

Dentons Flashpoint

Daily Global Situation Report

May 12, 2022

Global Situation Update: May 12, 2022

KEY TAKEAWAYS

North Korea reports first COVID-19 outbreak.

Russia reduces gas supplies to Europe through Ukraine.

More Latin American leaders decline to participate in the upcoming US-hosted Summit of the Americas.

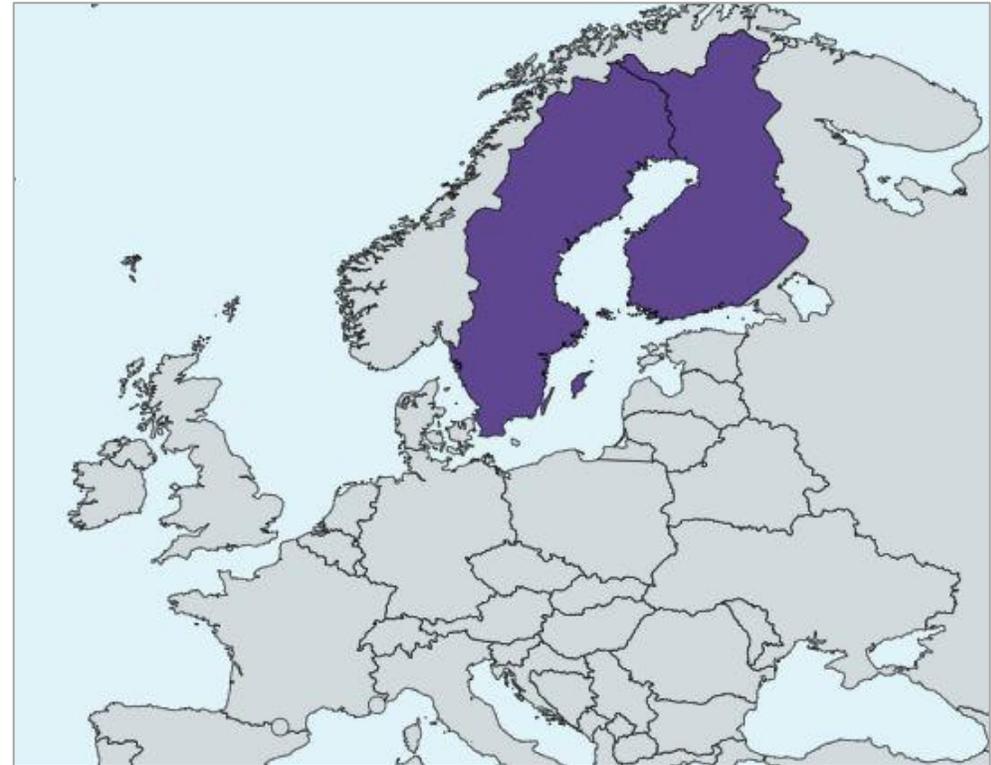
Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

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WHAT WE'RE WATCHING

Finland and Sweden are likely to apply for NATO membership in the coming days. NATO has signaled it will accept Finland and Sweden's applications; the two countries could be admitted as soon as October. Despite Russian threats that it will move troops and weaponry into the Baltic region should they apply to join NATO, direct military action against Sweden or Finland remains highly unlikely.

Finland and Sweden have modern and competent armed forces that would significantly boost NATO's capabilities. Yesterday, the UK signed a security declaration with Sweden, pledging UK support should its military come under attack, and the same commitment is to be offered to Finland soon.



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Global

Cases of unexplained hepatitis have risen to at least 348 globally, according to the WHO, which is now looking into the potential role played by adenovirus and COVID-19 infection.

- The war in Ukraine will help slow the growth of officially recorded **remittance flows** to low- and middle-income countries to an estimated 4.2 percent this year from a strong 8.6 percent rebound in 2021, per the World Bank.
- The amount of **Russian gas flowing through Ukraine** to other European countries has dropped following a new Russian decree banning business transactions with 30 companies, including Gazprom Germania and EuRoPol GAZ SA which owns the Polish section of the Yamal-Europe gas pipeline.
- **Lower oil output** from Russia due to the fallout from its invasion of Ukraine will not leave the world short of oil, the International Energy Agency said on Thursday, as supply ramps up by Middle East OPEC+ and the US, and Chinese lockdowns, tamp down demand.

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Markets & Business

Saudi Aramco overtook Apple as the world's most valuable company after higher oil prices pushed shares of the world's biggest crude exporter to record levels, while a broader tech stock sell-off weighed on the tech giant.

- Cryptocurrencies extended their sell-off today, with **Bitcoin** falling to its lowest levels in 16 months as a stampede out of stablecoins sent shockwaves around broader markets.
- **Toyota Motor Corp** produced its first mass-produced battery electric car in Japan today for lease only, a strategy the automaker says will help ease driver concerns about battery life and resale value.
- **SoftBank**'s two Vision Funds posted a historic investment loss of ¥3.5 trillion (\$27 billion) for the full year as its biggest holdings were hit by rising interest rates and Beijing's crackdown on the tech sector.
- **Hong Kong's central bank** has intervened to strengthen the city's currency and defend its US dollar peg for the first time since 2019, threatening to raise borrowing costs while the financial hub's economy is still reeling from harsh Covid-19 restrictions.
- Property developer **Sunac China Holdings** has failed to pay a \$29.5 million interest payment on an offshore dollar-denominated bond within the grace period, raising concerns that it could become the latest group to default as the sector grapples with a liquidity crisis.

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Environment, Sustainability & Governance

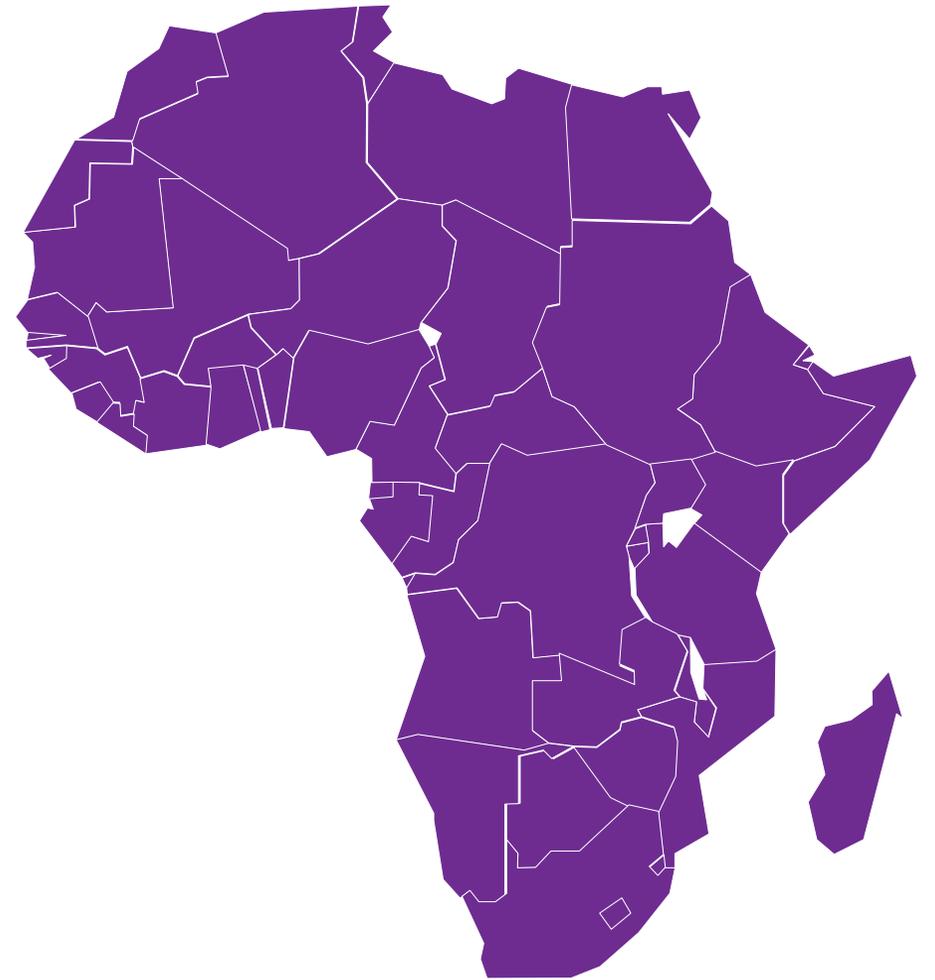
Lawmakers on the European Parliament's environment committee backed an EU plan to effectively ban new petrol and diesel car sales from 2035.

