

Dentons Flashpoint

Daily Global Situation Report

March 14, 2022

Global Situation Update: March 14, 2022

KEY TAKEAWAYS

Russia escalated attacks on Ukraine's military supply lines.

Russia is edging closer to a default on international loans.

Talks to restore the JCPOA faltered, and Iran has escalated attacks in the Middle East.

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

International cooperation this month on plastic pollution and overfishing in the world's oceans will have impacts on ESG commitments for many companies. More than 140 nations, hundreds of multinational companies, including major plastics users such as Coca Cola Company, PepsiCo, and Unilever, now back the first comprehensive global treaty to curb plastic pollution, called Paris Plus.

Meanwhile, there is an ongoing intergovernmental conference on the conservation and sustainable use of marine biological diversity of areas beyond national jurisdiction. Actions taken by the international conference are legally binding under the UN Convention on the Law of the Sea and will set new standards for many companies.



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Global

Talks between Russia and Ukraine are expected to resume today. The media is reporting positive signals that progress is being made towards a ceasefire.

- Over the weekend, **Russia continued air assaults** on Ukrainian cities, destroying civilian infrastructure in what is being characterized by the Ukrainian government as a “*carpet bombing*” campaign against civilians in order to destroy morale.
- Russia may **default on its debts** in the wake of unprecedented sanctions over its invasion of Ukraine, but that would not trigger a global financial crisis, IMF Managing Director assessed.
- Russian prosecutors have issued **warnings to Western companies in Russia**, threatening to arrest corporate leaders there who criticize the government or to seize assets of companies that withdraw from the country.

Markets & Business

European stocks rose on Monday on the back of hopes for the success of talks between Russia and Ukraine.

- **JD Logistics Inc.** plans to buy Chinese logistics firm **Deppon Logistics Co.** as the delivery arm of China e-commerce giant JD.com seeks to boost its network infrastructure in the world's second-largest economy.
- **Rio Tinto** has offered \$2.7 billion to buy out the minority shareholders **Turquoise Hill Resources** in the Canadian vehicle that gives its control of the Oyu Tolgoi copper project in the Gobi Desert, its most important project.
- Chinese technology giant **Tencent Holdings Ltd.** is facing a potential record fine for violations of some central bank regulations by its WeChat Pay mobile network, as Beijing toughens its regulations for fintech platform.

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Environment, Sustainability & Governance

Through the Global Standard on Responsible Climate Lobbying group, investors stepped up pressure on corporate climate lobbying, launching a new 14-point action plan for companies to stick to or risk having their actions put to a shareholder vote.

- Activist investor Clearway Capital has written to the board of French energy major TotalEnergies calling on it to exit its **Russian operations** in light of the war in Ukraine or face a vote on the issue at its next shareholder meeting.
- The US Environmental Protection Agency proposed tougher rules to cut lung-damaging **smog pollution** from power plants and industrial sources as part of the agency's broader effort to clean up the power sector.
- **Deforestation** in Brazil's Amazon rainforest hit record levels for the month of February, preliminary government data showed, as a scientific study indicated the jungle is nearing a tipping point after which it could no longer sustain itself.

