

Dentons Flashpoint

Daily Global Situation Report

April 13, 2022

Global Situation Update: April 13, 2022

KEY TAKEAWAYS

The IEA lowered its forecast for global oil demand.

Chinese imports unexpectedly fell in March because COVID-19 lockdowns.

In Ukraine, Russian forces claim surrender of Mariupol's defenders.

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

The power that truck drivers wield over supply chains and international trade is once again on display with protests near two important US-Mexico border crossings. Commercial trucks on Mexico's side are backed up for miles following a directive by the Texas governor to enhance security checks. More intensive inspections are taking longer and leading to lost business orders and fuel. In retaliation, hundreds of Mexican truckers are shutting down lanes leading into Mexico from El Paso and McAllen. Commercial products from Mexico like electronics, vehicle parts and medical instruments face disruptions entering the US, while a range of agricultural commodities from Mexico may spoil and lead to scarcity in certain US regions ahead of Passover and Easter holidays. The governor of Texas is under pressure from business on both sides of the border to rescind his directive and restore trade.



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Global

The International Energy Agency has lowered its forecast for global oil demand because of surging COVID cases in China and weaker than expected demand in the US and other developed countries.

- Amid reports that Mariupol may have fallen to Russian forces and Russian President Putin's statement that **negotiations** with Ukraine were at a dead end, the US seeks to mobilize its defense industry to increase **war production**.
- Ukrainian officials reported that they are unable to investigate reports that a drone dropped **chemical weapons** on Ukrainian forces in the southeastern port city of Mariupol due to battle conditions.
- The International Energy Agency has lowered its forecast for **global oil demand** because of surging COVID cases in China and weaker than expected demand in the US and other developed countries.
- EU diplomats pledged to counter Russian narratives by increasing "**food diplomacy**" to the Balkans, North Africa and the Middle East.

Markets & Business

World Bank President David Malpass assessed countries around the world are working to diversify their supply chains and reduce their dependence on China, which is "*probably good for everyone.*"

- **Chinese imports** unexpectedly fell in March because COVID-19 lockdowns disrupted demand in the world's second-biggest economy, upsetting forecasts from economists. An estimated that 45 cities and 373 million people in China are under full or partial lockdown, compared with 23 cities and 193 million people a week ago.
- China's top offshore oil and gas producer **CNOOC Ltd.** is preparing to exit its operations in Britain, Canada and the US, because of concerns in Beijing the assets could become subject to Western sanctions.
- **GlaxoSmithKline** will acquire **Sierra Oncology** for £1.5 billion, as the UK drugmaker seeks to bolster its cancer treatment business.
- Alphabet Inc's **Google** plans to invest about \$9.5 billion across its US offices and data centers this year, up from \$7 billion last year, creating at least 12,000 full-time jobs in 2022 with a focus on Nevada, Nebraska and Virginia.

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Environment, Sustainability & Governance

US President Biden unveiled plans to extend the availability of higher biofuel blends of gasoline during the summer to curb soaring fuel costs and to cut reliance on foreign energy sources.

- **US power consumption** will rise in 2022 and 2023 as the economy grows, the US Energy Information Administration (EIA) said in its Short Term Energy Outlook.
- Lloyds of London switched to remote work after **climate activists** protesting the insurer's work with fossil fuel producers blocked several entrances.
- Greece's prime minister said that the country will **speed up gas exploration** to cut its reliance on Russian energy, aiming at its first test drilling in more than two decades by the end of 2023.
- A group of Netherlands-based investors has filed a resolution ahead of TotalEnergies' May 25 shareholder meeting to demand the French oil major's **emissions targets** are consistent with the Paris Climate Agreement.

Africa

- The UN reported that a combination of poor rain, rising food prices and aid funding shortfalls leaves almost 40 percent of **Somalis** at risk of famine.
- At least 45 people have been killed in floods and mudslides amid heavy rains in **South Africa's** port city of Durban in recent days.
- Ambassadors of the **EU, France, Italy and Portugal** to Nigeria met with management of the **Nigerian** National Petroleum Company to discuss boosting shipments of Nigerian liquefied natural gas to Europe to account for the Russian shortfall.
- The **EU** announced a decrease in its training programs in **Mali**, citing a fear of **Russian** interference due to the presence of the Wagner Group.