- Italian financial services group Mediobanca said it aims to have **women** in at least 40 percent of its **senior management roles** in 10 years as it steps up its efforts on governance issues.
- HSBC Holdings announced it was launching a \$1 billion lending fund to invest in **female-owned businesses** over the next 12 months.
- Colombia will prioritize signing contracts for oil and gas blocks with companies making greater strides to **cut carbon emissions**, per the energy minister.
- Three European asset managers jointly **filed climate-change resolutions** at Japanese electricity generator Electric Power Development Co Ltd, known as J-Power, calling on the company to set credible emissions reduction targets.

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Africa

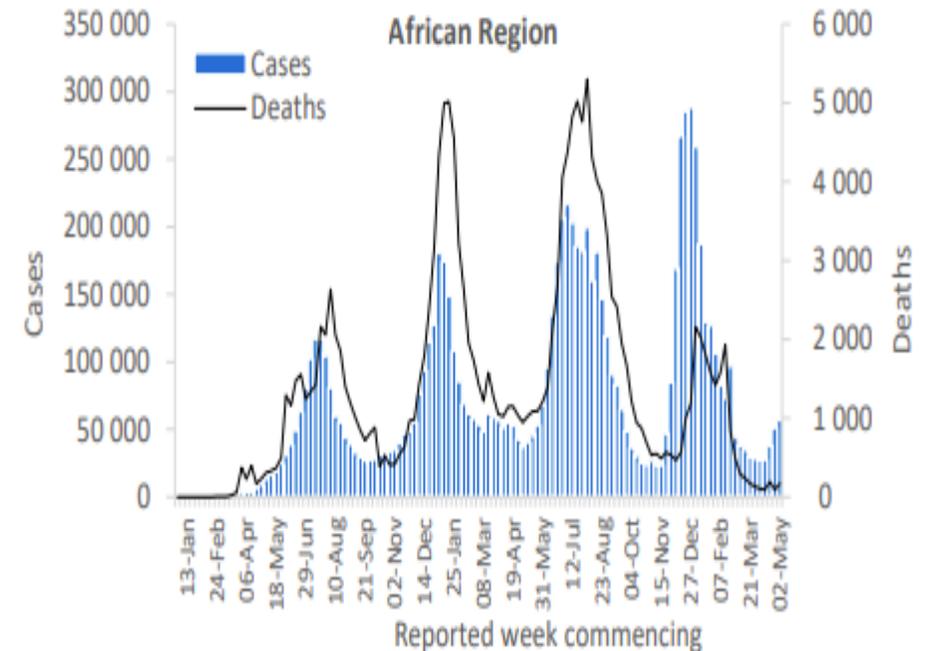
- Eight soldiers were killed and 11 injured in a potential Islamist terrorist raid in northwest **Togo**, marking what may be the first deadly incursion inside Togo's borders by Islamist extremists that have killed thousands in the region.
- **Germany** said that it is poised to increase its participation in the UN counterterrorism mission in **Mali**, despite souring relations between Europe and Mali following the country's military coup.
- At least seven **Nigerian** soldiers were killed and two kidnapped in a deadly ambush during a patrol in the country's Taraba state.



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Africa

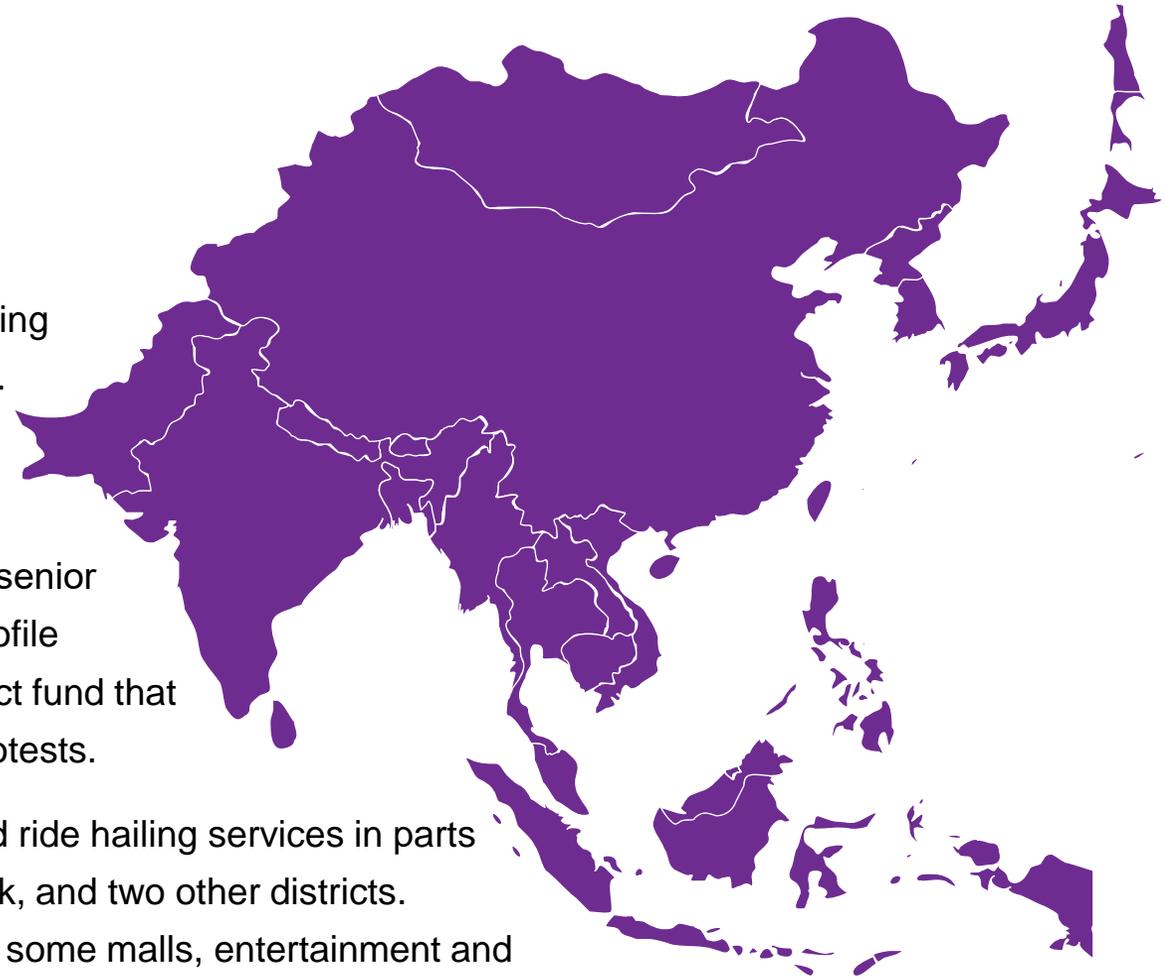
For the third consecutive week, the African Region has shown an increasing trend with just under 57,000 new weekly COVID-19 cases reported, a 12 percent increase as compared to the previous week. Six countries in the Region reported an increase of over 20 percent in cases, including Mauritania, Niger and Nigeria. The highest numbers of new cases were reported by South Africa. The continent is nearing 300 million vaccinations administered.