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Africa

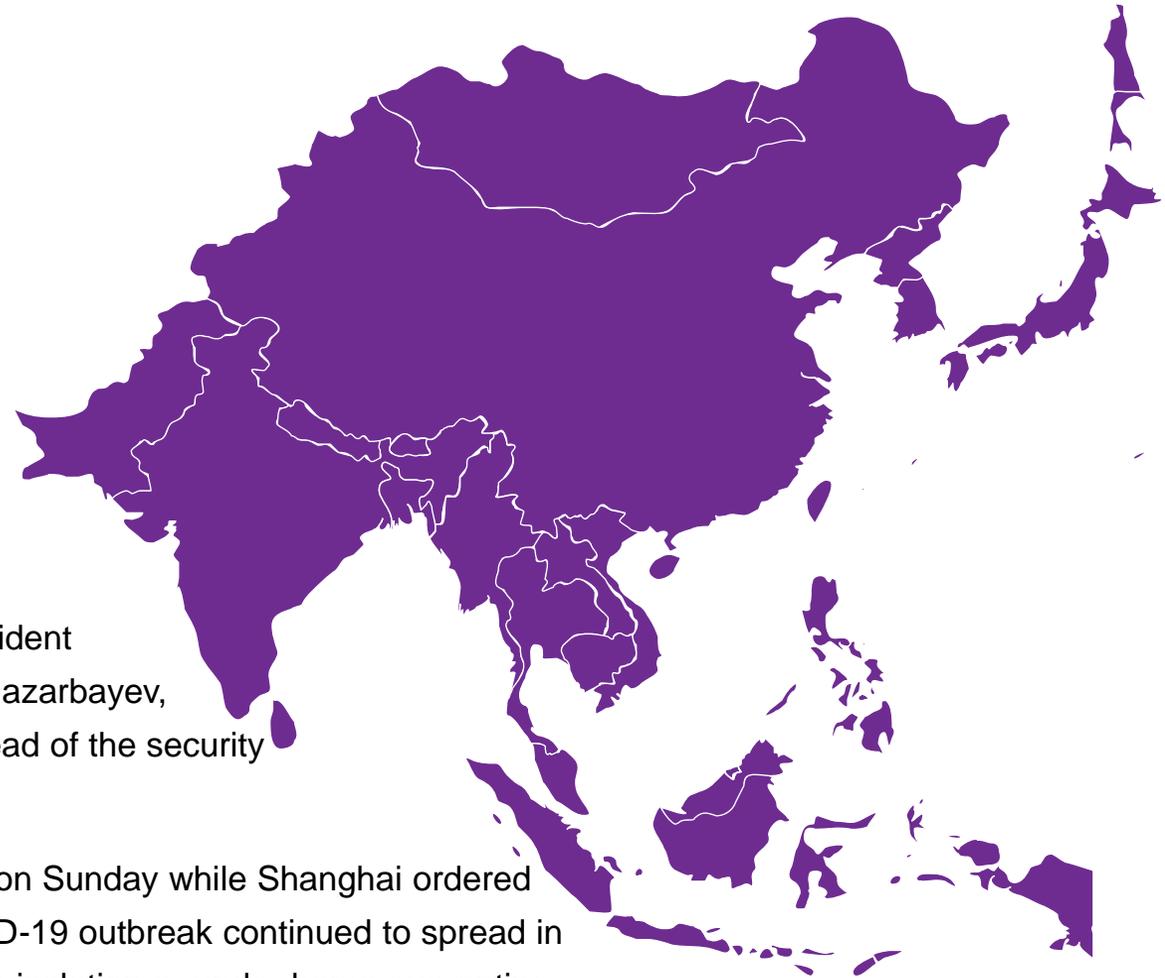
- **Ethiopia's** government said it would act against the perpetrators after a video appeared on social media showing armed men, some in military uniforms, burning civilians to death in the country's west.
- **Kenya** lifted its remaining COVID-19 restrictions, including a ban on large indoor gatherings and a requirement to present a negative COVID-19 test for arriving air passengers.
- Low rainfall has pushed southern **Madagascar**, south-western **Angola**, north-western **Namibia, Mozambique and Zimbabwe** further into food insecurity. As such, governments are moving ahead with plans to open avenues for maize imports, in order to alleviate hunger.
- **France** will still give aerial military support to **Malian** troops battling an Islamist insurgency in the Sahel even after its counter-terrorism mission has withdrawn, but only where **Russian** fighters are not present, per the force's commander.



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Asia

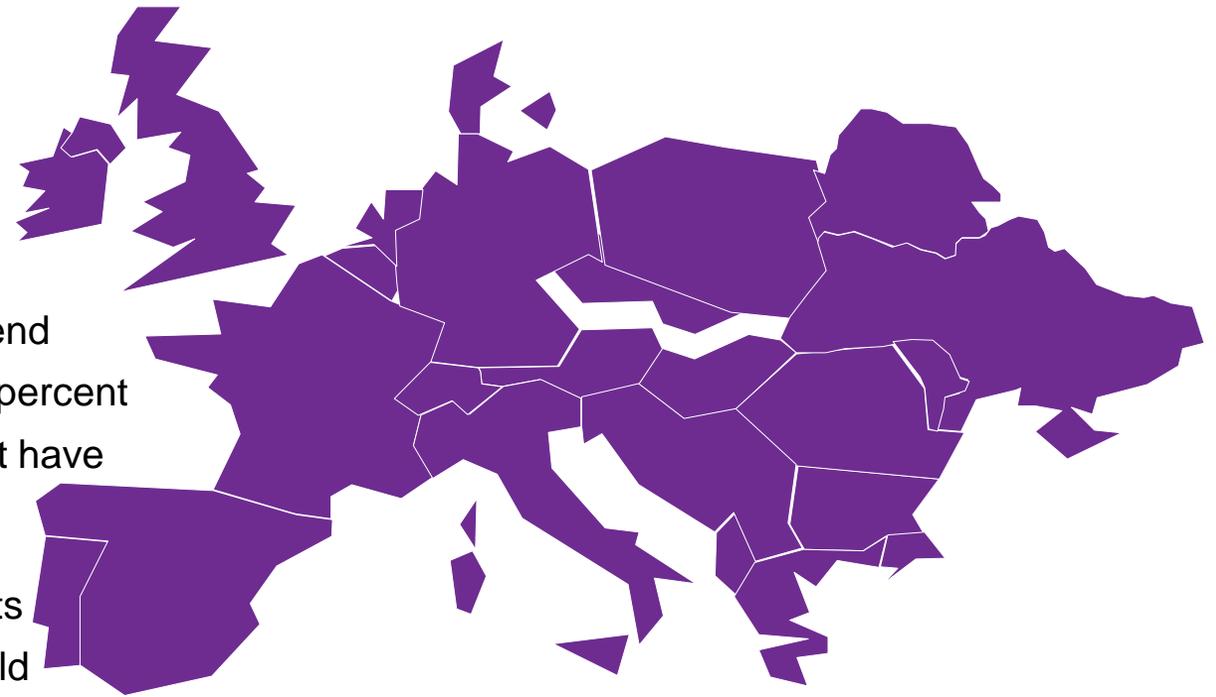
- The **South Korean** government believes **North Korea** could test an intercontinental ballistic missile (ICBM) as soon as this week.
- **Pakistan** on Saturday demanded a joint probe into a missile **India** said it accidentally fired into its territory, rejecting New Delhi's decision to hold an internal inquiry into the incident.
- **Kazakhstan's** anti-corruption body has detained a nephew of former president Nursultan Nazarbayev, the latest in a series of moves against his family. Nazarbayev, 81, resigned as president in 2019 but retained sweeping powers as the head of the security council and the leader of the ruling party,
- **Chinese** authorities imposed a citywide lockdown on tech hub Shenzhen on Sunday while Shanghai ordered residents to avoid all but essential travel and closed schools, as the COVID-19 outbreak continued to spread in many parts of China. About 300,000 people in **Hong Kong** are currently in isolation or under home quarantine.
- Cyberspace Administration of **China** released new draft regulations which would require companies engaged in online gaming, livestreaming, audio and video in China to set up a "*youth mode*" to protect minors. Authorities in China have long worried about addiction to gaming and the internet among its young people.