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Asia

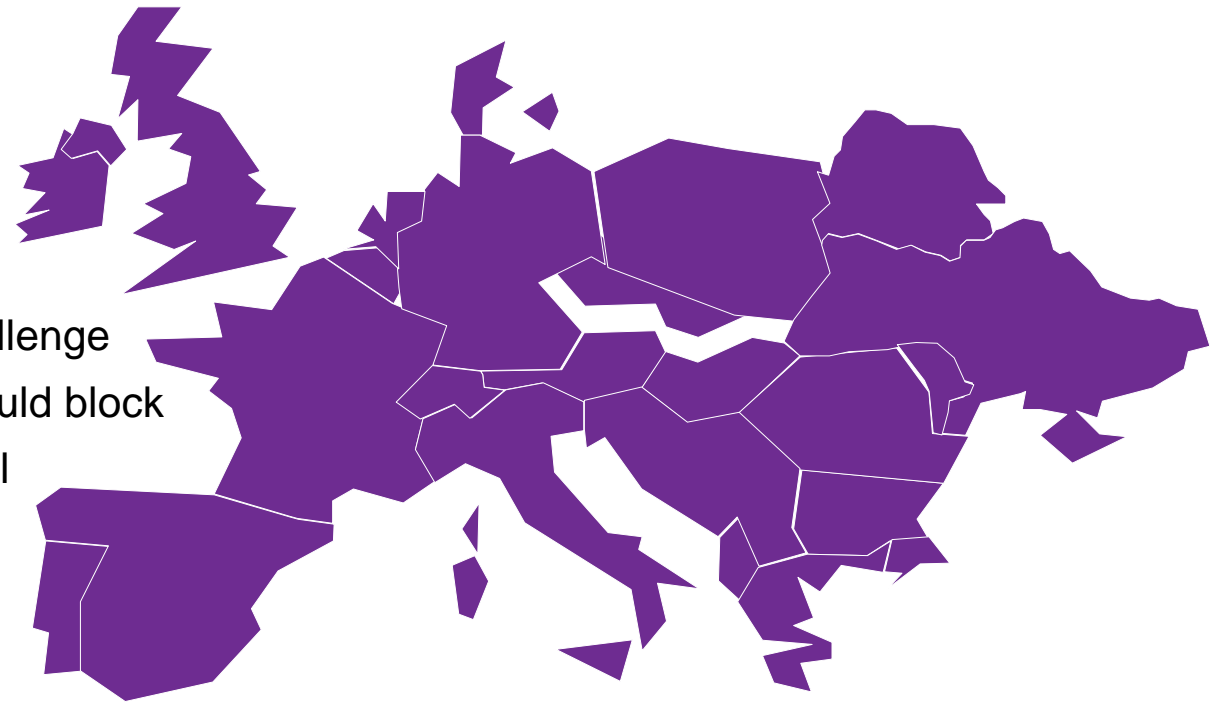
- **New Zealand's** central bank raised interest rates by half a percentage point today, its biggest increase in 22 years, following worries about surging inflation exacerbated by **Russia's** invasion of **Ukraine**.
- The lockdown in Shanghai has been extended to the nearby city of Kunshan, one of the world's largest electronics manufacturing hubs. The lockdown is expected to exacerbate disruption to global supply chains. Analysts expected supplies of printed circuit boards, a component used in almost every electronics gadget, as well as of casings for smartphones and laptops, would be affected most by the factory shutdowns in **China**.
- **South Korea's** incoming government will reverse the country's nuclear phaseout plan, which had been criticized for intensifying the east Asian country's dependence on fossil fuels.
- An **Australian** minister met with the leader of the **Solomon Islands** today, pressing him not to sign a proposed security agreement with **China** that Australia opposes. **New Zealand, US** and some **Pacific islands** neighbors have also criticized the draft agreement for undermining regional stability.



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Europe

- **French** presidential candidate Marine Le Pen, set to challenge President Macron in the April 24 runoff vote, said she would block **EU** sanctions on **Russian** oil and gas while supporting all other sanctions.
- **UK** inflation rose to 7 percent in March, hitting a fresh 30-year high after fuel prices surged and putting more pressure on the Bank of England to increase interest rates again.
- Vaccines against COVID-19 have roughly halved the death toll from the disease in **Italy**, preventing some 150,000 fatalities and 8 million cases last year, per a National Health Institute estimate.
- NATO is set to transform a former communist-era military base in **Albania** into a modern station for its operations in the Western Balkans.



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:

