

Dentons Flashpoint

Global Situation Report

December 19, 2022

Global Situation Update: December 19, 2022

KEY TAKEAWAYS

Russian President Putin is traveling to Belarus amid Ukrainian warnings on possible new Russian offensive.

Core inflation continues to increase in major economies, adding pressure for continued interest rate hikes.

UN biodiversity summit, the COP15, reaches agreement to protect 30 percent of planet to stem extinction.

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WHAT WE'RE WATCHING

European Union (EU) monitors are withdrawing today from the border between Armenia and Azerbaijan during a week in which Baku halted the supply of gas to the contested Nagorno-Karabakh region and Azerbaijani activists block the sole road connecting the enclave to Armenia. The two-month mission was agreed to after a major flare-up in October.

Azerbaijan is suspected of using the moves to create the threat of a humanitarian crisis, in a bid to put pressure on Armenia and force residents in Nagorno-Karabakh to leave the region. Armenia is asking Russian peacekeepers to stop the road blockade that is preventing food, fuel, and medicine from reaching the enclave. Baku's tactics increase the likelihood of causing widespread violence in the region and forcing Armenia to respond militarily.



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

Global

Underlying price pressures are still mounting (core inflation) in most major developed economies despite the recent falls in headline inflation, indicating that central banks will have to keep tightening policy in the coming months.

- Russia and China announced plans for joint naval drills between December 21 and 27, involving missile and artillery firing in the East China Sea. The drills have been held annually since 2012, but take on added import as Moscow seeks to strengthen its political, security and economic links with Beijing.
- A UN summit approved a landmark global deal, Kunming-Montreal Global Biodiversity Framework, to protect nature and direct billions of dollars toward conservation but objections from key African nations leave funding contributions from developed nations to developing countries unresolved.

Markets & Business

Goldman Sachs is preparing to lay off as many as 3,900 employees starting in January as the company leadership seeks to boost the bank's profitability amid economic headwinds.

- Taiwan is fining **Foxconn**, the world's largest contract electronics maker, for an unauthorized investment in a Chinese chip maker even after the Taiwanese firm said it would be selling the stake.
- Self-driving trucking company **TuSimple Holdings Inc.** plans to cut potentially at least half of its workforce next week, as it scales back efforts to build and test autonomous truck-driving systems.
- **L3Harris Technologies Inc** is nearing a \$4.7 billion deal to acquire US rocket maker **Aerojet Rocketdyne Holdings Inc**, 10 months after the latter's \$4.4 billion sale to Lockheed Martin Corp fell through.
- **JP Morgan** signed a deal to buy a 48.5 percent stake in Athens-based payments fintech **Viva Wallet** for more than \$800 million.

Environment, Sustainability & Governance

Spain has launched a pilot project to help small and medium sized industrial companies cut the working week by at least half a day without denting salaries in an attempt to boost productivity.

- EU negotiators reached a political deal to overhaul the bloc's **carbon market**, cutting planet-heating emissions faster and imposing new CO2 costs on fuels used in road transport and buildings from 2027. Under the deal, the EU carbon market will be reformed to cut emissions by 62 percent from 2005 levels by 2030.
- The leaders of Azerbaijan, Georgia, Romania and Hungary signed an agreement on the construction of an electric cable running under the Black Sea to carry green Azeri energy from planned Caspian Sea **windfarms** to Europe.
- Activist investor group Follow this has tabled resolutions urging four of the world's top **oil and gas companies** to set broad **climate targets** for 2030, reviving pressure on the sector after a shift in focus to energy security.