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Europe

- Thousands of people demonstrated in Tirana over the weekend against rising fuel prices, which have gone up more than 40 percent domestically in one week. Four days of massive protests that have affected several cities in **Albania**.
- **Turkey and Armenia** have agreed to press ahead with efforts to establish diplomatic relations "*without conditions*" that could lead to reopening their borders for trade. Turkey, a close ally of **Azerbaijan**, shut its border with Armenia in 1993 in a show of solidarity with Baku, which was locked in a conflict with Yerevan over the Nagorno-Karabakh region.
- **Turkey and Greece** agreed in talks on Sunday to improve ties, despite the long-running disagreements between the two NATO members. The two countries have been at odds for years over issues ranging from conflicting Mediterranean maritime claims to air space and migration.
- **Australia and the Netherlands** said they had begun joint legal action against **Russia** at the International Civil Aviation Organization over the downing of Malaysia Airlines flight MH17 eight years ago. MH17 was flying from Amsterdam to Kuala Lumpur on July 17, 2014 when it was hit over rebel-held eastern **Ukraine** by what international investigators and prosecutors say was a Russian-made surface-to-air missile.



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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.

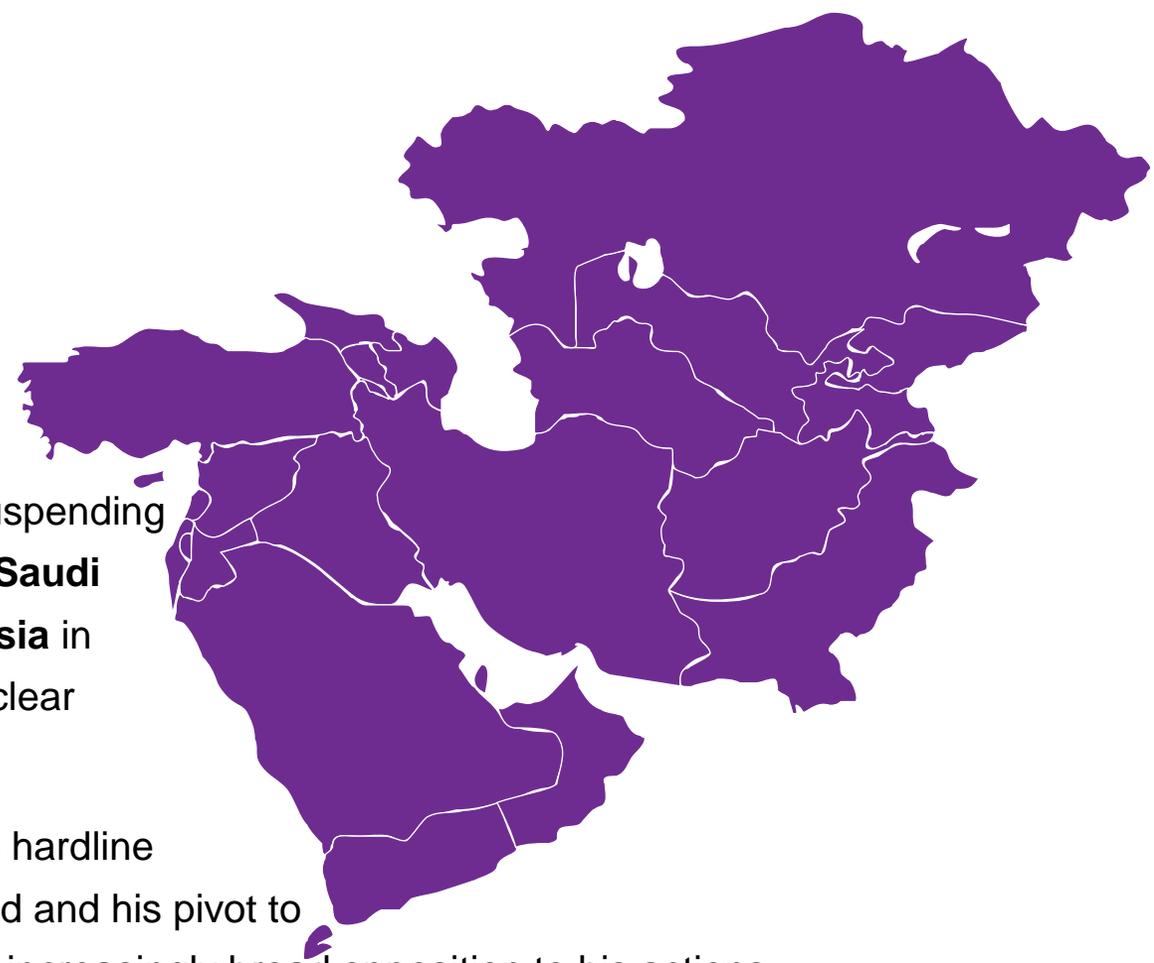
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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](#).

