

Dentons Flashpoint

Daily Global Situation Report

February 23, 2022

Global Situation Update: February 23, 2022

KEY TAKEAWAYS

The US, UK, EU, Canada, Australia and Japan imposed sanctions on Russia; Moscow threatens retaliation.

IEA's 2022 Global Methane Tracker reported methane emissions from the energy sector are 70 percent higher than officially reported.

Globally, the supply of COVID-19 vaccines is outstripping demand.

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WHAT WE'RE WATCHING

The largest data leak ever from a major Swiss bank presents new legal, political and reputational risks for many companies, countries and individuals. Over the next couple weeks, more findings from over 18,000 leaked Credit Suisse accounts obtained by the Organized Crime and Corruption Reporting Project will become public knowledge through its global media partners.

There may be political blowback in places like Jordan, Kazakhstan and Venezuela where political opposition is now armed with more information about the extent of their national funds stashed in Switzerland. Credit Suisse will certainly face greater pressure from international authorities as a result of the leaks. The records, which cover more than 120 jurisdictions worldwide, with many in the developing world, will also create problems for financial and professional services firms mentioned.



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

Global

Globally, confirmed coronavirus cases topped 424.8 million with 5.8 million deaths; more than 10.4 billion vaccine doses have been administered.

- The US, UK, EU, Australia and Japan imposed **sanctions** on Russia in response to Russia's actions in Ukraine.
- Russia wants that the US will face “*consequences*” for imposing **sanctions**.
- Canada authorized **additional troops** to Latvia.
- US Secretary of State Blinken and French Foreign Minister Le Drian **canceled separate meetings** scheduled with Russian Foreign Minister Lavrov.
- The global project to share **COVID-19 vaccines** is struggling to place more than 300 million doses in the latest sign the problem with vaccinating the world is now more about demand than supply.
- US health regulators are considering authorizing a **fourth dose of a COVID-19 vaccine** in the fall, if evidence demonstrates the added booster would shore up people's defenses that waned after their first booster and reduce their risk of symptomatic and severe disease.

Markets & Business

Bank of America forecasted that copper could more than double to \$20,000 per ton by 2025 with increased demand for electric vehicles and other renewable energy technologies.

- **Tesla Inc** plans to expand parts production at its Shanghai factory to meet growing demand for exports. Last year, Tesla sold over 470,000 China-made cars.
- Chinese property developer **Shimao Group Holdings Ltd.** missed some trust payments and has not reached an agreement to extend repayments on about 6 billion yuan (\$948 million) of high-yield products with the nation's largest trust firm. China's real estate sector has been rocked by a string of defaults by major developers.
- Omicron is spreading through cargo ships, raising concerns that a surge in cases, coupled with China's tightened quarantine requirements for vessels, could delay supply chain stabilization for the **shipping industry.**
- **MSCI** said it had not taken any action on Russia following imposition of sanctions by Western governments but signaled it would consider taking steps such as freezing Russian indexes if new sanctions hurt their investability for a significant portion of global investors.

Environment, Sustainability & Governance

With climate change triggering droughts and farmers clearing forests, the number of extreme wildfires is expected to increase 30 percent within the next 28 years, according to a new report by the UN Environment Program.

- International Energy Agency 2022 Global Methane Tracker report states that emissions of the potent **greenhouse gas methane** coming from the global energy sector are 70 percent higher than officially reported, with the coal sector identified as the biggest single source.
- Airbus will build a demonstrator to test **hydrogen-powered propulsion** for planes.
- Hasbro joined the Science Based Targets initiative (SBTi), committing to establish vetted **emissions targets** for 2030 and 2050.
- Winds of up to 135 kilometers per hour (84 mph) battered Madagascar early on Wednesday as Cyclone Emnati made landfall, becoming the fourth major storm to hit the Indian Ocean island in a month. World Meteorological Organization said it was rare to have groups of cyclones in the same area in close succession, citing ocean heat as one of the factors in **rapid intensification of cyclones**.

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Africa

- **Ugandan** lawmakers proposed imposing a fine of over \$1,000 or six months in jail for citizens who refuse a COVID-19 vaccine.
- Four **French** soldiers were briefly detained for unknown reasons at the **Central African Republic's** largest airport while escorting President Touadéra on a visit to Europe. The incident prompted misinformation claiming that the soldiers had attempted to assassinate the President to spread on social media, more fuel to the fire of anti-French sentiment in the region.
- A local think tank report found that **Somali**-based militant group Al Shabaab spent \$24 million on arms last year, mostly from local black markets and **Yemen**.
- Eighteen civilians were killed when their transport vehicle came under attack in a part of western **Niger** frequently targeted by Islamist militants. Local officials have blamed a series of massacres of civilians since last year on Islamic State's affiliate in West Africa, which along with al Qaeda-linked militants has been responsible for spreading violence across Niger, **Mali** and **Burkina Faso**.



