.
- Today, **EU** countries will meet to approve a weakened emergency proposal to curb their gas demand as they try to wean themselves off **Russian** energy and prepare for a possible total cut-off.
- One fifth of **British** households had "*negative disposable income*" last month, with a shortfall between what they earned and what they needed to spend on essentials, per UK supermarket group Asda.



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Middle East



- **Tajikistan** repatriated almost 150 ISIL-linked women and children from camps in **Iraq** in the country's first such repatriation.
- **Jordan's** King Abdullah told local media that the country faces “*regular*” attacks from **Iran**-linked militias on its **Syrian** border, mostly linked to drug smuggling, a rarely-publicized instance of violence spillover into Jordan.
- **Kuwait's** Emir Sheikh Nawaf al-Ahmad al-Sabah named Sheikh Ahmad Nawaf al-Sabah as the prime minister, replacing caretaker premier Sheikh Sabah al-Khalid, who had resigned four times since his appointment in 2019 amid protracted conflicts with parliament.
- Voters in a referendum in **Tunisia** overwhelmingly backed a new constitution giving President Kais Saied nearly total powers but with only a quarter of eligible voters participating, amid a boycott by opposition parties.

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Americas

- The **Panamanian** government announced it will regulate the price of 72 food items following weeks of angry protests and street blockades demanding the government take measures to stem the quickly rising cost of living.
- **Brazilian** presidential election frontrunner Lula da Silva favors reopening talks on a stalled **EU** trade deal with South American trade bloc Mercosur to add provisions on environmental protection, human rights and technology.
- **Mexico's** economy likely expanded for a third consecutive quarter between April and June, although at a lower rate due to the economic fallout of **Russia's** war in **Ukraine** and COVID-19 lockdowns in **China**.
- **Guatemalan** President Giammattei visited Kyiv to express his solidarity with President Zelenskyy as Russia continues its assault of **Ukraine**. Many Latin American leaders have avoided taking a stance on the **Russian** invasion of Ukraine, reflecting in some cases decades-old ties to Russia and in others a wariness of US foreign policy goals.



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Americas: US

- The Biden administration is weighing whether to declare the **monkeypox** outbreak in the country a public health emergency.
- Heat alerts blanket the Pacific Northwest, including much of Oregon and Washington state, where temperatures are set to spike to 110 degrees in the days ahead. **Excessive heat warnings and heat advisories** from the National Weather Service affected about 65 million people in three regions of the Lower 48 on Monday.
- President Biden met virtually with the chief executives of Lockheed Martin Corp, Medtronic PLC and Cummins Inc along with labor leaders as part of the administration's push for legislation to boost the US **semiconductor industry**.
- Today, the Federal Open Market Committee is set to confirm market expectations for an increase in **interest rates** by raising its benchmark policy rate by 0.75 percentage points for the second consecutive month.



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Food Security: Black Sea Agreement to Facilitate Export of Ukrainian Grain and Fertilizer Exports

On July 22, Russia, Ukraine, Turkey and the United Nations signed an agreement to enable Ukrainian grain and fertilizer exports from Black Sea ports to access the global market.

The agreement, months in the making, is the first significant diplomatic breakthrough in the conflict and addresses the interests of all signatories, providing incentives for implementation. Unfortunately, the agreement is unlikely to lead to a ceasefire between Russia and Ukraine, nor create a pathway to political negotiations to stop the war. It will, however, provide Ukraine with needed revenues, free up filled silos, help ameliorate the global food crisis, and mute criticism from Russia's allies accusing both Russia and the western bloc of using food as weapon. However, the agreement is likely a temporary reprieve, with food insecurity remaining a significant global risk.