Middle East



- **British** Prime Minister Johnson will travel to **Saudi Arabia** this week to trying to persuade the Kingdom to increase its oil output.
- In another sign of derailing regional diplomacy, **Iran** said it was suspending a fifth round of talks due this week in Baghdad with regional rival **Saudi Arabia**. The **US** has ruled out offering any sanctions relief to **Russia** in order to clinch its support for an agreement to revive the 2015 nuclear accord with Iran.
- Thousands of supporters of **Tunisia's** Free Constitutional Party, a hardline secularist party, protested on Sunday against President Kais Saied and his pivot to one-man rule and failure to avert an economic crisis, showing the increasingly broad opposition to his actions.
- **Iran** attacked **Iraq's** northern city of Erbil on Sunday with a dozen ballistic missiles in an unprecedented assault on autonomous Iraqi Kurdish region that appeared to target the **US** and its allies. The missiles came down in areas near a new US consulate building, Iranian state media said Iran's Revolutionary Guards Corps carried out the attack against **Israeli** "*strategic centers*" in Erbil. Iraqi authorities state missiles hit a residential area. **France's** foreign ministry said the move threatened efforts to conclude nuclear talks with Iran.

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Americas

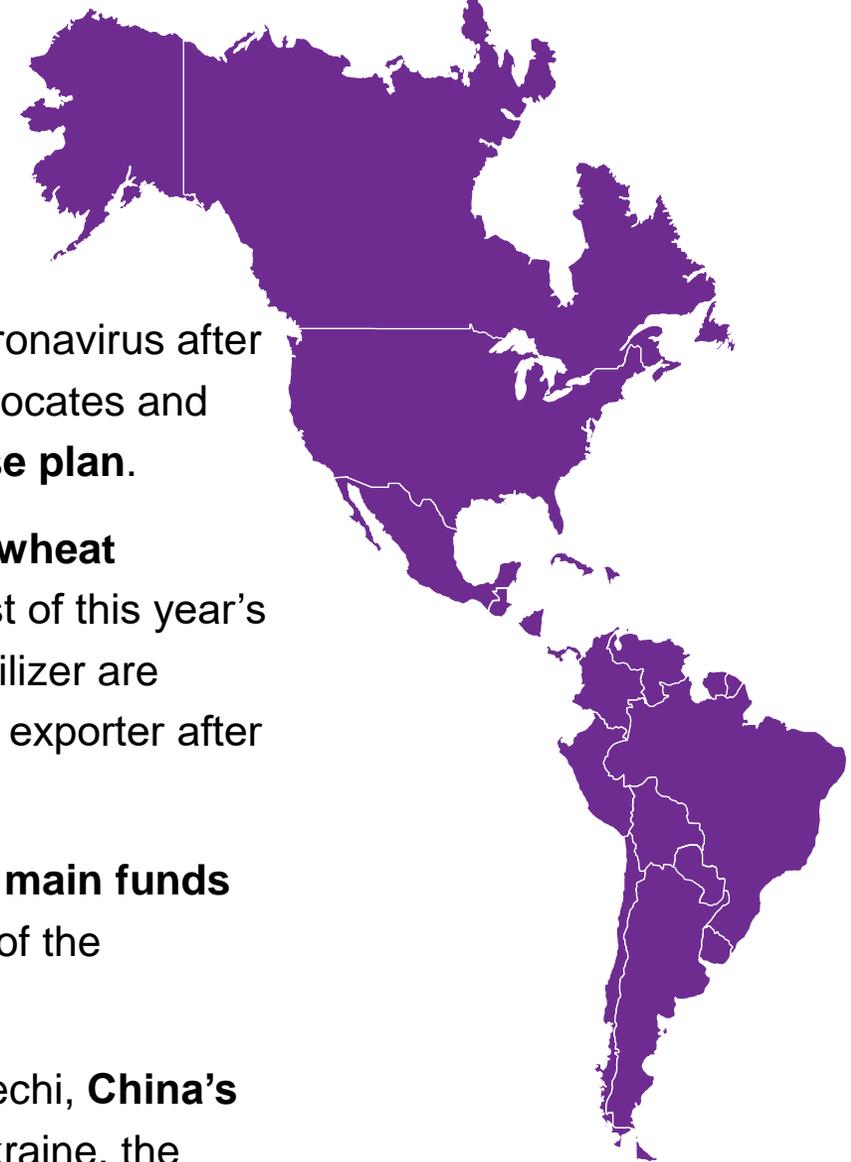
- Gustavo Petro, the front-runner for **Colombia's** May presidential election, secured the nomination of the left-wing Historic Pact coalition on Sunday during voting in primaries. Centrist Sergio Fajardo and right-winger Federico Gutierrez, both former mayors of Colombia's second city Medellin, also secured nominations from their respective coalitions.
- A British businessman living in **Mexico** was killed in front of his teenage daughter by gunmen who opened fire on his car near the popular tourist destination Playa del Carmen. Cleave was a businessman who worked in real estate and had recently been threatened by a local gang.
- The **Bahamas** has ordered its financial institutions to halt all transactions with **Russian** entities that have been put under sanction by Western nations.
- **Bermuda's** aviation regulator said it is suspending certification of all **Russian**-operated airplanes registered in the British overseas territory due to international sanctions over the war in **Ukraine**.