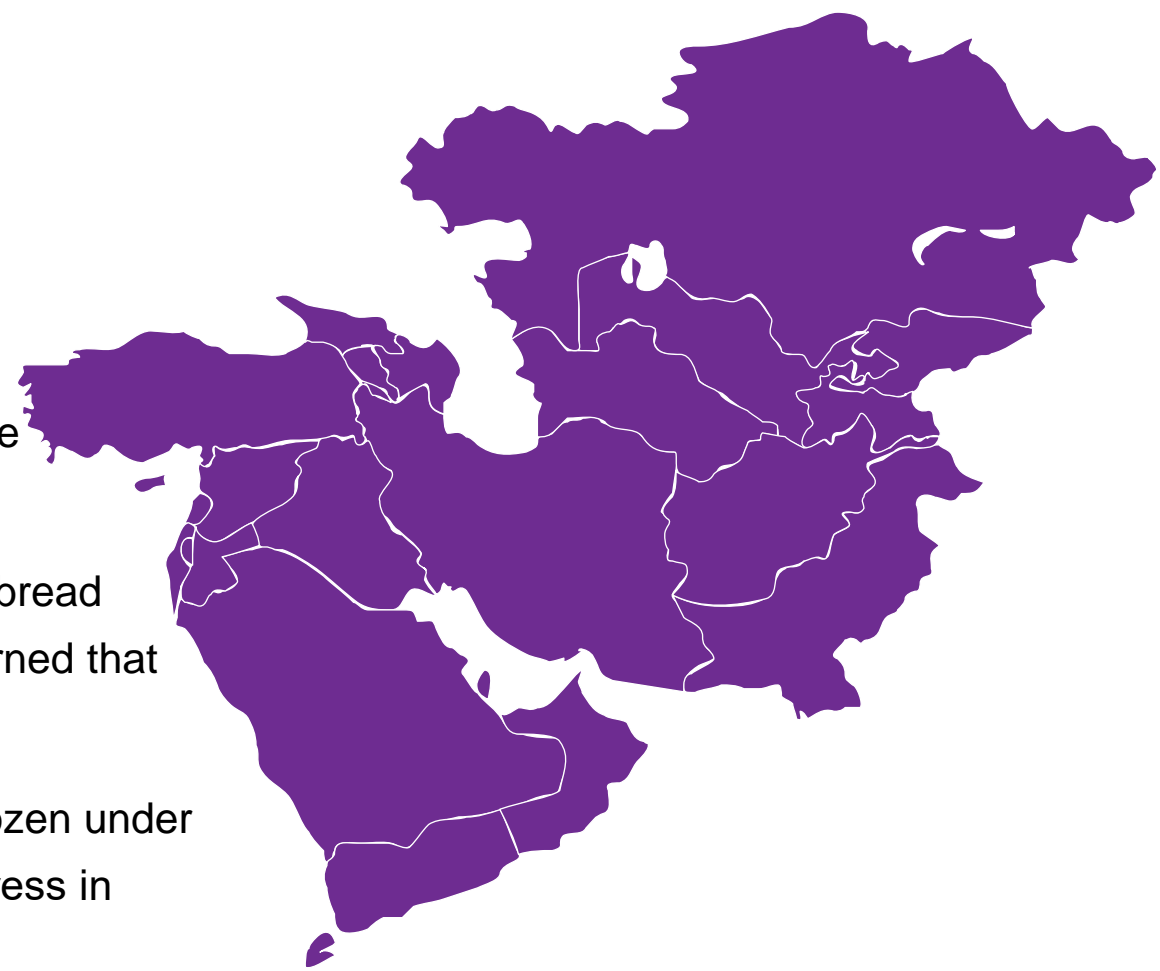
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

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

- **Iranian** networks in **Iraq** are reportedly smuggling weapons for **Russian** use in **Ukraine**, including Iran's Bavar 373 missile system.
- The **Lebanese** government disbursed \$15 million in credit to bread importers in a bid to ease the growing bread shortage but warned that the funds will only last a few weeks.
- An **Iranian** spokesperson said that \$7 billion in state funds frozen under **US** sanctions "*will be released soon*," a potential sign of progress in stalled nuclear talks.



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Americas

- An indigenous group armed by illegal gold miners attacked a Yanomami village on their vast reservation in northern **Brazil**, killing two of its members and wounding five people. Former President Lula promised Brazil's indigenous people that he would stop illegal mining on their reservations and recognize their land claims if he wins the presidential election in October.
- **Argentine** truck owners extended a grains transport strike on Tuesday amid calls for a meeting with the government.
- **Peru's** congress approved legislation yesterday that waives taxes for what it deems as essential foods, aiming to fight surging prices that have hit consumers hard in recent months.
- The number of migrants crossing the treacherous Darien Gap linking **Colombia** and **Panama** more than doubled in the first quarter of 2022 compared with the year-earlier period, led by **Venezuelans**, according to Panamanian officials.



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Americas: US

- A masked **attacker** detonated a smoke grenade and shot 10 people during the morning rush hour **on a Brooklyn subway**. The attacker is still at large. Police have not yet identified a motive to the attack but have identified a person of interest and assessed that the man acted alone.
- Mexican truck drivers blockaded bridges at the US border for a second day on Tuesday to protest an order by the Texas governor meant to increase safety inspections that has snarled traffic and led business groups to warn of **supply chain disruptions**.
- **Inflation** in the US hit 8.5 percent in March, growing at its fastest pace in 40 years,
- The US released its **annual human rights report**, finding that respect for human rights and democratic norms eroded around the world in 2021, as repressive states increasingly detained opponents and reached out beyond their borders at those seen posing a threat.



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Emerging and Existing Hotspots: Geopolitical Tensions in the Arctic

By Matthew Gardell

Russia's invasion of Ukraine has renewed focus on the Arctic, a region that is a center for geopolitical competition between the US, China and Russia. Melting ice caps are revealing vast deposits of strategic minerals. International businesses will be on the hunt for these clean energy commodities.