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Asia

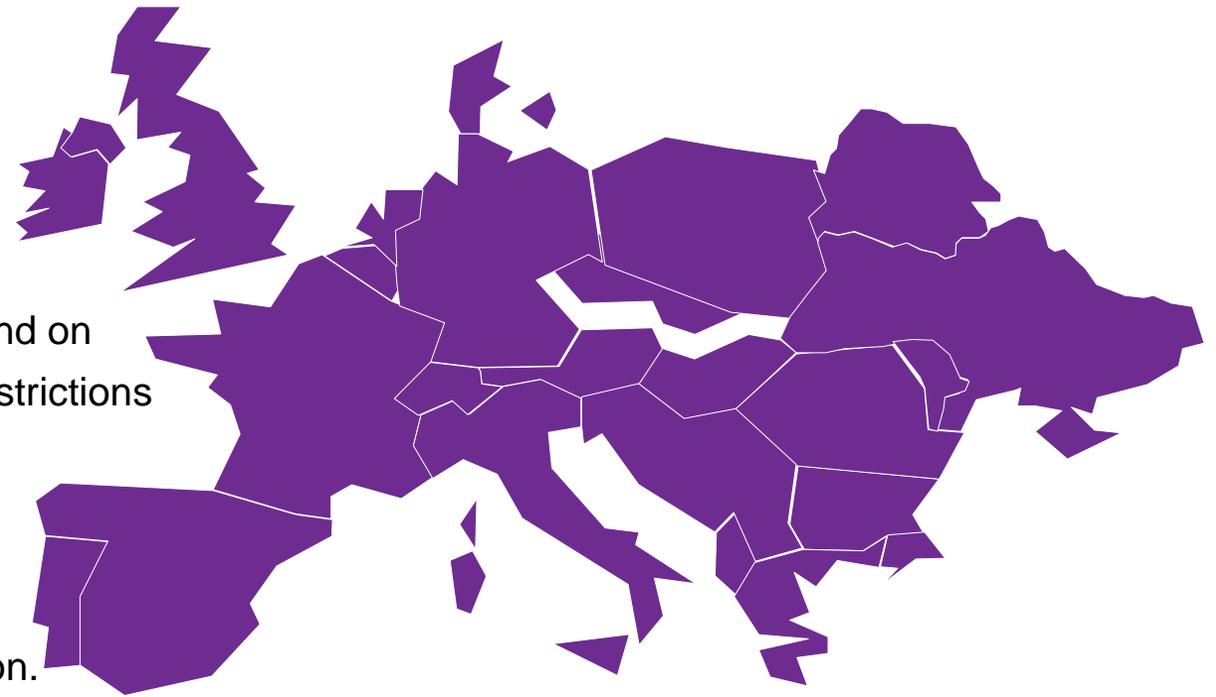
- **North Korea** confirmed its first COVID-19 outbreak on Thursday, calling it the "*gravest national emergency*" and ordering a national lockdown. There is no official record of any North Koreans having been vaccinated.
- Hong Kong police have arrested the **Chinese** territory's former most senior Roman Catholic cleric, Cardinal Joseph Zen, and three other high-profile pro-democracy activists. The arrests were connected to a now-defunct fund that assisted opposition activists during the city's 2019 pro-democracy protests.
- **Chinese** authorities in Beijing announced the suspension of taxis and ride hailing services in parts of Chaoyang district, Beijing's largest and the epicenter of its outbreak, and two other districts. Authorities there have banned dine-in services at restaurants, closed some malls, entertainment and tourist venues, suspended sections of its bus and subway systems and imposed lockdowns on some residential buildings.
- **EU-Japan** summit concluded with the announcement of a new digital partnership, the first of its kind between the bloc and another country. The agreement includes measures to strengthen cooperation on cyber security and artificial intelligence as well as boosting the development of digital technology.



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Europe

- The **EU** will no longer require masks to be worn at airports and on planes starting next week, amid the easing of coronavirus restrictions across the bloc.
- **Britain's** economy unexpectedly shrank 0.1 percent in March after a slump in car sales due to supply-chain problems, marking a weak end to Q1 and the risk of recession.
- A member of the punk band and activist group Pussy Riot evaded police surveillance and escaped **Russia**. Maria Alyokhina had been sentenced to a year of restricted movement in September following her participation in a protest showing support for jailed Kremlin-critic Alexei Navalny. Alyokhina also spent two years in prison for taking part in the group's 2012 protest performance in neon balaclavas inside Moscow's Christ the Saviour Cathedral.
- The most popular party in **Slovenia's** parliamentary elections says it has agreed to form a coalition government. The liberal Freedom Movement party of political novice Robert Golob secured 34.5 percent in April's vote, ahead of the Slovenian Democratic Party (SDS) of populist Prime Minister Janez Jansa.



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.