Africa

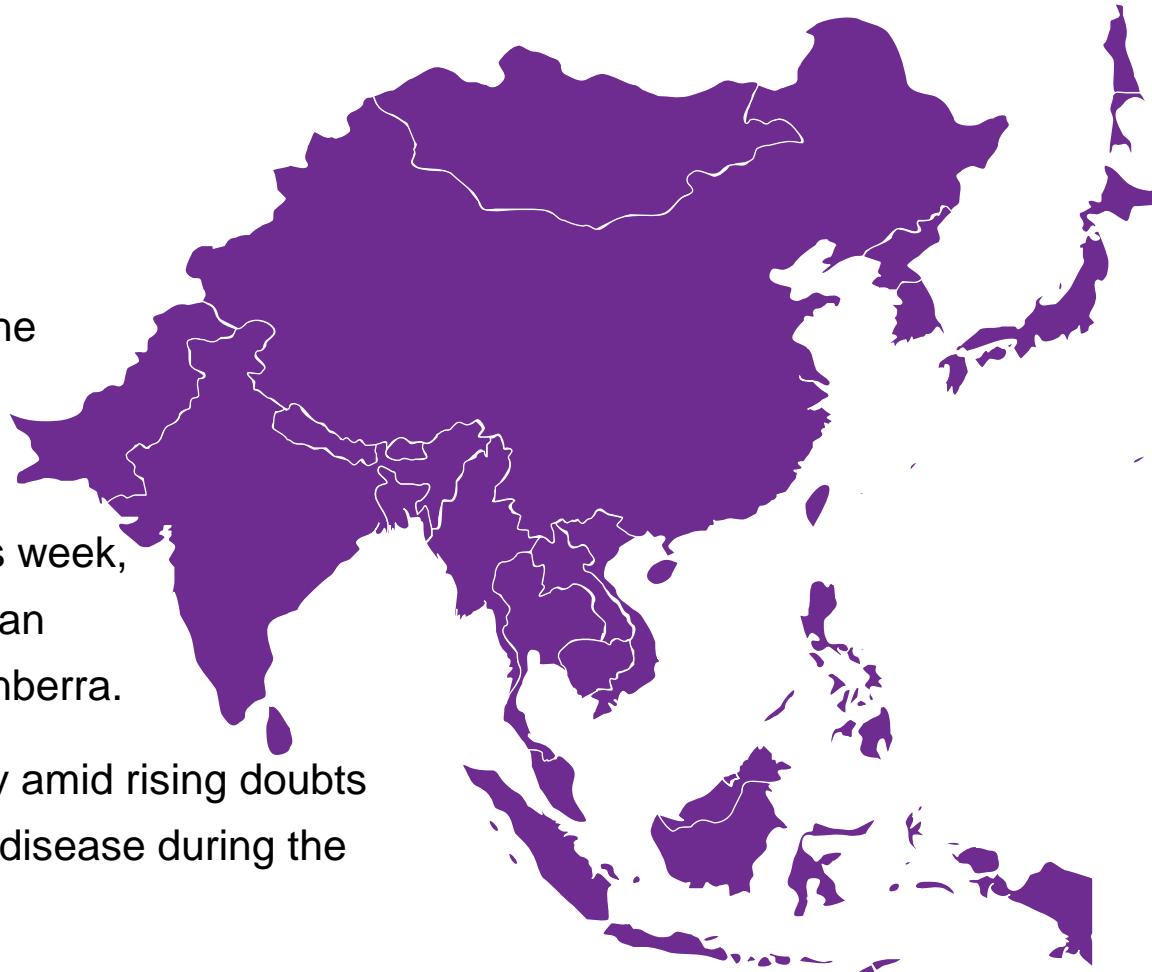
- Delegates of **South Africa's** ruling African National Congress (ANC) gathered on Sunday and selected President Cyril Ramaphosa over challenger, former health minister Zweli Mkhize, putting Ramaphosa on track for re-election as the nation's president.
- **Ghana** slipped into default, with the finance ministry suspending debt service payments on certain categories of external debt including Eurobonds, commercial loans and most bilateral debt, amid the worst economic crisis in a generation.
- The **Ugandan** president lifted all Ebola-related movement restrictions on Saturday, saying the East African country had made progress in curbing the deadly disease.
- The head of a **Russian** private militia accused **France** of attempting to assassinate the head of a Russian representative office in the **Central African Republic**, who was seriously injured on Friday after opening a mail bomb.