Last month, seven out of the eight members of the Arctic Council voted to temporarily suspend their participation due to Russia's current chairmanship of the group. The seven members who voted on the resolution were Canada, Denmark, Finland, United States, Iceland, Norway and Sweden. The council has long played an important role in facilitating scientific projects and collaboration on climate change. In spite of the collaborative research that has been produced, the region has emerged as a ground for great power tensions. Policymakers and businesses are focused on the Arctic for two key reasons: the region's vast deposits of clean energy commodities in the form of critical mineral resources and strategic shipping lanes. Some of these Arctic access points are being choked off by Russian area denial operations which threaten freedom of navigation.

Global Power Competition in the Arctic

Climate change has affected many parts of the world, but the effect is particularly stark in the Arctic. The region is warming three times as fast as the global average, leading to melting ice caps. The melting ice has revealed an abundant supply of oil, gas and rare-earth metals such as neodymium, praseodymium, terbium and dysprosium (some of which are ingredients in EV batteries). Melting has also led to increased accessibility to ports and new shipping lanes, which have allowed commercial passages even in warmer months, new trade routes and a sharp rise in shipping activity.

All of this portends a rise in geopolitical competition. Russia has been a traditional stakeholder and power in the Arctic, but China is now a key participant. According to a Brookings

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Emerging and Existing Hotspots: Geopolitical Tensions in the Arctic

Institution report on Chinese foreign policy in the Arctic, Beijing views the region as one of the world's "new strategic frontiers" and seeks to become a "polar great power." China's first interventions in the Arctic were scientific projects, but in 2018, Beijing released an official policy paper where it proclaimed itself a "near-Arctic state," establishing precedent to consider the Arctic as part of its near-abroad. To that end, China has stepped up investment in the Arctic states and plans to build new shipping routes through the Arctic.

Russia has been a major player in terms of economic and natural resource development in the Arctic, but is now increasing its military activities there, using the Arctic as a base to test new weapons and re-fit old Cold War military bases. Russia is also conducting area denial operations that choke off key access points in the Arctic. The US, Canada and other stakeholders see freedom of navigation as an essential plank of their Arctic policy. Although there have been disagreements between Washington and Ottawa over certain waterway claims, such as the Northwest Passage, there is deepening military cooperation between the two countries. The two nations conducted joint military exercises in the Arctic last month, and Canada has taken an increasingly assertive line on protecting its interests and sovereignty in the region.

The US, considered an Arctic country due to Alaska, has stepped up engagement in the region as well. Both Secretaries of State Blinken and Pompeo, who served in the Trump Administration, have made diplomatic trips to the region and attended meetings at the Arctic Council. The US seeks to counter China diplomatically, including by opening a consulate in Greenland, increasing investments and building up its military capabilities in the Arctic. Greenland is an emerging battleground for this "race for minerals." In 2019, the US signed a Memorandum of Understanding with Greenland to help develop its energy and mining sectors, including rare earth minerals. However, China also has an increasing foothold in the rare earth mineral sector in Greenland. A partially Chinese-owned company is a developer of the Kvanefjeld deposit, the world's second-largest rare earth oxides deposit, and the Isua deposit, an iron mine, is now fully-owned by a Chinese commodity company (making it one of the first Arctic projects to be fully owned by a Chinese company).

Business Opportunity and Risk

The Arctic is an attractive destination for international businesses and investors due to its vast deposits of clean energy commodities. In addition to these known mineral deposits, the Arctic is considered

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Emerging and Existing Hotspots: Geopolitical Tensions in the Arctic

one of the world's last energy frontiers with vast undiscovered oil and gas deposits. Due to newly built ports and shipping lanes, many businesses believe there is an opportunity to use the Arctic as a base for energy production and transport. If trends hold and the Arctic becomes ice-free during warmer months of the year, shipping times for commodities or other types of natural resources could be drastically shortened. This would be a boon to global trade and lead to more efficient business operations/supply chains.

There are certain risks to conducting business operations in the Arctic, however. The chances of relations souring between the increasingly adversarial powers vying for influence in the region means that companies should factor in political risk analysis in their business decisions. The increasing probability of conflict is tied to the militarization of the region. Another emergent trend is the nationalization of mineral extraction, oil production and supply chains. Given the strategic importance of the Arctic's resources, countries may step up nationalization efforts; for example, Russia has intensified efforts to nationalize petroleum shipping along the country's Arctic coast. There are also the knock-on effects of environmental damage to the Arctic, particularly by mineral mining

and oil production. The Arctic is a unique, fragile ecosystem with many endangered species, so businesses may suffer reputational risks and contribute to Arctic warming if operations are environmentally destructive. One possible scenario is an oil leak that causes environmental damage which could be compounded by rescue crews not being able to access the Arctic's remote location. Environmental interest groups will put pressure on international companies to protect the Arctic wildlife and ecosystem.