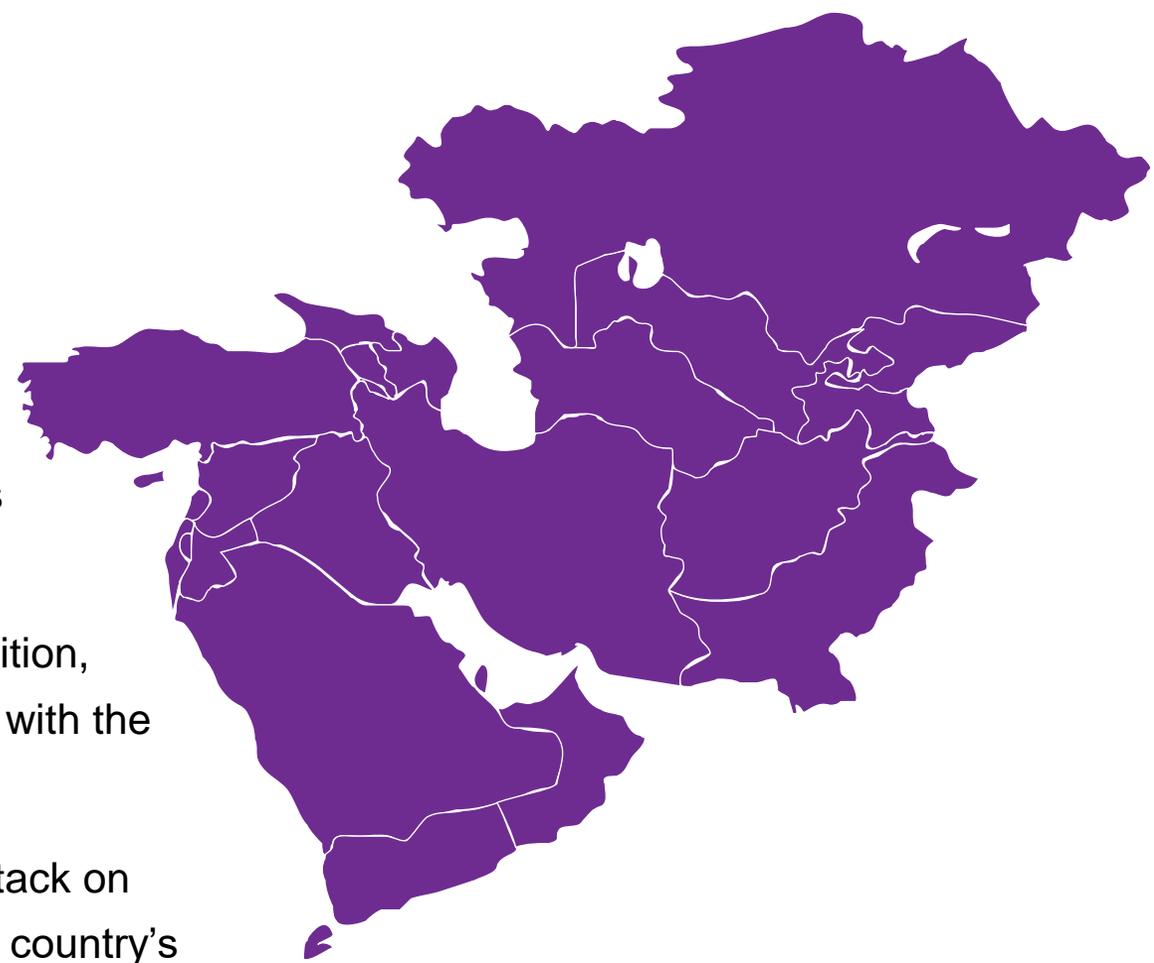
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

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

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

Middle East



- The **US** announced that it will not subject to sanctions foreign investments in some areas of northeast **Syria** outside of government control, a bid to strengthen development in areas previously controlled by ISIL.
- The Arab party Raam opted remain in **Israel's** governing coalition, saving it from likely snap elections, after temporarily breaking with the coalition over violence at al-Aqsa Mosque during Ramadan.
- Five soldiers and seven extremists were killed in a terrorist attack on **Egypt's** Sinai peninsula yesterday, coming just days after the country's deadliest attack in years in which 11 soldiers were killed in the same area by an ISIL-claimed attack.
- A report by the UN's Special Envoy on Poverty found that **Lebanon's** government committed human rights abuses via its "*callous destruction*" of the country's economy in recent turmoil. The central bank of Lebanon announced that it would submit to a forensic audit of its foreign exchange position by early June in order to comply with a long-sought condition for IMF aid.

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Americas

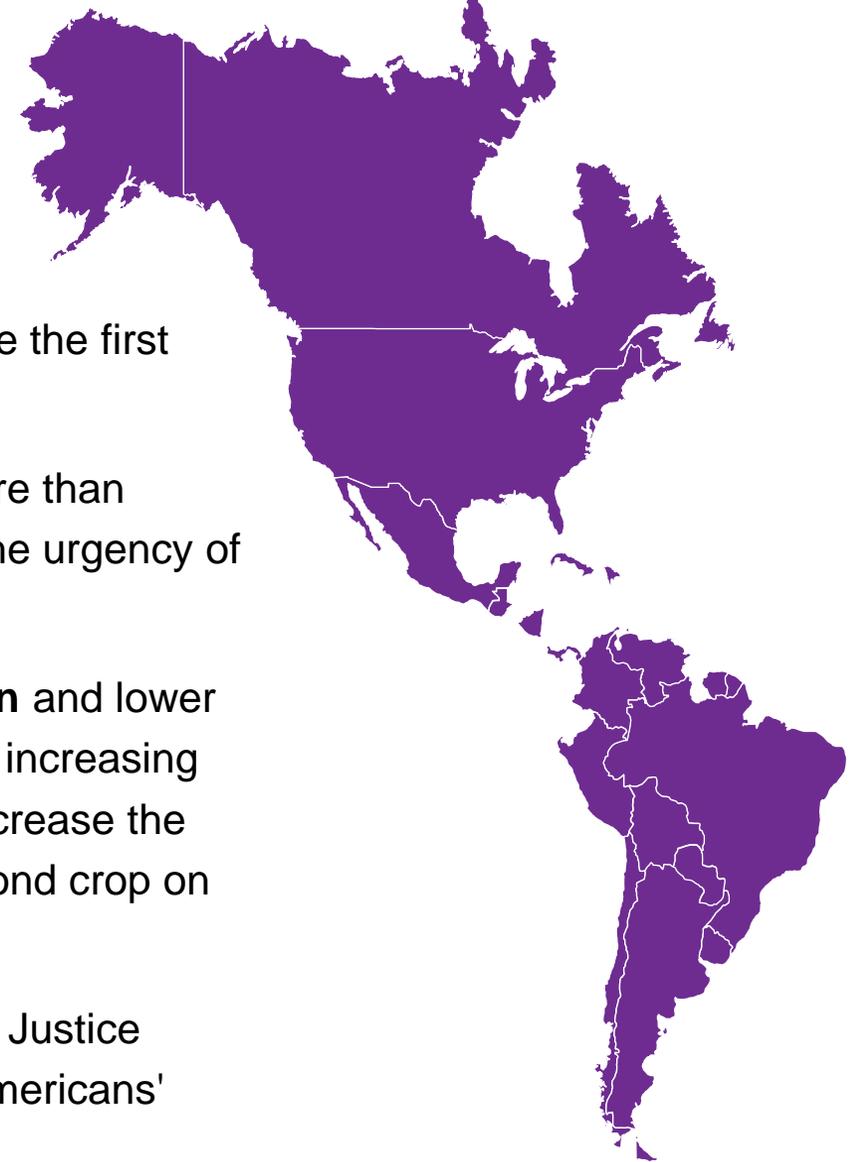
- The **Chilean** central bank delayed a decision on whether the country will create a digital currency, saying that the currency could simplify payments but requires further study.
- The **US** announced new charges against a detained former **Honduras** police chief, alleging that he conspired with former President Hernandez to ship cocaine to the US.
- **Bolivian** President Arce said that he would not participate in the upcoming Summit of the Americas if **Cuba, Venezuela and Nicaragua** are excluded; Arce could be the third leader to snub the US-organized summit, along with **Mexico and Brazil**.
- The murder of a **Paraguayan** prosecutor known for fighting organized crime was likely the victim of "*transnational*" criminals working across borders. Prosecutor Marcelo Pecci, 45, was shot dead on the island of Baru near the Caribbean city of Cartagena on Tuesday while on his honeymoon with his wife.