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Asia

- An independent UN human rights investigator called on the international community to provide **North Korea** with at least 60 million doses of COVID-19 vaccines to head off humanitarian disaster, citing risks of starvation due to lockdowns.
- **Hong Kong** will boost support for consumers and the unemployed and allocate more than HKD\$47 billion (\$6 billion) to fight an escalating COVID-19 outbreak that is taking a toll on the economy. Chief Executive Carrie Lam said Hong Kong will enforce citywide coronavirus testing without resorting to a lockdown,
- **Vietnam** is suffering from fuel shortages with hundreds of retailers forced to halt sales, prompting the government to order an investigation of the market including imports and exports of gasoline.
- **Taiwan** President Tsai Ing-wen called for the island to raise its military alert level in response to the Ukraine crisis.



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Asia

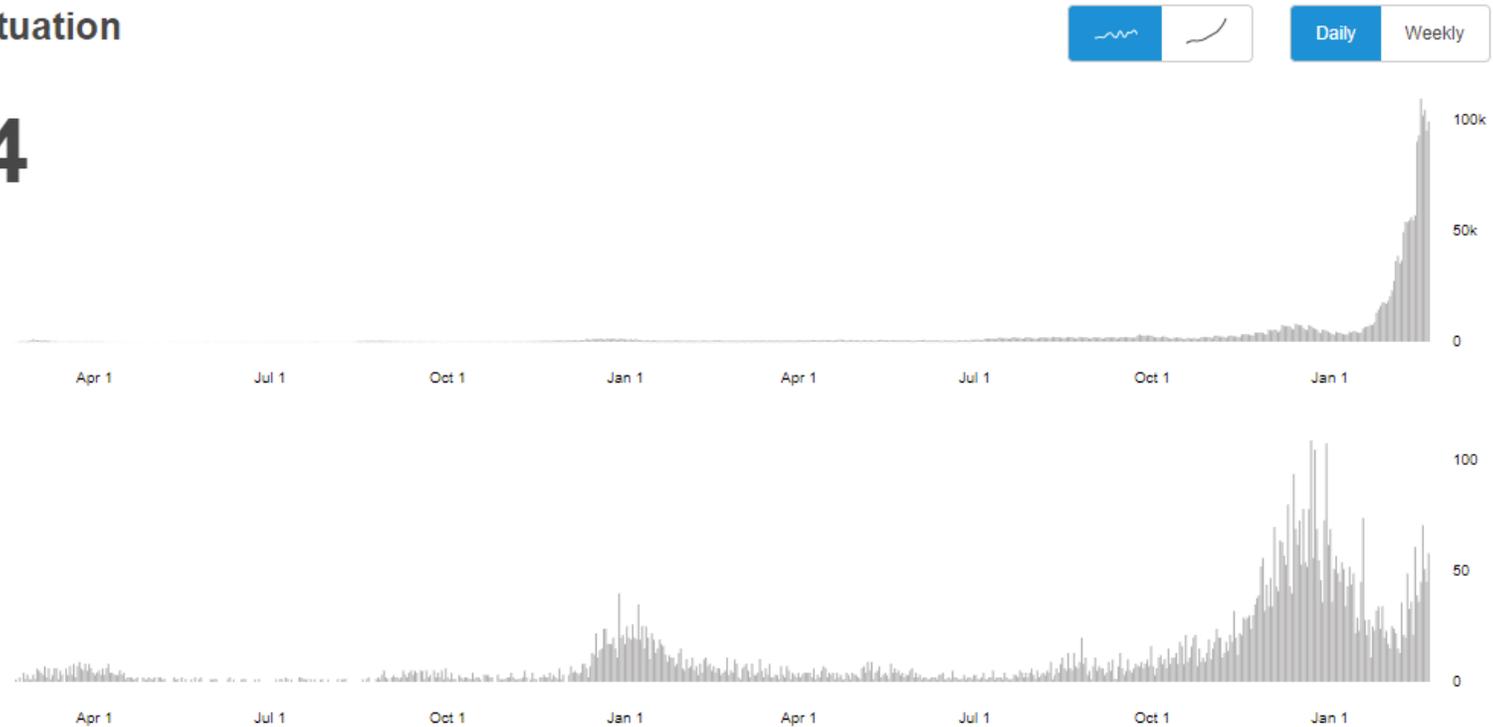
South Korea's prime minister called on people not to panic about a major increase in coronavirus infections as new daily cases surged past 170,000 for the first time.