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Ukraine War Update: Mariupol's Fall, Russian Cyber Attack, American War Production

Amid reports that Mariupol may have fallen to Russian forces and Russian President Putin's statement that negotiations with Ukraine were at a dead end, the US seeks to mobilize its defense industry to increase war production.

Political Developments

Speaking at a joint press conference with his Belarusian counterpart Alexander Lukashenko, Russian President Putin said that peace talks between Russia and Ukraine were at a dead-end. Putin restated his claims that the invasion of Ukraine was still on track. Putin continued to call the military offensive as a special military operation in the Donbas, saying Russia was *"providing assistance to the people's republics of Donbas. They act courageously, competently, efficiently and effectively, they use the most modern types of weapons with unique, unparalleled characteristics."*

Contradicting the Russian statement, Ukrainian negotiator Mykhailo Podoliak said that peace talks were very hard, but they were continuing at the level of working sub-groups.

The presidents of Poland, Latvia, Estonia, Lithuania are in Kyiv today, meeting with President Zelensky. In a diplomatic snub, the

Ukrainian government declined a request by German President Frank-Walter Steinmeier, who is close to the Kremlin, to accompany the delegation, instead urging Germany's Chancellor Olaf Scholz to visit as a show of solidarity.

The US government is expected to announce another \$750 million (€692 million) in military assistance for Ukraine. The equipment will be funded using Presidential Drawdown Authority from US stocks and may include included Mi-17 helicopters, howitzer cannons, coastal defense drones and protective suits to safeguard personnel in the event of a chemical, biological or nuclear attack. Today, the Pentagon will host a meeting of top defense contractors to discuss increasing lethal aid to Ukraine as military leaders plan for an extended war.

At a UN Security Council briefing, the UN executive director for women said that she was receiving more reports of Russian forces

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Ukraine War Update: Mariupol's Fall, Russian Cyber Attack, American War Production

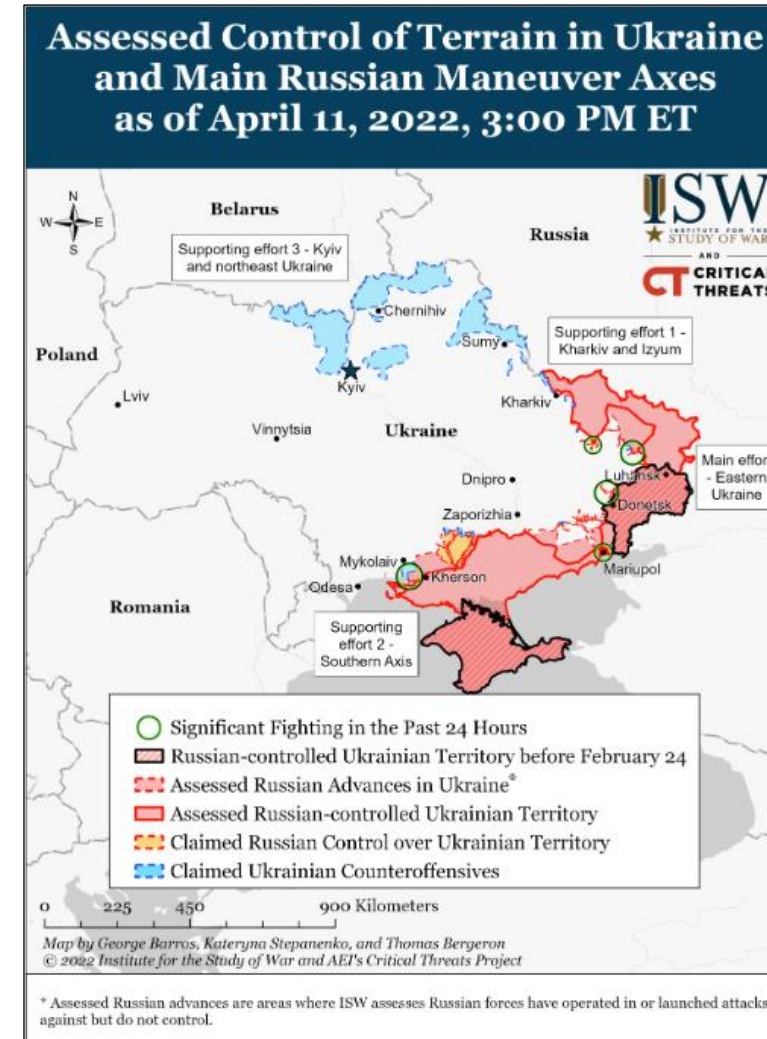
engaged in rape and sexual violence in Ukraine and called for an independent investigation into these allegations to ensure justice and accountability.

The results of an investigation by the Organization for Security and Cooperation in Europe into alleged human rights violations by Russia in Ukraine are set to be publicly released today.

Battlefield Developments

The Russian Defense Ministry claimed that more than a thousand Ukrainian marines have surrendered in Mariupol. Ukraine's defense ministry spokesman said he had no information about any surrender by marines. Over the weekend, the marines issued a plea on Twitter, saying they were running out of ammunition. If Russia's claims are true, Mariupol would be the first major city to fall to Russian forces since they invaded Ukraine on February 24.