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Asia

- **North Korea** fired two ballistic missiles towards the sea off the Korean Peninsula's east coast on Sunday, keeping tensions high on the Korean Peninsula.
- **Australian** Foreign Minister Penny Wong will visit **China** this week, Prime Minister Anthony Albanese said on Monday, signaling an improvement in diplomatic relations between Beijing and Canberra.
- **China** reported its first COVID-related deaths in weeks today amid rising doubts over whether the official count was capturing the full toll of a disease during the current surge.
- **Fiji's** military declined to intervene over a national election that took place on Wednesday, after opposition leaders wrote to the military chief raising concerns over vote-counting. The Pacific island nation, with a population of 900,000, has a history of military coups before constitutional reform in 2013 to remove a race-based voting system that favored indigenous Fijians over a large Indian ethnic group.



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Europe

- **German** Chancellor Scholz officially opened the country's first floating liquefied natural gas terminal on Saturday. The opening of the LNG import terminal is a milestone in Germany's plans to find alternate sources of natural gas.
- Power had been restored to 6 million **Ukrainians** after Friday's intense attacks by **Russia**. Ukrainian President Zelensky described the situation as "*most difficult*" in the capital, Kyiv, and the surrounding region, as well as in the Vinnytsia and Lviv regions, where citizens face sub-zero temperatures.
- **Moldova** has suspended the broadcast licenses of six television channels over "*disinformation*," authorities said. Four of the six suspended channels regularly re-transmit programs from **Russian** channels that were banned by the European Council over "*continuous and concerted disinformation and war propaganda actions*."
- **Russian** President Putin is traveling to **Belarus** for his first visit in 3-1/2 years, which the Kremlin describes as a broad "*working visit*" and talks with Belarusian President Lukashenko. **Ukraine** has been warning for weeks that Russia plans to launch a new offensive and may be urging Belarus to join forces.



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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:

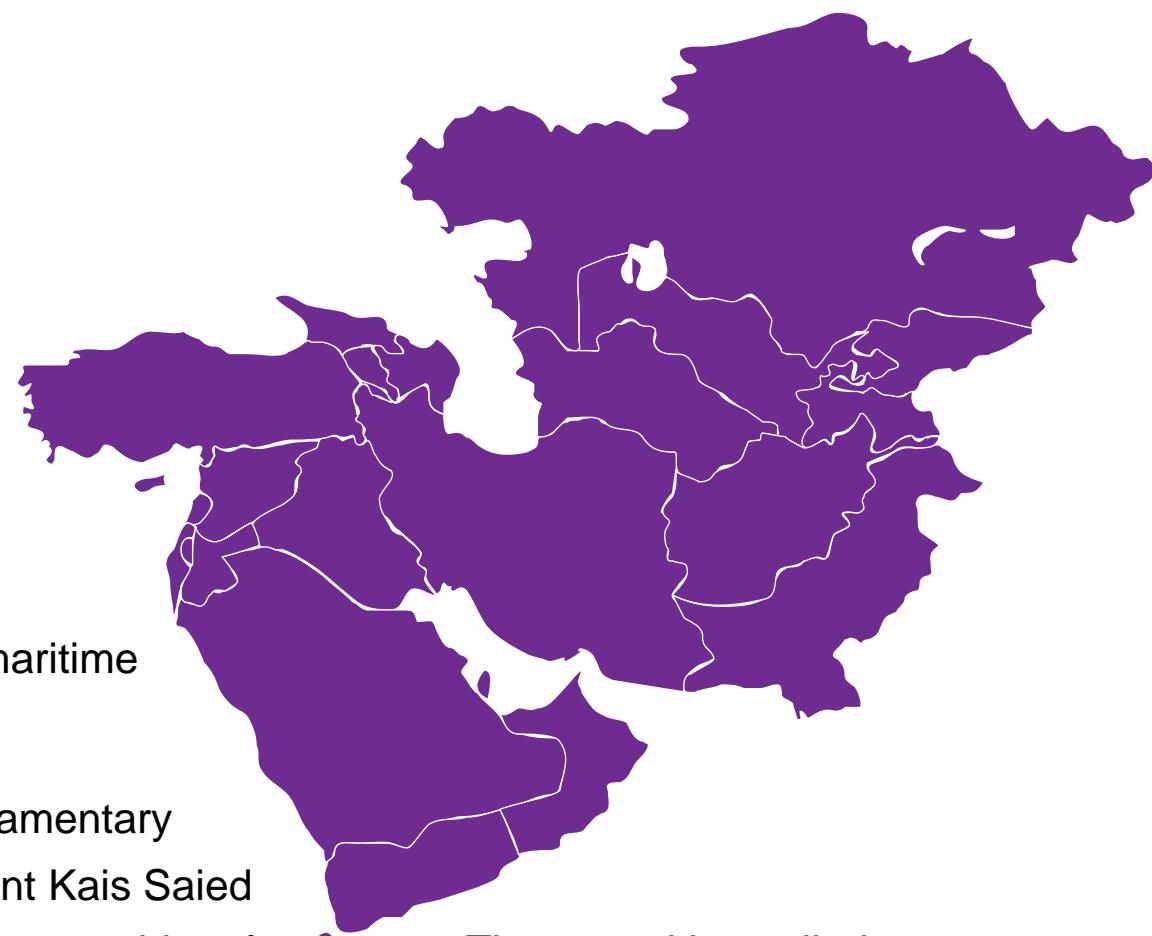
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Middle East