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Americas: US

- The US is poised to run out of tests, treatments and vaccines to fight the coronavirus after a \$15.6 billion funding plan collapsed in Congress, alarming health-care advocates and raising concerns about the fate of President Biden's broader **covid response plan**.
- Hopes that the US agricultural exports will stop an emerging crisis in **world wheat markets** are likely to be misplaced, according to experts, who note that most of this year's American wheat crop is already planted, while soaring costs for fuel and fertilizer are blunting the economic incentives. US was the world's second largest wheat exporter after Russia in 2020, while Ukraine ranked fifth.
- At its meeting this week, the Federal Reserve is widely expected to raise its **main funds rate** by a least a quarter point, having pinned it close to zero since the start of the pandemic.
- National Security Advisor Sullivan will travel to Rome today to meet Yang Jiechi, **China's** top foreign policy official, in talks that are expected to focus on the war in Ukraine, the highest level US-China face-to-face meeting since the Russian invasion began.



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Ukraine and ESG: New Investment Risks for Funds and Companies

“While an emerging issue, reputational risks linked to doing business in specific jurisdictions have the potential to lead to complex considerations for private companies, who will have to account for ESG-focused investors as well as consumer perceptions when making their foreign business decisions, plus the bottom line.”

Ethical investing has been a top growth trend over the past two years, as the demand for companies to consider non-financial factors continues to expand. Environmental, Social and Governance (ESG) investing attracted more than \$35 trillion in investments by the beginning of 2020. For most investments, however, the ethical risks posed by the character of the jurisdiction, i.e., a country's government, were not usually included in the analysis. Russia's invasion of Ukraine may change that.

Prior to the war, ESG funds held an estimated \$8 billion in Russian assets, according to Bloomberg. As images of the Russian invasion of Ukraine filled TV screens and Western governments levied sanctions against Russia, those funds began to exit the country. While the sanctions were certainly a major factor, also contributing to this was an international backlash against firms doing business in Russia. Some investors are now questioning why Russia's 2014

annexation of Crimea did not trigger more investment warnings on the ethical risks investing in a foreign country.

While an emerging issue, reputational risks linked to doing business in specific jurisdictions have the potential to lead to complex considerations for private companies, who will have to account for ESG-focused investors as well as consumer perceptions when making their foreign business decisions, plus the bottom line. Among these considerations might be the structure of the country's government, expanding beyond existing ethical investing criteria for human rights and labor practices. In analyzing risk, investors might also demand account for that government's control over the financial sector and whether funds and companies would be able to effectively exit the country under fair business terms. A real-life example of this was Russia's temporary measure to halt foreign investors from selling Russian assets, in the words of the Russian prime minister, “[to] give business a chance to make a considered decision.”

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Ukraine and ESG: New Investment Risks for Funds and Companies

Perception plays a key role here, as companies are keenly aware of the power consumers hold. Companies are under more pressure to take stands on moral issues, as evidenced by the Edelman Trust Barometer, which is an annual institutional trust survey run by Edelman, a global communications firm. According to the 2022 iteration of this report, 58 percent of consumers will buy products based on their beliefs and values and a whopping 80 percent will invest based on their beliefs and values.

The Russian invasion of Ukraine has brought to the fore sovereign behavior and the risks to businesses. Given the extent of global instability and the likely impact on the global investment climate, corporate boardrooms should anticipate that these risks are here to stay, and that maintaining situational awareness of shifting investor moods and priorities is a must.

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Ukraine War Update: Russian Bombing Campaign, American Stingers and Chinese Assistance

Russia targets Ukraine's supply line for military supplies and the US pledges more anti-aircraft and anti-tank missiles while warning China off from assisting Russia.

Political Developments

Talks between Russia and Ukraine are expected to resume today. The media is reporting positive signals that progress is being made towards a ceasefire. US Deputy Secretary of State Sherman suggested Sunday that sanctions appeared to be pulling Russia toward diplomacy. Ukraine is seeking security guarantees from the US, European countries and Moscow as part of a possible settlement.

The White House on Saturday announced another \$200 million in defense aid to Ukraine. The package includes Javelin anti-tank missiles and Stinger anti-aircraft missiles.

The US is reporting that Russia has turned to China for military equipment and aid, reports China denies. US National Security Adviser Jake Sullivan, who will meet with China's top diplomat Yang Jiechi in Rome today, warned in advance of the meeting that Beijing

would "*absolutely*" face consequences if it helped Moscow evade sweeping sanctions over the war in Ukraine.

Russian police detained more than 800 people for protesting Moscow's "*military operation*" in Ukraine Sunday, as the conflict continues for a third week. OVD-Info, which monitors arrests during protests, said police had detained 817 people during demonstrations in 37 cities in Russia.