As Ukrainian forces continue to clear previously occupied towns, officials are reporting at least 720 civilians were killed in Bucha and other Kyiv suburbs, with another 200 missing.



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Ukraine War Update: Mariupol's Fall, Russian Cyber Attack, American War Production

British military intelligence assessed that Russia's appointment of Army General Alexander Dvornikov as commander of the Ukraine war could mean the country is trying to centralize command and control. The 60-year-old Dvornikov is one of Russia's most experienced officers and has led the country's campaign in Syria.

Ukrainian officials reported that they are unable to investigate reports that a drone dropped chemical weapons on Ukrainian forces in the southeastern port city of Mariupol due to battle conditions. A spokesman for the Russian-backed separatists denied allegations that chemical weapons had been used against Ukrainian troops. The same spokesman stated on Russian state television on Monday that separatists planned to use "*chemical troops*" against Ukrainian forces at a giant steel factory in Mariupol "*to smoke them out of there.*"

According to Ukrainian officials, hackers working for Russia's GRU military intelligence service used malware known as Industroyer2 to target a power station. Their alleged goal was to knock out power in Kyiv on Friday afternoon, as people were returning home from work. However, the Ukrainian side was able to prevent power outages.

Humanitarian Developments

Deputy Prime Minister of Ukraine Iryna Vereshchuk said 2,671 people have been evacuated to safety on Tuesday. There will be no humanitarian corridors today for civilians seeking to flee from southern and eastern Ukraine because Russian forces are blocking evacuation buses or violating cease-fire agreements.

Mariupol's mayor increased his estimate for the death toll, now assessing that 21,000 civilians have been killed in the port city.

Economic Developments

The World Bank is preparing a new \$1.5 billion support package for war-torn Ukraine.

Addressing Lithuania's parliament on Tuesday, Ukrainian President Volodymyr Zelensky again called on EU countries to set a deadline for ending imports of Russian gas or at least limit consumption of Russian gas and oil.

Germany's Kiel Institute for the World Economy assessed that a full EU embargo on Russian energy would trigger a major recession in Germany and the loss of hundreds of thousands of jobs.

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Ukraine War Update: Mariupol's Fall, Russian Cyber Attack, American War Production

Airbus urged European officials not to block imports of titanium from Russia, saying sanctions on the strategic metal would damage aerospace while barely hurting Russia's economy.

Alexei Kudrin, the former finance minister of Russia who serves now as the head of the Audit Chamber, said the Russian economy will contract by more than 10 percent in 2022, the largest contraction since 1994 when the Soviet Union collapse.

In a sign that Russia is having difficulty in finding buyers for its oil exports, Russian Energy Minister Nikolai Shulginov told Russia's Izvestia newspaper Moscow is ready to sell oil and oil products to *"friendly countries in any price range."*

Russian gold producer Polymetal has postponed a vote on a planned \$246 million dividend payment because of a liquidity crunch brought about by western sanctions imposed on Moscow.

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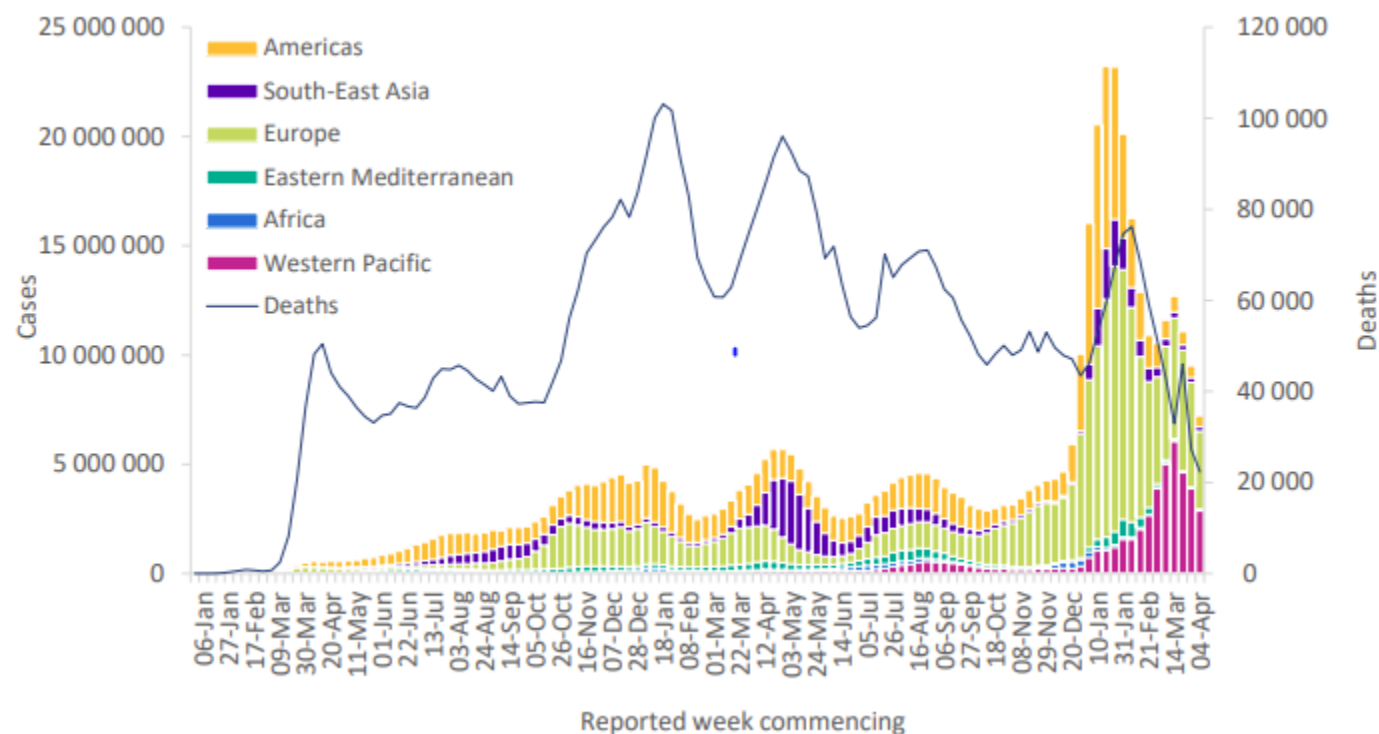
Coronavirus Condition Updates