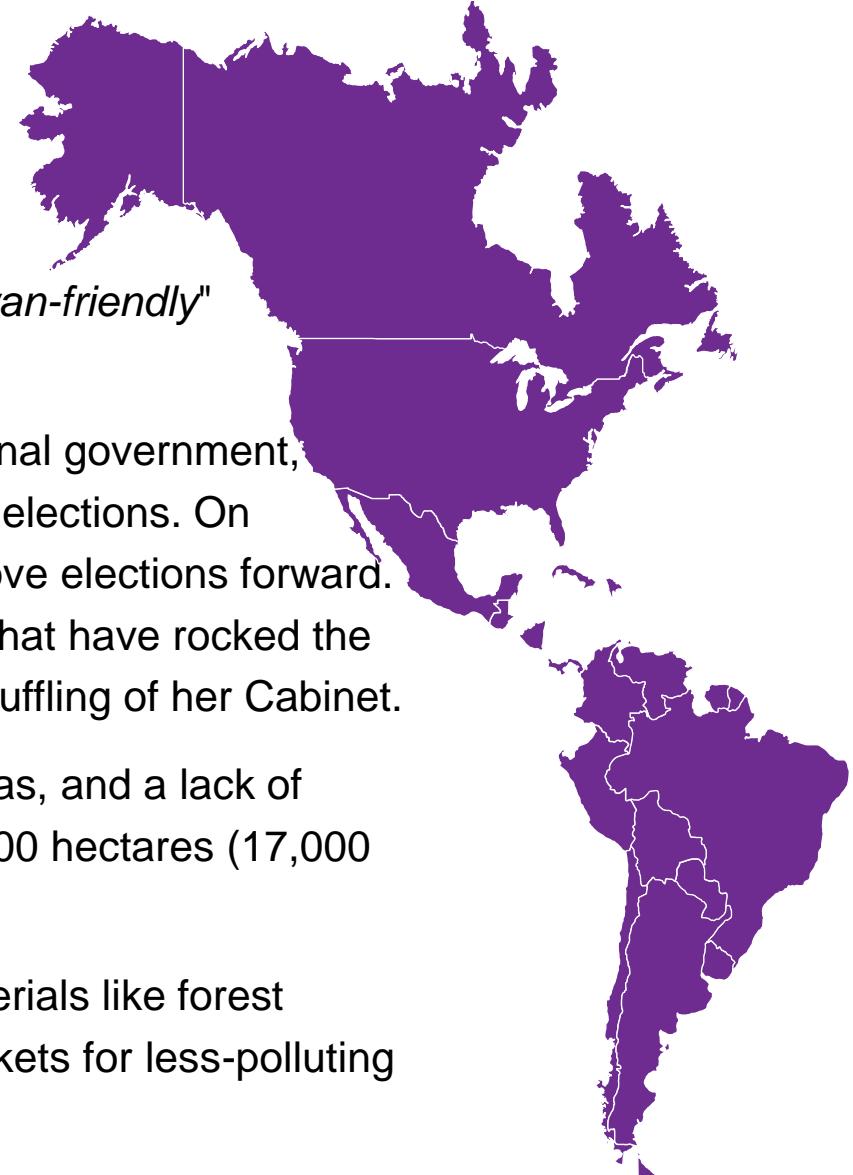
- **Qatar** warned yesterday that an investigation by authorities in Brussels into its role in an alleged influence and bribery scheme could adversely affect energy talks with **Europe**.
- **Libya's** Government of National Unity rejected an **Egyptian** presidency decree unilaterally demarcating Egypt's western maritime borders
- The extreme low turnout of only 8.8 percent in **Tunisia's** parliamentary election on Saturday signals the loss of confidence in President Kais Saied and a fragmented but increasingly confident opposition that accuses him of a  coup. The opposition called on the president to step down.
- Former **Pakistani** Prime Minister Imran Khan announced that his party will dissolve two provincial assemblies next week, earlier than scheduled, in an attempt to build pressure on the federal government to hold early general elections.