In the information war, Russia has banned access to Instagram and accused its parent company Meta of extremism after the US company changed its hate speech policy over the war in Ukraine. YouTube is immediately blocking access around the world to channels associated with Russian state-funded media. Social influencers on TikTok are being drawn into the information war, with both the US and Russia reaching out to mobilize grassroots support for their narratives.

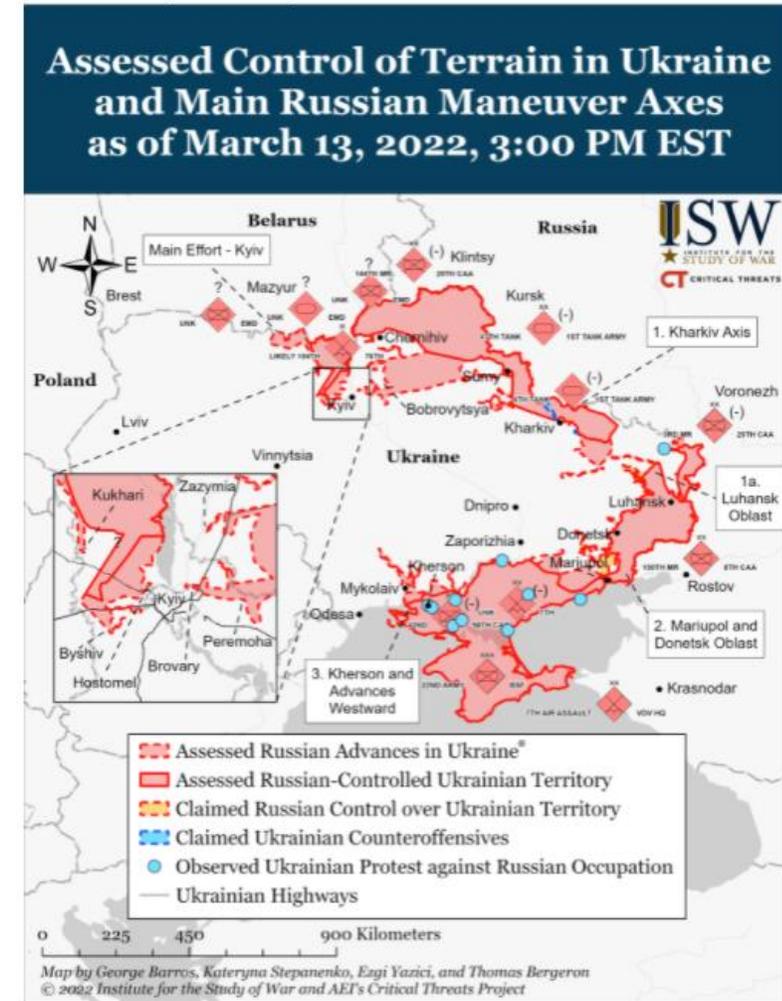
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Ukraine War Update: Russian Bombing Campaign, American Stingers and Chinese Assistance

Battlefield Developments

Over the weekend, Russia continued air assaults on Ukrainian cities, destroying civilian infrastructure in what is being characterized by the Ukrainian government as a “*carpet bombing*” campaign against civilians in order to destroy morale. Ukrainian President Zelensky again called for NATO to establish a no-fly zone. The World Health Organization called for an immediate stop to attacks on healthcare in Ukraine, saying these were killing and injuring patients and workers and depriving thousands of health care. The UN's cultural agency, UNESCO, warned that major historical sites in Ukraine are in danger of being damaged and even destroyed as Russia continues its offensive.

Russia conducted missile strikes on a large Ukrainian base near the border with Poland on Sunday, reportedly killing 35 people, in an escalation of the war to the west of the country. Russia's defense ministry said the air strike had destroyed weapons supplied by foreign nations that were being stored at the training facility. The Yavoriv military range near Lviv, also known as the International Peacekeeping and Security Center, has hosted exercises by NATO troops and Ukrainians for years. Foreign personnel withdrew in February.



Source: Institute for the Study of War

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Ukraine War Update: Russian Bombing Campaign, American Stingers and Chinese Assistance

Russian ground forces made limited advances over the weekend, securing new terrain in Donetsk and Luhansk Oblasts, and gaining some ground around Chernihiv and in Kyiv's eastern outskirts. Russia also made limited territorial gains in eastern Mariupol, while continuing to shell the city.

The Ukrainian General Staff reported that Russian forces predominantly took measures to restore combat readiness and regrouped combat units. Russian forces continue to assemble reinforcements and attempt to improve logistical support in both the Kyiv and southern operational directions.

The Ukrainian military resisted Russian forces trying to advance in the Kyiv suburbs. Only roads to the south remain open, and Kyiv is preparing to mount a "*relentless defense*."

Ukraine said Russian air force jets staged a false flag attack on Belarus to draw Minsk into war to augment Russian forces. Military analysts note that Russia is reducing its international deployments in Armenia and Nagorno-Karabakh to reinforce operations in Ukraine and pulling additional forces from Russia's far east. This comes on top of reports that Russia is recruiting Syrian and Libyan mercenaries to fight in Ukraine. Efforts to replace Russian combat

losses through conscription or foreign forces, who are unlikely to be well-enough trained or motivated, will have limited impact on generating effective new combat power.

The UK Ministry of Defense said on Sunday that Russian naval forces had established a distant blockade of Ukraine's Black Sea Coast, isolating Ukraine from international maritime trade.