As of 6:15 pm CEST on April 12, 2022

Global

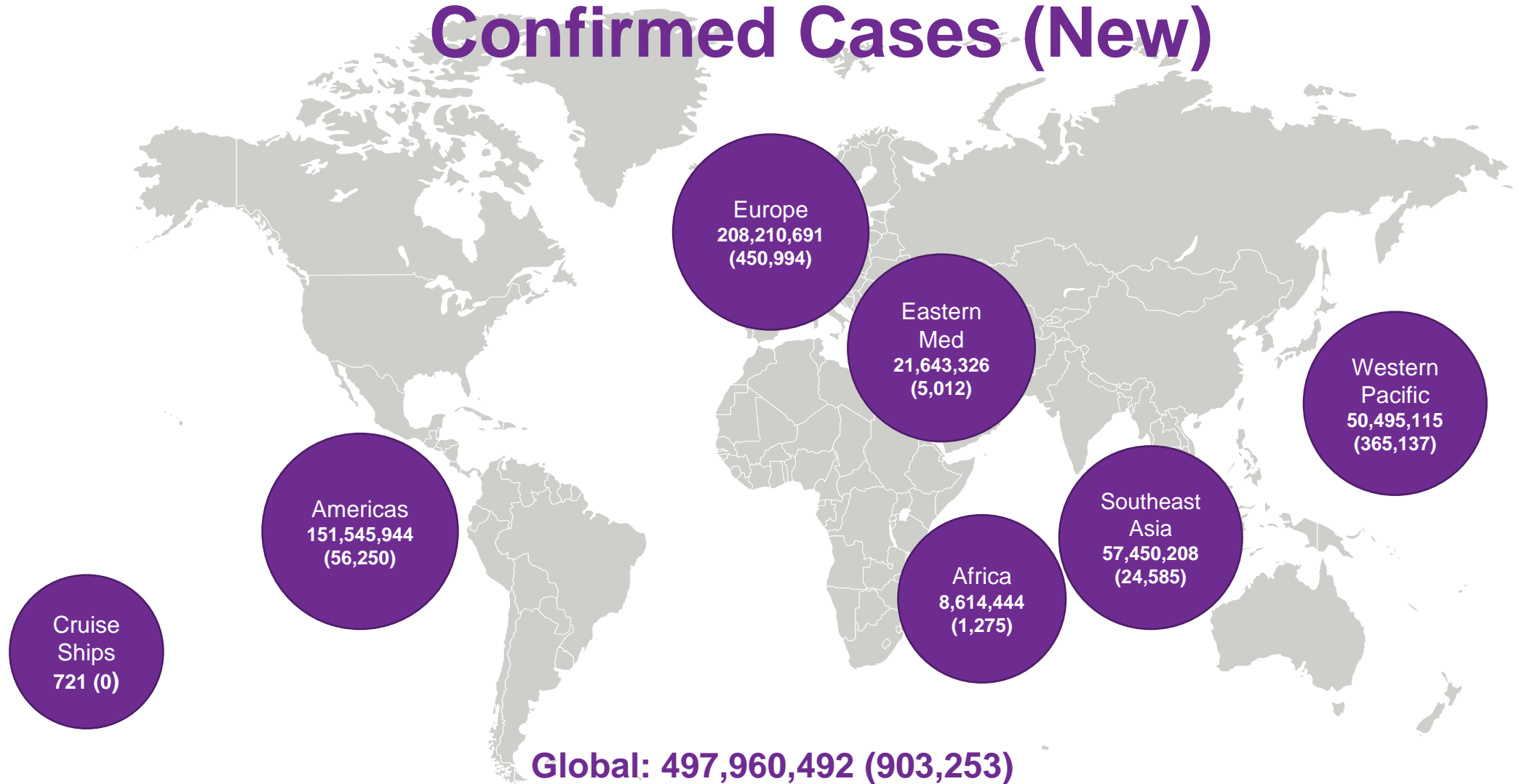
- Globally, during the week of 4 through 10 April 2022, the number of new COVID-19 cases has continued to decline for the third consecutive week, with a 24 percent decrease as compared to the previous week.
- Also, the number of new weekly deaths continue the decreasing trend (-18 percent as compared to the previous week). All the regions show decreasing trends both in the number of new weekly cases and new weekly deaths.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 10 April 2022**