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Americas

- **Guatemala** plans to hold a summit in March for senior officials from "*Taiwan-friendly*" countries and hopes Taiwan President Tsai Ing-wen will attend.
- **Peruvian** President Dina Boluarte, who has said she is leading a transitional government, urged the country's Congress to pass a proposal to bring forward general elections. On Friday, Peru's Congress rejected the proposed constitutional reform to move elections forward. Also on Friday, two Cabinet members resigned following deadly protests that have rocked the country, and Boluarte plans to replace the prime minister as part of a reshuffling of her Cabinet.
- **Chile** is suffering from a heat wave with record temperatures in some areas, and a lack of rainfall has intensified forest fires that have already burned more than 7,000 hectares (17,000 acres) in the South American nation.
- **Latin America** is drawing early investment for jet fuel produced from materials like forest residues and palm oil as emission-conscious airlines scour emerging markets for less-polluting fuel to power flights, per industry executives.



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Americas: US

- The US has marked 100 million **COVID-19 cases** since the pandemic began nearly three years ago.
- **US retail spending** and **manufacturing** weakened in November, signs of a slowing economy as the Federal Reserve continues its battle against high inflation with last Wednesday's benchmark interest rate hike of 0.5 percentage point to a 15-year high.
- The House committee investigating the **January 6 attack** on the Capitol is expected to release a summary of its report today and vote on potential criminal referrals to the Justice Department for former President Donald Trump and some of his allies.
- The US Trade Representative's office said on Friday it is extending **China** "Section 301" tariff exclusions for another nine months on 352 Chinese import product categories that were set to expire at the end of 2022, citing alignment with the ongoing comprehensive four-year review of the Section 301 tariffs imposed by former President Trump.



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The Future of Energy: The Nuclear Fusion Breakthrough

By Matthew Gardell

The US Department of Energy recently announced that scientists have been able to produce a fusion reaction that creates a net energy gain for the first time. The announcement has raised hopes that nuclear fusion will be able to provide a limitless supply of clean energy, but commercial viability in the form of power plants may be decades away.