A humanitarian convoy attempting to reach the besieged port city of Mariupol did not leave Berdyansk on Sunday because of heavy fighting, according to Ukraine's deputy prime minister and a clergyman accompanying the aid trucks. Today, Ukraine will try to evacuate trapped civilians through 10 "*humanitarian corridors*," including from towns near the capital Kyiv and in the eastern region of Luhansk. The UN estimates almost 2.7 million civilians have fled Ukraine.

Ukrainian authorities are accusing Russian troops of kidnapping two mayors in cities under their control. Russia installed a new mayor in the Ukrainian city of Melitopol after soldiers kidnapped the city's democratically elected mayor, who is telling residents to stop resisting.

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Ukraine War Update: Russian Bombing Campaign, American Stingers and Chinese Assistance

Economic and Commercial Developments

Russia has already lost access to almost half of its reserves and sees more risks due to increased pressure from the West on China, according to Russian Finance Minister Anton Siluanov. Russia has threatened to pay international bondholders in roubles rather than dollars just days before a key interest payment on its external debt comes due.

Russia's central bank on Saturday said it has decided not to reopen stock market trading on the Moscow Exchange from March 14-18.

Russian prosecutors have issued warnings to Western companies in Russia, threatening to arrest corporate leaders there who criticize the government or to seize assets of companies that withdraw from the country. According to the *Wall Street Journal*, Prosecutors delivered the warnings in the past week to companies including Coca-Cola Co., McDonald's Corp, Procter & Gamble Co., International Business Machines Corp. and KFC owner Yum Brands Inc. The calls, letters and visits included threats to sue the companies and seize assets including trademarks.

Western allies continue to increase economic pressure on Russia. The UK foreign secretary said 386 Russian lawmakers were set to

be sanctioned for their support of the breakaway regions of Luhansk and Donetsk. Australia said it was imposing new sanctions on 33 Russian oligarchs and businessmen, including Chelsea Football Club owner Roman Abramovich and Gazprom CEO Alexey Miller.

UK financial regulators have ordered banks to contribute to a crackdown by western governments on oligarchs and companies with links to Russian President Putin by sharing information on how individuals and businesses subject to sanctions move their money around the world.

British American Tobacco will end Russia operations and has lowered its guidance for the year, as a result of the company's exodus from the country

Cargill, the leading global agricultural trader, said it would stay in Russia but scale back its business activities and stop investments in the country.

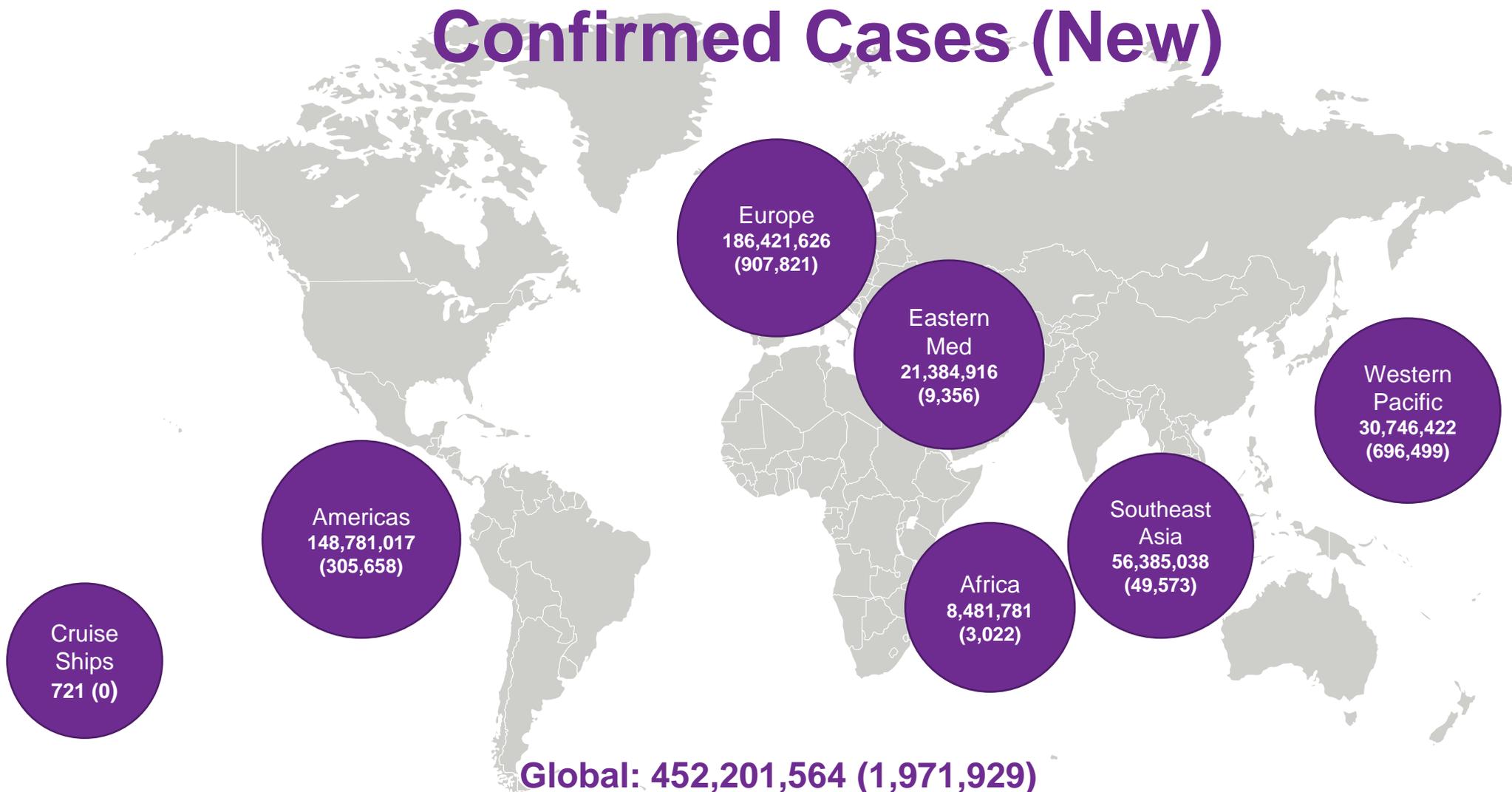
The president of the International Olympic Committee denounced Russia's new "fake news" law and expanded a plea to restrict participation by Russia and Belarus to all international sporting competitions, in an open letter published Friday.