Terms of the Agreement

The export facilitation agreement seeks to restore Ukraine's agricultural exports to a near pre-war level of five metric tons a

month. Under the agreement, Russia agreed not to impede exports by respecting safe passage in and out of Odessa and two other Ukrainian ports. Ukrainian pilots will guide the ships along safe channels in its territorial waters, with a minesweeper vessel on hand as needed but no military escorts. The ships will transit the Black Sea to Turkey's Bosphorus strait and off to world markets. Returning Ukrainian ships will be inspected by a joint coordination center (JCC), located in Istanbul and staffed by US officials and military officials from the three countries involved, as guarantee that Ukraine will not use the ships for weapons smuggling. The agreement is valid for 120 days, can be extended and will be monitored by the JCC, which will be charged with "problem solving" – language that is notably short of giving the group enforcement authorities.

In a separate agreement, the UN and Russia signed a memorandum of understanding committing the UN to facilitating the export of Russian fertilizer and other products to global markets. While the export of agricultural products is not subject to Western sanctions, the transaction risks of business deals with Russia has deterred shipping companies and traders wary of getting trapped in politically-driven enforcement action.

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Prospects for Implementation

There is considerable doubt that the agreement will be implemented, and if it is, how long it will last. Russia's missile attack on Odessa less than 24 hours after the agreement was signed gives ample reason to assess that Russia signed the agreement with no intention to adhere to it. However, there are real interests at play which could serve to keep the parties inside the deal.

Ukraine has the most to gain from implementation of the export deal. The war has shocked its economy and, even with the financial assistance from Western supporters, the country – and its farmers – need the revenue. Ukraine has been seeking relief or deferred payment terms on international loans coming due, even while Kyiv must provide a safety net for displaced citizens and disrupted industry. Farmers are beginning to harvest the grain crop and face a shortage of storage facilities, with silos full of grains unable to be exported.

The UN also have strong incentives to see the agreement implemented. The UN World Food Program reports that 47 million people have moved into a stage of "acute hunger" due to fallout from the war. Wheat prices have increased more than 60 percent this

year, and vegetable oils have increased more than 40 percent in the US and more in other locations. Increased cost of food, along with spiking fuel prices, have triggered a wave of global protests as people demand their governments address rising costs of living and workers seek pay increases. While increasing agricultural and fertilizer exports from Ukraine and Russia will not be a silver bullet for global inflation, they will have a positive impact on food security for countries dependent on agricultural imports.

Russia has competing interests. Russia has been using the Black Sea blockade not only to cut Ukraine off at its economic knees, but to keep Western supporters from resupplying Kyiv's arsenal by sea. The resulting food security crisis has created leverage on the West, which the Kremlin has tried to use to compel the US and allies to lift economic sanctions on Russia. The latter, however, has not been successful. Rather than caving to Russian demands, the international community has mobilized programs to increase agricultural outputs and provide humanitarian and economic assistance to hard-hit countries. The narrative that Russia is responsible for the food crisis in the developing world will continue to take hold the longer Russia blocks exports and the more the rest of the world provides programmatic safety nets. Russian Foreign

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Minister Lavrov's visit this week to Egypt (the world's largest importer of wheat), the Democratic Republic of Congo, Uganda and Ethiopia is a good example of the Kremlin seeing a need to shore up its relations in the region. The Kremlin needs to cultivate its friends to keep Russia from economic and political isolation. The UN agreement allows Moscow to position itself as a responsible actor attuned to the global south's needs. The agreement and accompanying MOU also help to unlock Russian agricultural exports by getting Western governments to make commitments to facilitate the exports.