Last week, US officials announced that scientists at a federal research facility achieved an unprecedented breakthrough on nuclear fusion. The process of nuclear fusion involves forcing together two light atomic nuclei and creating a heavier one. Nuclear fusion supplies the stars and sun with their energy and allows them to generate light. For decades, scientists have studied nuclear fusion and the US has poured billions into research, development and fusion experiments. Previously, one of the major problems of nuclear fusion was that the combination of atoms consumed more energy than the fusion reactions generated. Scientists have therefore been pursuing ignition, or the creation of a nuclear reaction that generates more energy than it consumes. On December 5, scientists at a California laboratory finally crossed the threshold of producing a fusion reaction that creates a net energy gain. US officials were quick to hail the achievement as a major milestone and validation for years of investment and efforts. In an era of stark

geopolitical competition over clean energy and advanced technologies, the breakthrough positions the US as a leader in scientific and clean energy development.

Potential Application and Uses

Beyond the scientific breakthrough, the nuclear fusion result has the potential to have numerous practical applications and uses. Overall, the experiment raises hopes that nuclear fusion can eventually be a limitless clean energy source. Scientists and clean energy advocates view nuclear fusion as an attractive energy option because it produces no carbon emissions or other forms of air pollution. Nuclear fusion results in more net energy compared to the burning of coal, oil or gas and four times as much as nuclear fission reactions (at equal mass). Over the long-term, scientists are working to build fusion power plants

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which could generate massive amounts of clean electricity to power homes.

Long before the fusion breakthrough, the US sought investments in commercial fusion, and the recent breakthrough raises expectations that commercial fusion development efforts will now accelerate. The US is not the only country seeking commercial-scale nuclear fusion technology: the European Union and Japan have announced a fusion energy collaboration with the hope of developing further projects. In October, Chinese scientists announced that the country will start generating fusion power using the world's largest pulse-powered energy plant by 2028. Soon after the US announcement, Taiwan indicated that it will fund nuclear fusion research. All this points to an emerging global race to develop nuclear fusion capabilities.

In addition to commercial fusion plants, the fusion breakthrough has the potential to revolutionize space exploration. Given the fusion development, scientists are now bullish that fusion propulsion can be used to power rockets into space. A rocket or spaceship powered through nuclear fusion technology will be clean-burning, shorten trip times and increase the capability for a wide variety of space

missions. Should this technology be perfected, it could bolster mineral mining, space exploration and telecommunications (satellite services and equipment), all seen as key industries in a future space economy.

Risks and Future Development

Although the nuclear fusion breakthrough has been hailed as a major achievement, the reality is that commercial use is likely to be limited in the near-term, particularly in fusion power plants. In terms of commercial fusion, the more likely timeline is development over the course of decades. Cost and bringing nuclear fusion to scale are two of the major impediments to commercial viability. The current cost of nuclear fusion is high and must be lowered by a significant margin before commercial viability. In order for nuclear fusion to be transferred to power plants (for end electricity use), scientists need to come up with ways for fusion to result in more net energy. The timeline for commercial fusion will inevitably run up against the climate benchmarks governments and businesses have set; for example, many countries have set 2050 as the year to reach net-zero emissions, but it is still an open question as to whether commercially-viable fusion power plants will be ready by then. The

The Future of Energy: The Nuclear Fusion Breakthrough

hope is that the fusion breakthrough will jump-start the industry and speed up scientific development, but there will be tension as governments push ambitious timelines regarding climate change mitigation.