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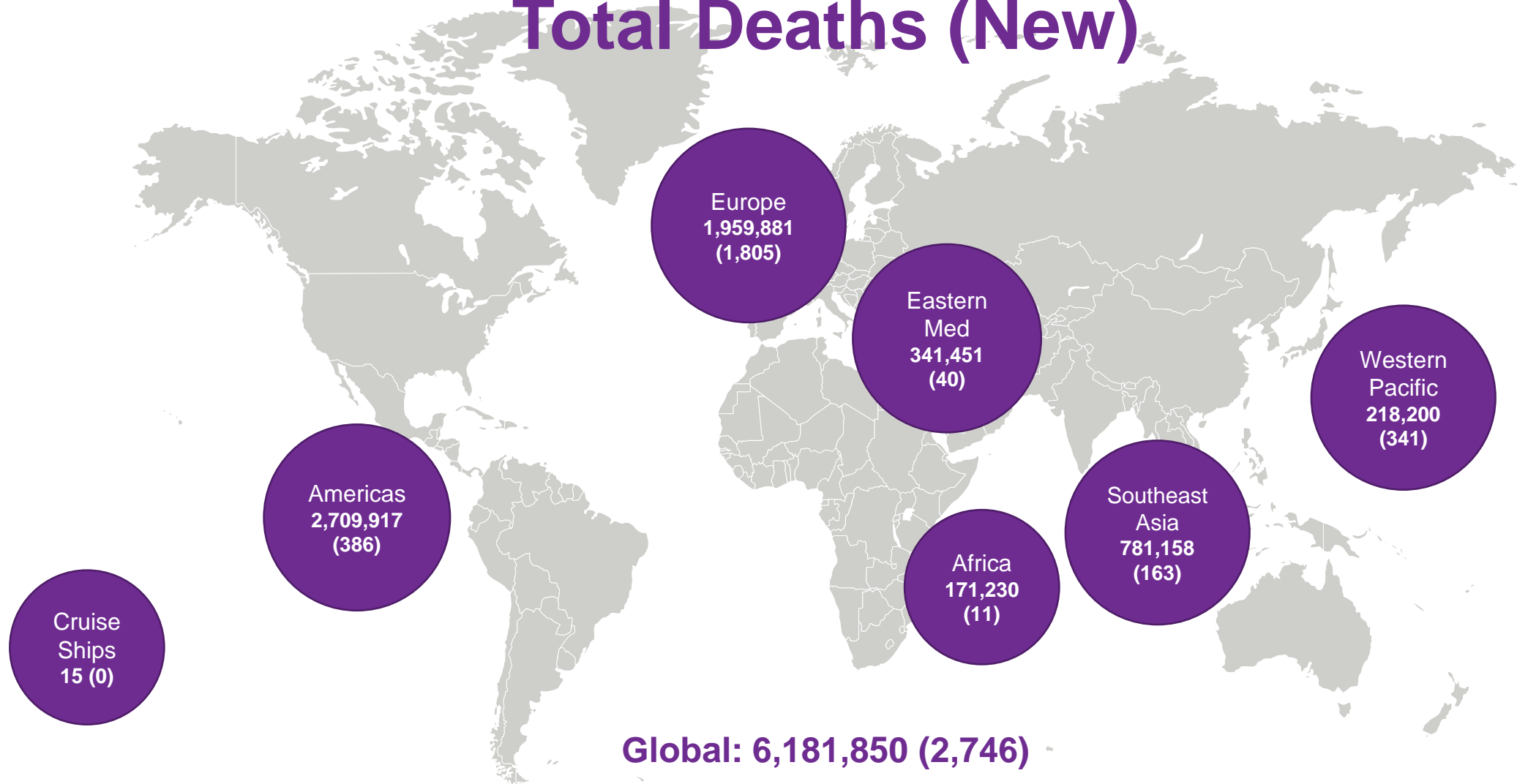
Confirmed Cases (New)



Reflects data as of 6:15 pm CEST on April 12, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:15 pm CEST on April 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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