Republic of Korea Situation

2,157,734
confirmed cases

7,508
deaths

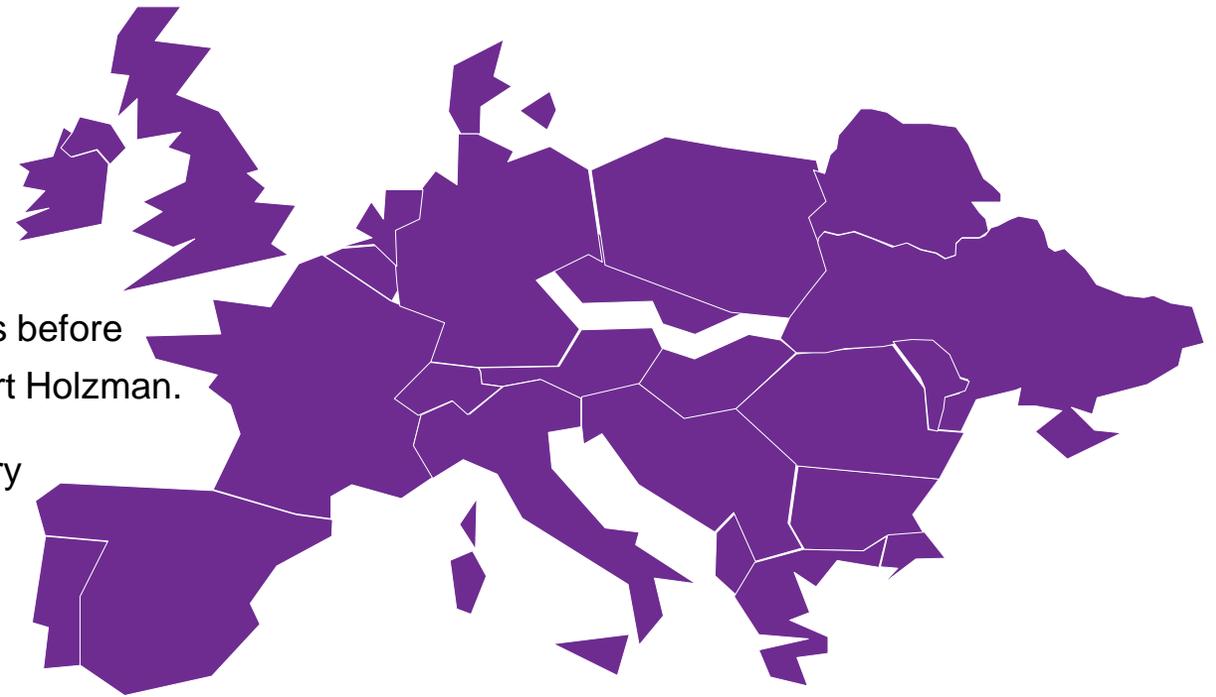
Source: World Health Organization



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Europe

- The **European** Central Bank could begin increasing interest rates before ending its bond purchasing program, per ECB policymaker Robert Holzman.
- Satellite images show a new deployment of more than 100 military vehicles and dozens of troop tents in southern **Belarus** near the **Ukraine** border. Ukraine has started drafting reservists aged 18-60 after a presidential order.
- **Qatari** officials said that it would be “*almost impossible*” for Qatar, or any other single nation, to quickly replace **Russian** natural gas supply to **Europe**, putting a damper on hopes that the country could alleviate energy pressures caused by Russian tensions.
- European Union countries agreed on Tuesday to open their borders to travelers from outside the bloc who have had shots against COVID-19 authorized by the WHO. **Ireland and Poland** became the latest European nations to drop most of their public health restrictions as coronavirus infections go down.
- **France's** far-right leader and presidential hopeful Marine Le Pen suspended her field campaign as she struggles to acquire the necessary mayoral pledges required to make it on the ballot list.



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How do You Manage Risks?

The coronavirus pandemic has not just added a new layer of risk for business leaders to navigate, but has accelerated drivers of change, including disruptive technologies, political and economic realignments and cultural priorities on equality, justice and conservation, while increasing vulnerabilities that bad actors seek to exploit.