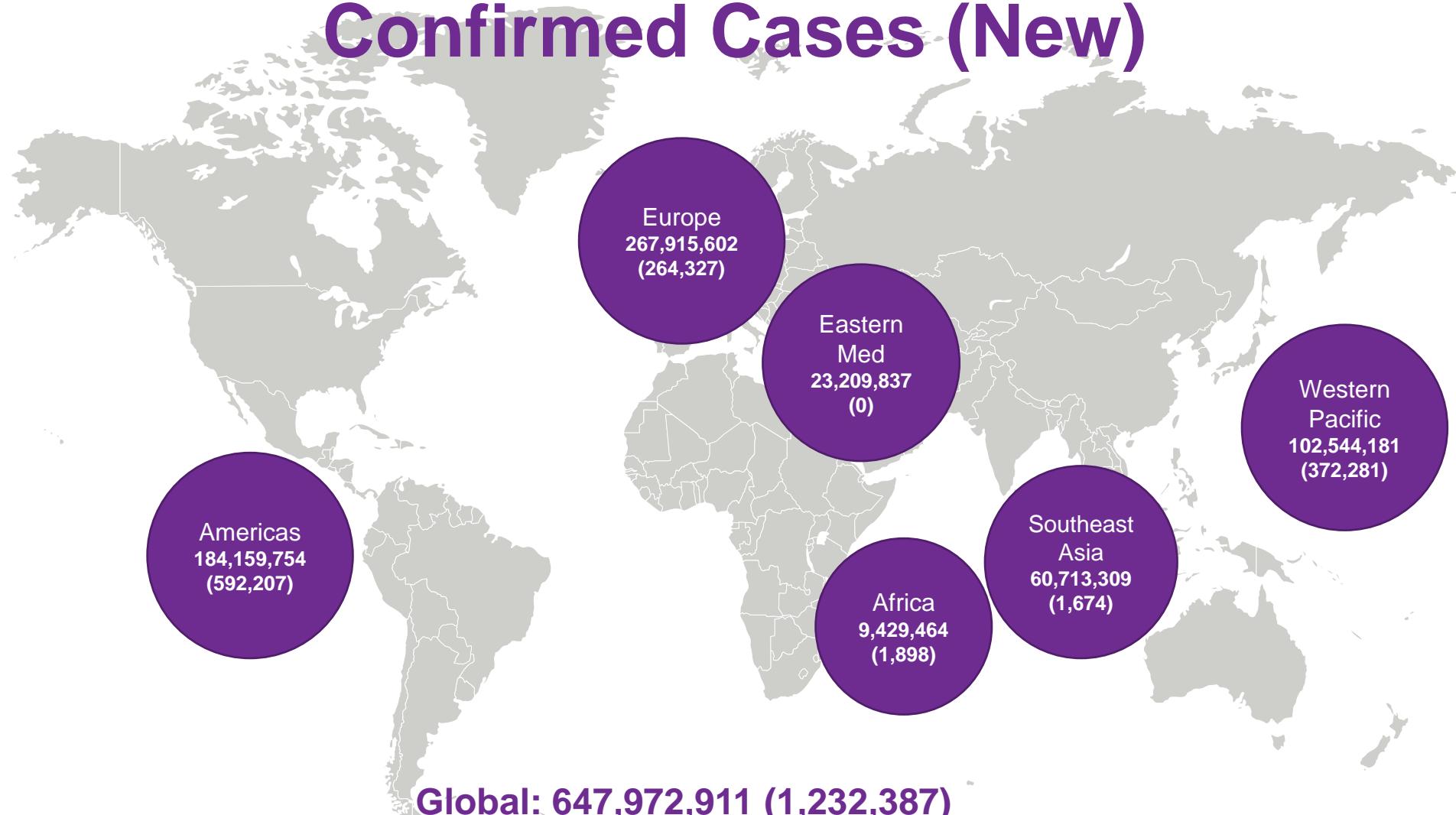
In the near-term, some businesses are benefiting from the nuclear fusion breakthrough. Following the announcement, Alphabet Inc's shares jumped 5 percent as the company has invested in nuclear fusion startups. For the burgeoning nuclear fusion industry, the breakthrough was validated that nuclear fusion can be an important source of clean energy. A combination of generous tax breaks and subsidies as well as capital investment should lead to industry growth in short-term, but the challenge is maintaining that momentum. Investors may look to more proven clean energy commodities such as wind and solar and feel pressure to meet climate targets, thus constraining the nuclear fusion industry. Finally, some environmental groups have raised concerns about the environmental risks associated with nuclear fusion. While nuclear fusion results in zero carbon emissions and no long-lived radioactive waste, some environmental groups are skeptical that future plant operations will not result in the release in any harmful by-products.