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Americas: US

- The US surpassed 1 million **coronavirus deaths**, more than two years since the first cases of the virus upended and then transformed everyday life.
- **US consumer prices** rose at an annual pace of 8.3 percent last month, more than economists' expectations and staying at a four-decade high, underscoring the urgency of the Federal Reserve's push to stamp out inflation.
- The White House announced actions to help farmers boost **food production** and lower food prices, including doubling funding for domestic fertilizer production and increasing technical help for nutrient management tools. The administration will also increase the number of counties eligible for double cropping insurance for planting a second crop on the same land in the same year,
- The Biden administration has drafted an executive order that would give the Justice Department vast powers to stop foreign adversaries like China accessing Americans' **personal data**.



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Moscow May Turn to Cybercrime to Offset Economic Losses, Evade Sanctions

By Emilio Iasiello, Global Cyber Threat Intelligence Manager, Scott Muir, Senior Analyst, and Courtney Barnard, Global Cyber Threat Intelligence Coordinator

Russia is now the world's most sanctioned country, well ahead of Iran, Syria, North Korea and Venezuela. Moscow has so far withstood sanctions pressures in the 77 days since the invasion of Ukraine due to soaring prices of key commodities exports and protective policies that have the ruble momentarily surging. However, should the tempo of global sanctions pick up pace as the war drags on, Russia will find itself in a much deeper economic hole. If this happens, the Russian government may tap into cybercrime schemes that are plausibly deniable to generate new revenue streams in an attempt to survive sanctions.

Sanctions Survival

Russia realizes that the longer economic sanctions are in place, the greater consequences they will have. As a result, the Kremlin is likely considering how to implement tactics to evade them or at least identify a course of action that lessens their effect. Russia can take a cue from North Korea, and to a lesser extent Iran, and tap into its considerable cybercrime ecosystem to generate revenue and provide temporary economic relief. Both Pyongyang and Tehran engage in activities typically associated with cybercriminals such as bank theft, cryptocurrency theft, ATM cash-outs, and ransomware operations in an effort to lessen the economic impact of sanctions.

North Korea has captured several billions of dollars from victims worldwide and continues to demonstrate its capabilities via the pace and ingenuity of these criminal operations.

Cryptocurrency mining might present Moscow with another means of securing sorely needed funds. North Korea has successfully turned to cryptocurrency mining as a legitimate way to make money and offset the crippling effects of sanctions. In April 2021, a US citizen and former Ethereum developer pled guilty to helping North Korea evade sanctions by providing instruction on how the "Hermit Kingdom" could use blockchain and cryptocurrency technology to launder money and evade sanctions. Monies made from these

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activities have directly supported key strategic North Korean programs such as its weapons of mass destruction and ballistic missile programs. Elsewhere, Tehran also recognizes the power of cryptocurrency mining, a practice it has supported so intensely that over-usage of power caused a temporary blackout in the country, forcing a suspension of operations.

Kremlin Calculation

There is no evidence yet of Moscow leveraging its native cybercrime community, but this could well change depending on circumstances. For example, should the European Union decide to implement a full oil embargo of Russia, the Kremlin's cybercriminals may look to target large, profitable organizations in countries that are not members of NATO and are supporting Ukraine with financial and military aid. With much of the world's cybersecurity focus currently on protecting critical infrastructure, Moscow might decide to direct cybercriminal assets against businesses that are far from the battlefield and maybe less vigilant. North Korea is a prime example of a heavily sanctioned country that is successful in exploiting entities beyond those with which it has geopolitical tensions.

Whether Russia follows this course of action will largely depend on President Putin.

Slicing the Cybercrime Pie

If Moscow eventually decides to offset economic losses and evade sanctions via cybercrime, it will aim to seize a portion of a large illicit market. In 2021, global cybercriminals made approximately USD 6 trillion from their activities. Of this amount, Russian ransomware groups made more than USD 400 million from ransom payments alone. This staggering amount does not include other criminal activities in which Russian cybercriminals engage. While some Russian groups like prolific ransomware gangs Conti and Lockbit 2.0 have pledged "neutrality" (Conti initially pledged loyalty to Russia but has backtracked), they could be tapped to steal money on behalf of Moscow. Currently, Lockbit 2.0 and Conti account for more than half of all ransomware attacks in 2022. Both gangs are known for targeting high-profile organizations capable of paying substantial ransom demands and have proven their ability make a lot of money based on 2021 statistics.

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Going Forward

Events that could serve as catalysts for Moscow to turn to cybercrime to generate quick cash include, but are not limited to: a substantial drop in gross domestic product (GDP); an increase in internal dissent that threatens regime stability; and a dire need for finances to fuel military operations. As North Korea and Iran have proven over the years, cybercrime and cryptocurrency mining can provide lucrative illicit funds for those suffering under sanctions. Moscow can leverage both if it chooses to do so.

To address the complex economic and political changes affecting international business today, Dentons offers business leaders a full complement of counseling and advice. For cyber risk management, Dentons also offers regulatory and litigation services, as well as analysis and intelligence products to better understand fast-changing complex operating environments. Importantly, all interaction with Dentons is attorney-client privileged. To learn more about the bespoke cyber intelligence and risk services from Dentons please contact us today.

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Ukraine War Update: Drop in Russian Currency Reserves, Cut in Russian Gas Supplies, Beginning of War Crimes Trial

Russia's foreign currency reserves have declined from a record high before the start of the Ukraine military operation as Moscow faces hard hitting sanctions, the Central Bank figures showed Wednesday. The reserves – about half of which are frozen abroad – fell by \$14 billion in a week to \$593.1 billion on April 29, according to the data.

Political Developments

The UN Human Rights Council will meet today to decide whether to launch an official probe into events that occurred in Kyiv and other regions in February and March while Russian troops were occupying the areas.

Human Rights Watch says that Russia has made repeated use of at least six different types of cluster munitions. The rights watchdog also said Ukraine appeared to have used the banned munitions at least once. Russia and Ukraine have not joined the Convention of Cluster Munitions.

Ukraine's top prosecutor announced yesterday that the country will hold the first war crimes trial of a captured Russian soldier.

A pro-Russia hacker group known as "Killnet" claimed a cyberattack on websites belonging to several Italian institutions yesterday.

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Websites belonging to Italy's defense ministry, Senate and National Health Institute were not functioning.

Slovak President Caputova and Polish President Duda said their countries would work together to help Ukraine become a candidate for EU membership as soon as possible.

Ukraine has proposed to Russia that badly injured defenders in the Azovstal plant in the port of Mariupol be swapped for Russian prisoners of war, Deputy Prime Minister Iryna Vereshchuk said on Wednesday.