Dentons Intelligence and Security Services Group offers bespoke services to provide business leaders with the intelligence they need to understand and thrive in complex operating environments.

- ❖ due diligence and compliance investigations
- ❖ physical and cyber security assessments
- ❖ country and political risk assessments
- ❖ enterprise risk management and organizational resiliency advice
- ❖ crisis and incident response (physical security breaches and cyber incidents, insider threats and reputational impacts)

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

Middle East



- **Saudi Arabia** celebrated its first-ever Founding Day in observation of a founding date in 1727, choosing a date downplays the role of the radical Wahhabi sect of Islam in the country's early founding.
- The **Emirati** minister for foreign trade downplayed the possibility of an income tax for the time being, despite efforts to diversify the government's streams of revenue and diversify away from oil.
- An **Israeli** court temporarily suspended an order for the eviction of a Palestinian family in the flashpoint **East Jerusalem** neighborhood of Sheikh Jarrah amid rising tensions there.
- **EU and Russian** sources said that a resolution to the **Iran** nuclear deal is “days away,” reflecting the progressively more optimistic timeline reported over the last weeks.
- **Libyan** interim Prime Minister Dbeibah reiterated his stance that he will only cede power to an elected government, despite the parliament's move to appoint a new interim prime minister this month and warned that political turmoil could prompt renewed violence in the country.

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Americas

- A **European** Commission electoral observation mission concluded that **Venezuela** must improve its separation of powers to empower the country's electoral board to achieve free and fair elections. A new study found that half of all payments for food, medicine and services in Caracas, Venezuela, are made in US dollars.
- **Colombia's** top court decriminalized abortion up to 24 weeks in a landmark judgment, making the country one of several predominantly Catholic countries in Latin America to decriminalize abortion in recent years.
- **Ecuadorian** President Lasso is re-submitting a raft of legal reforms aimed at boosting private sector investment, after failing to pass similar reforms last year in the opposition-held parliament.
- **Russia** has agreed to postpone some debt payments owed to it by communist-run **Cuba** until 2027, after the two countries announced they would deepen ties amid the spiraling Ukraine crisis.



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Americas: US

- All states except Hawaii have dropped their **mask mandates** or have made plans to do so in the coming weeks. Major retailers are also dropping their mask requirements. Average daily **COVID-19 cases and hospitalizations** are continuing to fall an indicator that the Omicron variant is running its course.
- Local and federal agencies are preparing for possible **traffic disruptions** in the Washington DC area during the period leading up to and following the President's State of the Union addresses by the self-styled "**Freedom Convoy**" that occupied downtown Ottawa for more than three weeks protesting vaccine mandates.
- The US Supreme Court rejected former President Donald Trump's request to block the release of White House records sought by the Democratic-led congressional panel investigating last year's **deadly attack on the Capitol**.
- President Biden announce new domestic investments in **mineral mining** key to production of goods such as computers, household appliances and electric vehicle .and stressed that new mines must benefit host communities and not damage the environment. Biden cited growing concern that the US was vulnerable to supply chain dominance by China, Australia and Chile, countries that have heavily invested in minerals essential for the construction of future technologies.
- Defense Secretary Lloyd Austin issued orders to deploy a few thousand more **US troops to Eastern Europe**, moving them from current deployments in Western Europe.



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Russia-Ukraine Crisis and Developing Risks Sanctions and Retaliation

By Alex Lucaci

Russian President Vladimir Putin has officially recognized the independence of two breakaway republics in eastern Ukraine, triggering a series of retaliatory steps from Brussels and Washington. Although Russian forces and Moscow-backed armed separatists have de-facto occupied the Luhansk and Donetsk regions since 2014, Putin's declaration has provided the pretext for Russian troops to conduct "peacekeeping" missions and openly deploy military assets within Ukraine's borders. Open-source intelligence reporting over the last 24 hours has shown Russian tactical battalions moving into Luhansk and Donetsk as well as heightened troop readiness formations to Ukraine's north in Belarus and along its northeastern border. Furthermore, President Putin has already requested and, unsurprisingly, received permission from the Russian legislature to conduct military activities outside of Russian territory.

Moscow will likely commence military operations to seize additional territory in the coming days, an assertion supported by President Biden in his announcement on Tuesday of imminent sanctions against Russian entities and individuals. The breakaway Luhansk and Donetsk People's Republics only presently control roughly one-

third of the territories of those respective Ukrainian oblasts, but now with full Russian military might may take all of each. Russian military operations in Ukraine are likely to be on a larger scale than just within those regions. Putin on Monday spoke explicitly about his belief that Ukraine cannot exist as an independent entity outside of Moscow's control or influence. His statements reinforced the notion that Ukraine's sovereignty is not a geopolitical or economic issue, but rather a fundamental, existential question of Slavic ethnicity, culture, language, religion, and even destiny. The Russian president's tone throughout the speech was at times angry, frustrated, and threatening, while also heavily focused on the historical unity between Russian and Ukrainian peoples.