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Coronavirus Condition Updates

As of 5:07 pm CEST on December 16, 2022

Confirmed Cases (New)



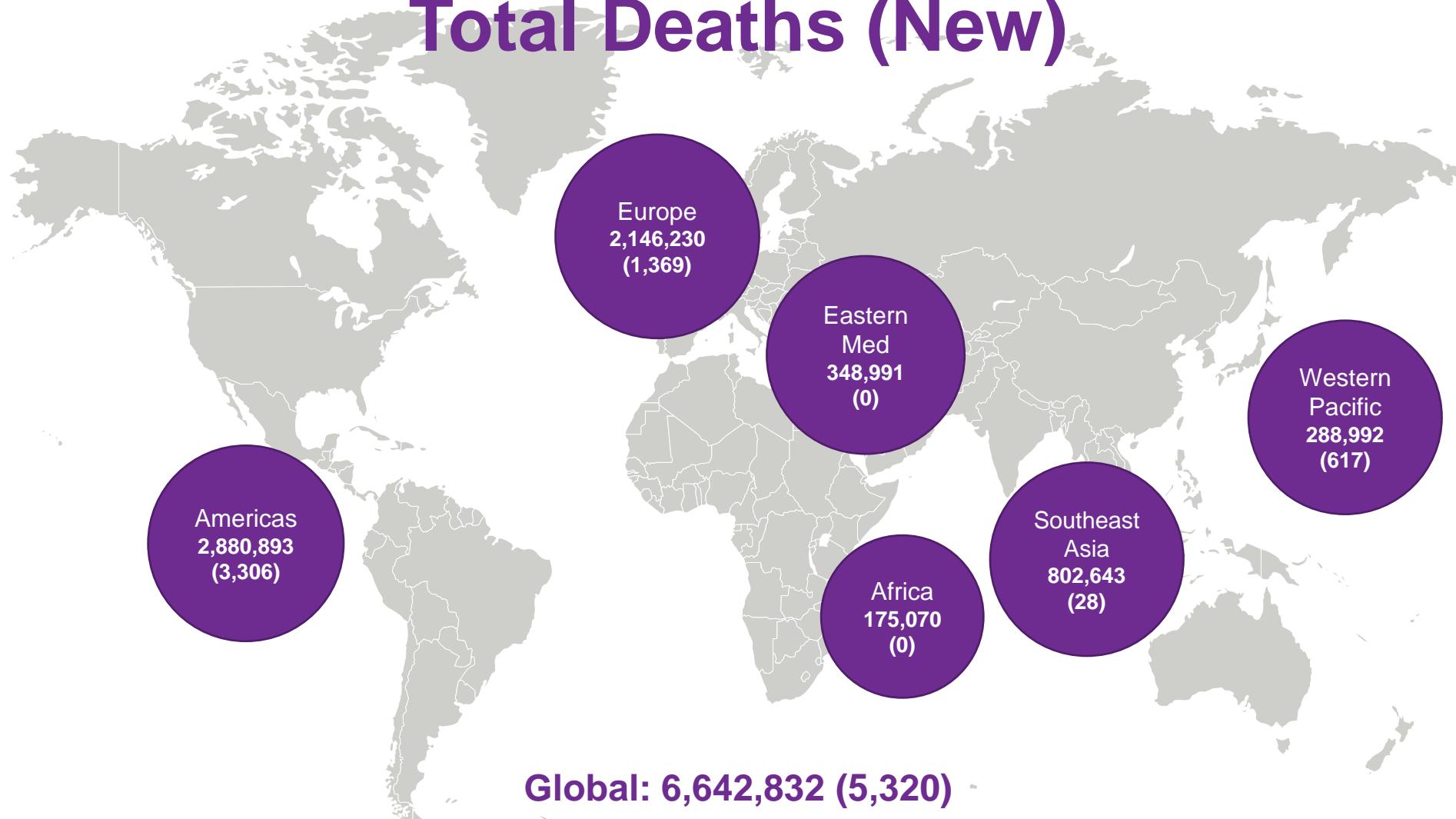
Reflects data as of 5:07pm CEST on December 16, 2022.

Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:07pm CEST on December 16, 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.

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