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Coronavirus Condition Updates

As of 5:49 pm CEST on March 12, 2022

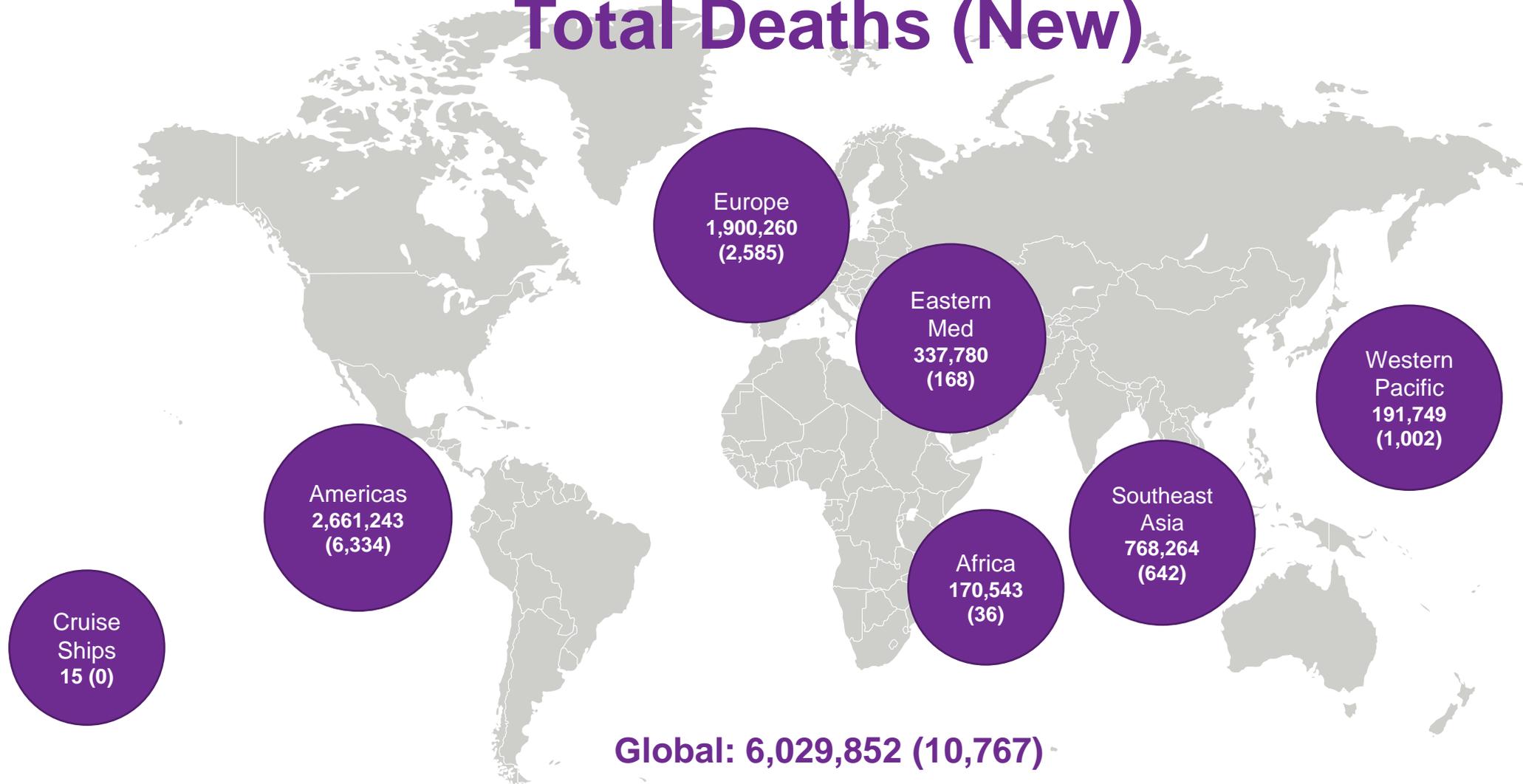
Confirmed Cases (New)



Reflects data as of 5:49 pm CEST on March 12, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:49 pm CEST on March 12, 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.

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