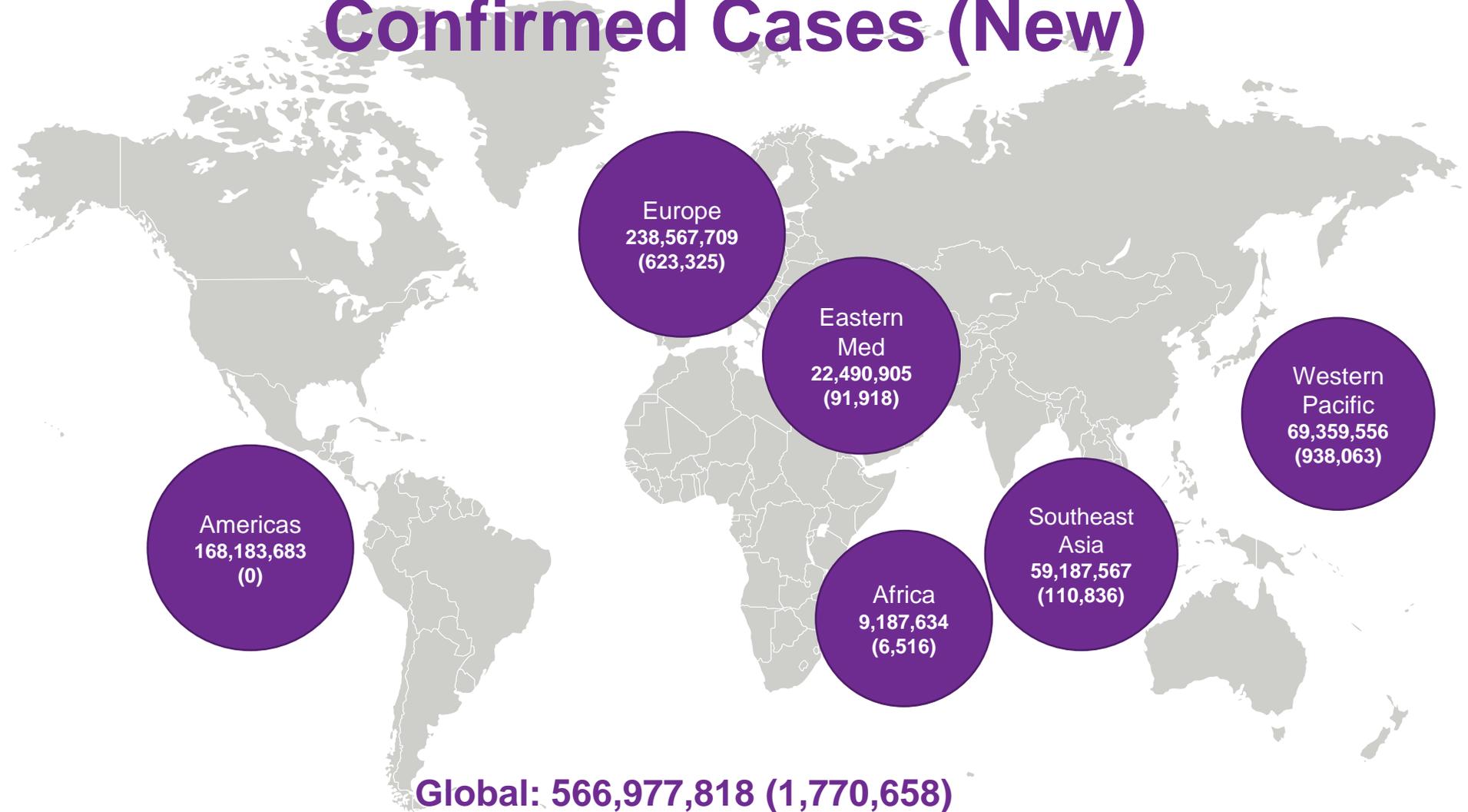
Russian cost/benefit analysis could shift at any time, however. The agreement could become a new tool for coercion, should battleground dynamics incentivize Russia to escalate pressure on Kyiv and its backers. The missile attacks on Saturday demonstrated that Russia still has escalation dominance. In short, the agreement will last as long or short as Russia wants.