The leaders of the Russian-occupied region of Kherson in southeastern Ukraine said they plan to ask for the area to become a part of Russia. Russia claimed full control over the Kherson region in April. The area is of strategic importance to Russia, as it provides part of a land connection between Crimea and Russian-backed separatists in areas of eastern Ukraine.

Ukraine War Update: Drop in Russian Currency Reserves, Cut in Russian Gas Supplies, Beginning of War Crimes Trial

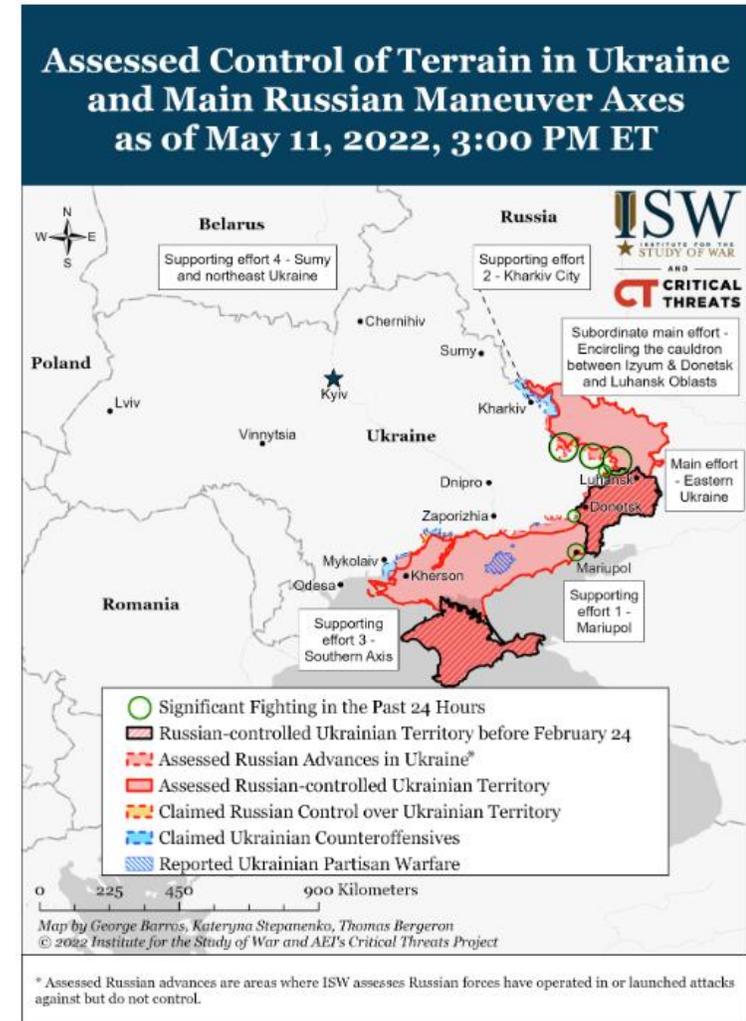
Russian President Putin sent a telegram of congratulations to the head of the self-proclaimed Luhansk People's Republic in eastern Ukraine for the anniversary of the day its then leader declared its independence from Ukraine in 2014, promising to defend the independence of sovereignty of the breakaway region.

Battlefield Developments

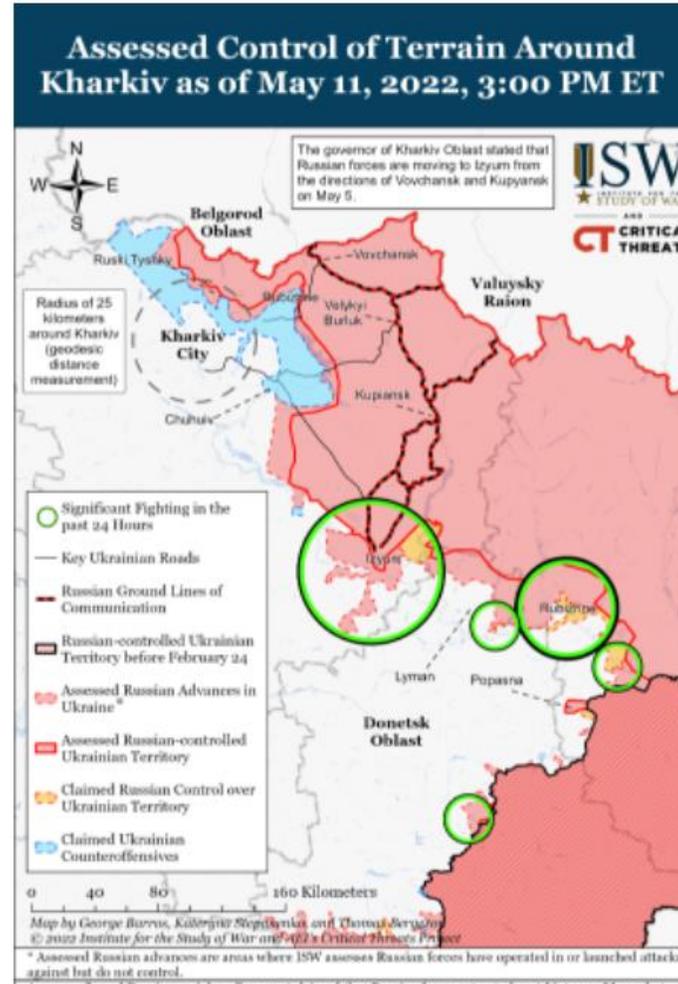
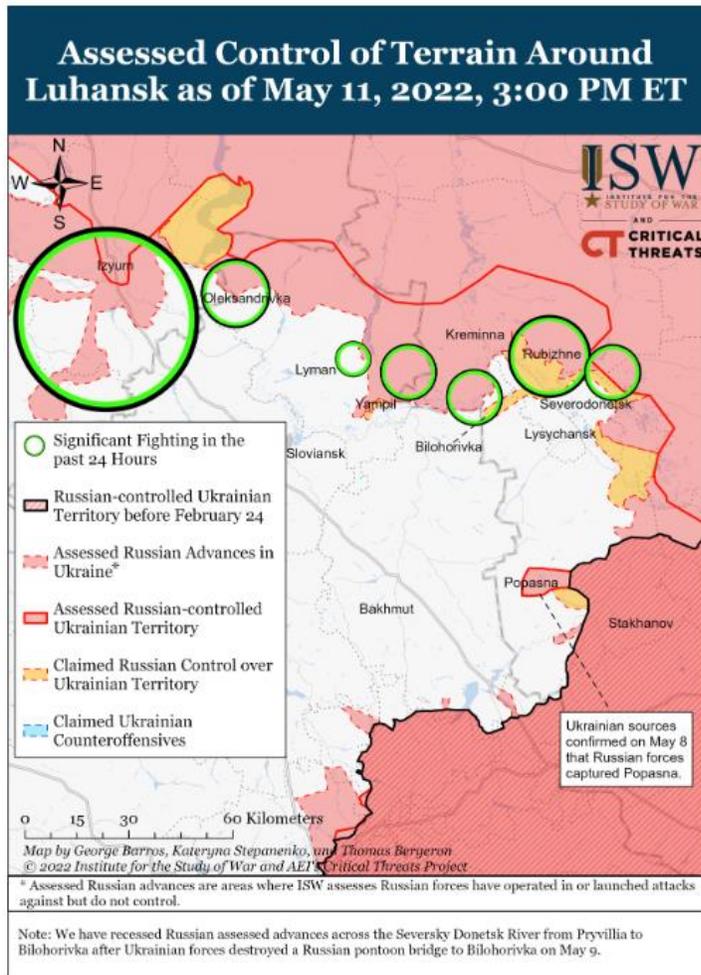
Ukraine has succeeded in recapturing a number of towns and villages toward the Russian border north of its second city of Kharkiv after Moscow has reportedly withdrawn several units following heavy losses, according to the British Ministry of Defense. *"The withdrawal of Russian forces from the Kharkiv Oblast is a tacit recognition of Russia's inability to capture key Ukrainian cities where they expected limited resistance from the population."* The UK assessed that Russian troops would *"likely deploy to the eastern bank of the Siverskyi Donets River, forming a blocking force to protect the western flank of Russia's main force concentration and main supply routes for operations in the vicinity of Izium."*

The Institute for the Study of War assessed Russian forces continued efforts to encircle Ukrainian positions in the Severodonetsk-Rubizhne-Lysychansk area but did not make any confirmed advances. Russian forces may be initiating a new advance towards Bakhmut after capturing Popasna in order to secure highway access north to Slovyansk. Russian forces are attempting to consolidate their positions in western Kherson Oblast to push into Mykolaiv Oblast.

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Ukraine War Update: Drop in Russian forces Currency Reserves, Cut in Russian Gas Supplies, Beginning of War Crimes Trial



Source: [Institute for the Study of War](https://www.instituteforthe studyofwar.com/)

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Ukraine War Update: Drop in Russian Currency Reserves, Cut in Russian Gas Supplies, Beginning of War Crimes Trial

Germany's defense ministry announced it has begun training Ukrainian soldiers to use Panzerhaubitze 2000, an advanced, self-propelled howitzer, a powerful artillery system that Germany and the Netherlands plan to supply to Ukraine.

Economic Developments

Ukraine's Foreign Ministry has accused Russia of stealing the country's grain and trying to sell some of it on global markets.

Russian President Putin signed a decree banning Russian entities from business transactions with Gazprom Germania and 30 other companies, including fulfilling obligations under existing deals. In addition to Gazprom Germania, Russia also sanctioned EuRoPol GAZ SA which owns the Polish section of the Yamal-Europe gas pipeline. In early April, the German government control of Gazprom's German subsidiary.

Gazprom announced that the transit of Russian gas to Europe via Ukraine will see a drop of nearly a third today compared to the day before. Robert Habeck, German economy minister, said some units

of Gazprom Germania "were now not getting any gas from Russia." Ukraine's top gas officials said Russia was fully responsible for the reduction in Russian gas flows to Europe.

Werner Hoyer, president of the European Investment Bank, has told the Reuters news agency that he supports a multi-trillion-Euro Marshall Plan-style recovery program for post-war Ukraine.

The UN's International Labor Organization (ILO) said one-third or 4.8 million jobs in total in Ukraine had been lost since the February 24 Russian invasion. The ILO predicts an even more dire economic outlook as the war continues in its third month.

Former Russian president Dmitry Medvedev accused the US on Wednesday of waging a "proxy war" against Russia after the House of Representatives approved a \$40 billion aid package for Ukraine.

Coronavirus Condition Updates

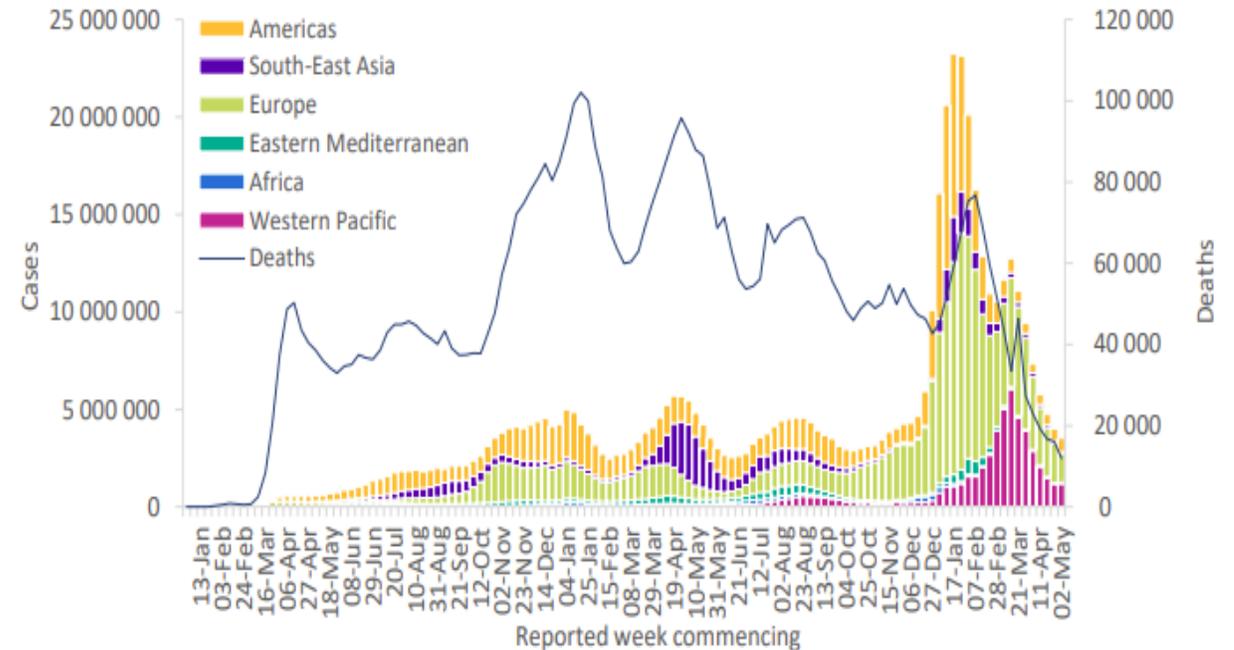
As of 6:14 pm CEST on May 11, 2022

Coronavirus Snapshot

During the week of 2 through 8 May 2022, over 3.5 million cases and over 12,000 deaths were reported, decreases of 12 percent and 25 percent respectively, as compared to the previous week.