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Coronavirus Condition Updates

As of 5:12 pm CEST on July 25, 2022

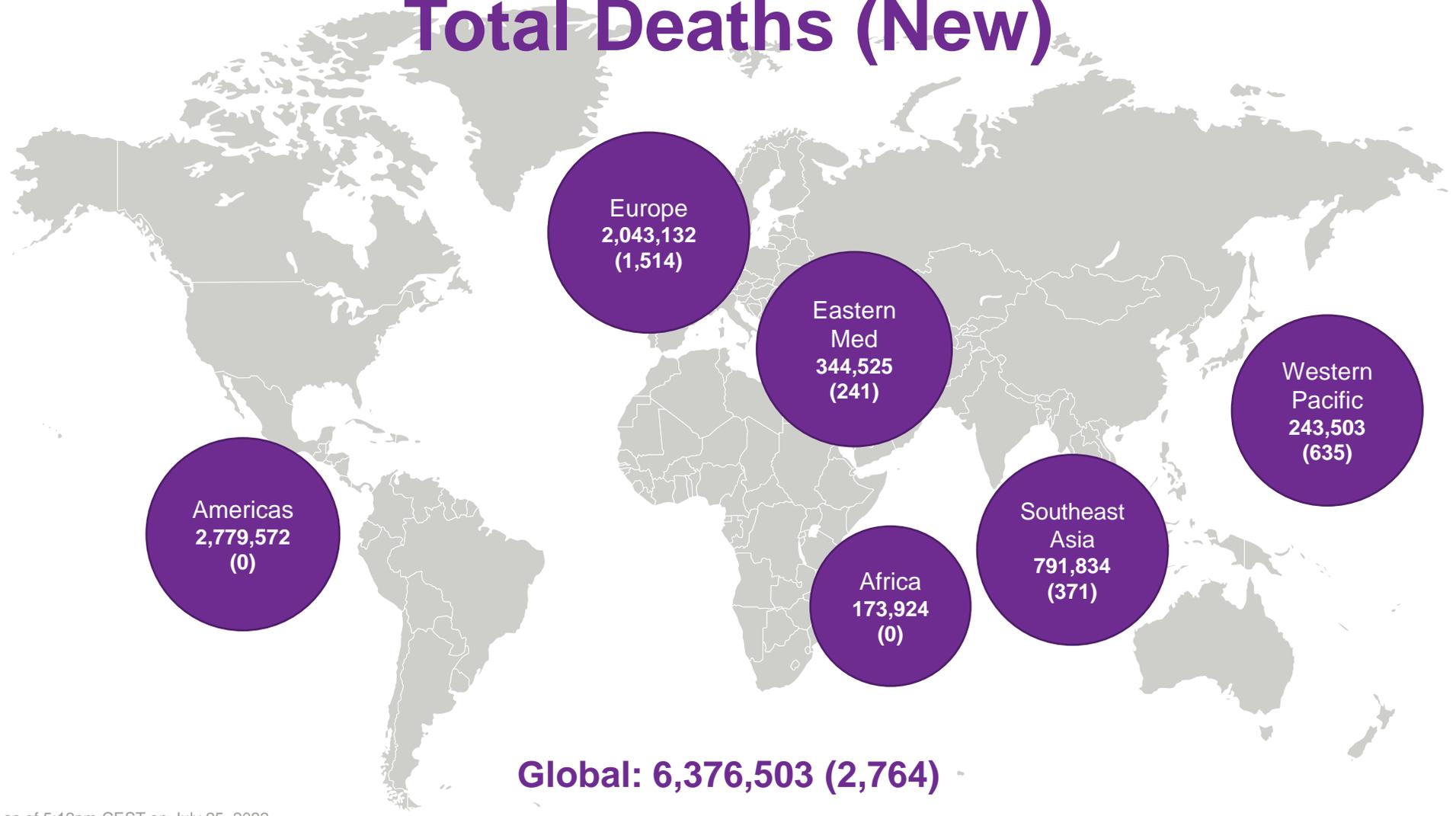
Confirmed Cases (New)



Reflects data as of 5:12pm CEST on July 25, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:12pm CEST on July 25, 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.

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.

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