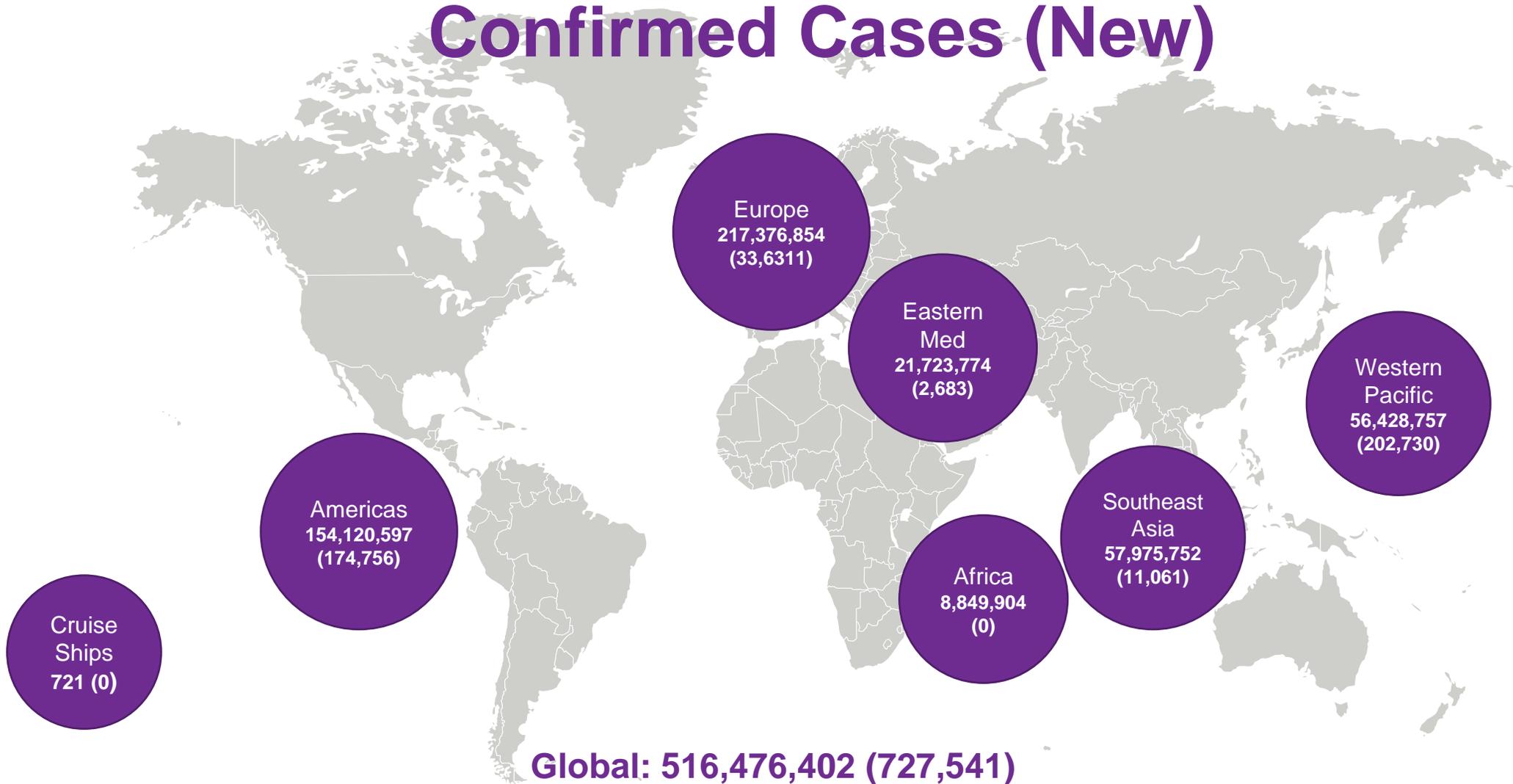
However, an increase in the number of new weekly cases was reported from the Region of the Americas (+14 percent) and the African Region (+12 percent) and an increase in the number of weekly deaths was reported from the African Region (+84 percent).

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 8 May 2022**



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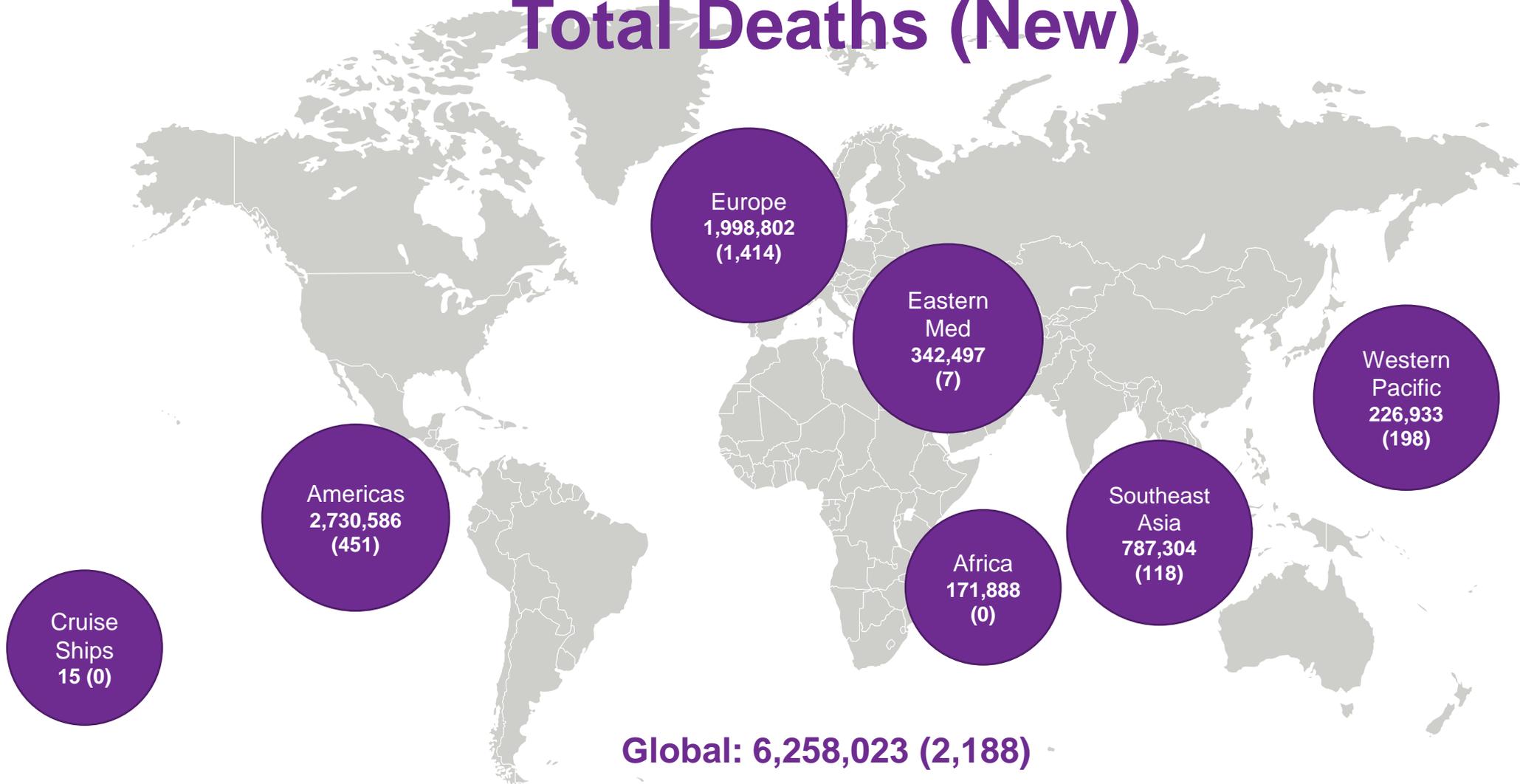
Confirmed Cases (New)



Reflects data as of 6:14 pm CEST on May 11, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:14 pm CEST on May 11, 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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