For these reasons, it is unlikely that the Russian president will be deterred by traditional economic or military means, and therefore will conduct military operations deeper into Ukrainian territory. Minsk and Chisinau in particular also remain at risk – while the eyes of the world have been focused on Ukraine, Moscow has permanently deployed forces throughout Belarus. The breakaway region of Transnistria in Moldova also presents an immense security concern

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Russia-Ukraine Crisis and Developing Risks Sanctions and Retaliation

for the European Union and could be a territorial ambition for Russia in the short term.

Retaliatory Sanctions

As of this writing, the first tranches of European, Canadian, Japanese and US sanctions are released in response to Russia's intended annexation of the Luhansk and Donetsk regions within Ukraine. Brussels, London and Washington are seeking to coordinate their sanctions regimes and have thus far blacklisted the following entities, assets, regions and individuals:

- VEB.RF, a major Russian development bank (formerly Vnesheconombank) & subsidiaries
- Bank Rossiya (new EU sanctions, placed under US sanctions in 2014)
- IS Bank
- General Bank (Genbank)
- Promsvyazbank, a Russian military bank & subsidiaries

- Black Sea Bank
- Russian sovereign debt markets
- All 351 Russian Duma members who voted to recognize Donetsk and Luhansk region independence
- All investments, imports and exports, and financial transactions in the "so-called Donetsk and Luhansk Peoples' Republics"
- A cancellation of the certification for the Nord Stream 2 pipeline
- Russian elites and their family members (UK announced new sanctions on Gennady Timchenko, Boris & Igor Rotenberg)

There is an extensive list of additional targets for EU, American and British sanctions. Among Russian financial institutions, Sberbank, VTB Bank, and Gazprombank are under limited US sanctions and may also draw the ire of London and Brussels. Sectoral sanctions are also likely in the coming days, including Russian steel, aluminum, potash, and nickel conglomerates, as well as Russian energy firms that have so far escaped the patchwork of US and European sanctions since 2014. President Biden will roll-out

Russia-Ukraine Crisis and Developing Risks Sanctions and Retaliation

sanctions on Russian elites and their family members today, while British Prime Minister Boris Johnson is reportedly considering a crackdown on Russian real estate investments in the UK. Analysts in both London and Washington have identified the assets of Russian elites abroad as a potential area for sanctions expansion, although these measures would likely have limited impact on Kremlin decision-making.

High-level Kremlin advisers and officials appear to be convinced that the Russian economy has become “sanctions-proof” since 2014, meaning that US and EU blacklisting of Russian entities and sectors has reached a point of diminishing returns in affecting Moscow’s behavior and economic growth. This proposition will be put to the test in the coming days and weeks, as Washington, London and Brussels coordinate on retaliatory measures. Moscow’s stock index is down 20 percent YTD, while the Russian ruble has touched record lows versus the US dollar over the past 48 hours. Although most analysts agree that Russia is better positioned to withstand an economic shock than in 2014 due to larger foreign currency reserves and lower external debt, the forthcoming international sanctions regime is likely to be broader and more punitive in scope. The

cancellation of Nord Stream 2, in particular, is a serious step that will have significant economic implications not only for Russia, but for global energy markets.

Washington has made clear that its support for Ukrainian territorial sovereignty consists of, and is limited to, the enforcement of a severe, coordinated international sanctions regime and weapons shipments to Kyiv’s armed forces. Despite significant quantitative and organizational improvements since 2014, Ukraine’s military remains inferior to that of Russia and will not be able to resist deep incursions past the Luhansk and Donetsk regions.

Russian Retaliatory Measures to Sanctions

The FBI Cyber Division, in coordination with the FBI's Office of Private Sector (OPS), has issued a new report, warning the private sector about the threat of Russian state-sponsored advanced persistent threat (APT) cyber activities, including spear phishing and brute force cyber network attacks (CNA), while exploiting known vulnerabilities against accounts and networks with weak security. The FBI report notes that Russian APT actors have targeted a variety of US and international critical infrastructure, including

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Russia-Ukraine Crisis and Developing Risks Sanctions and Retaliation

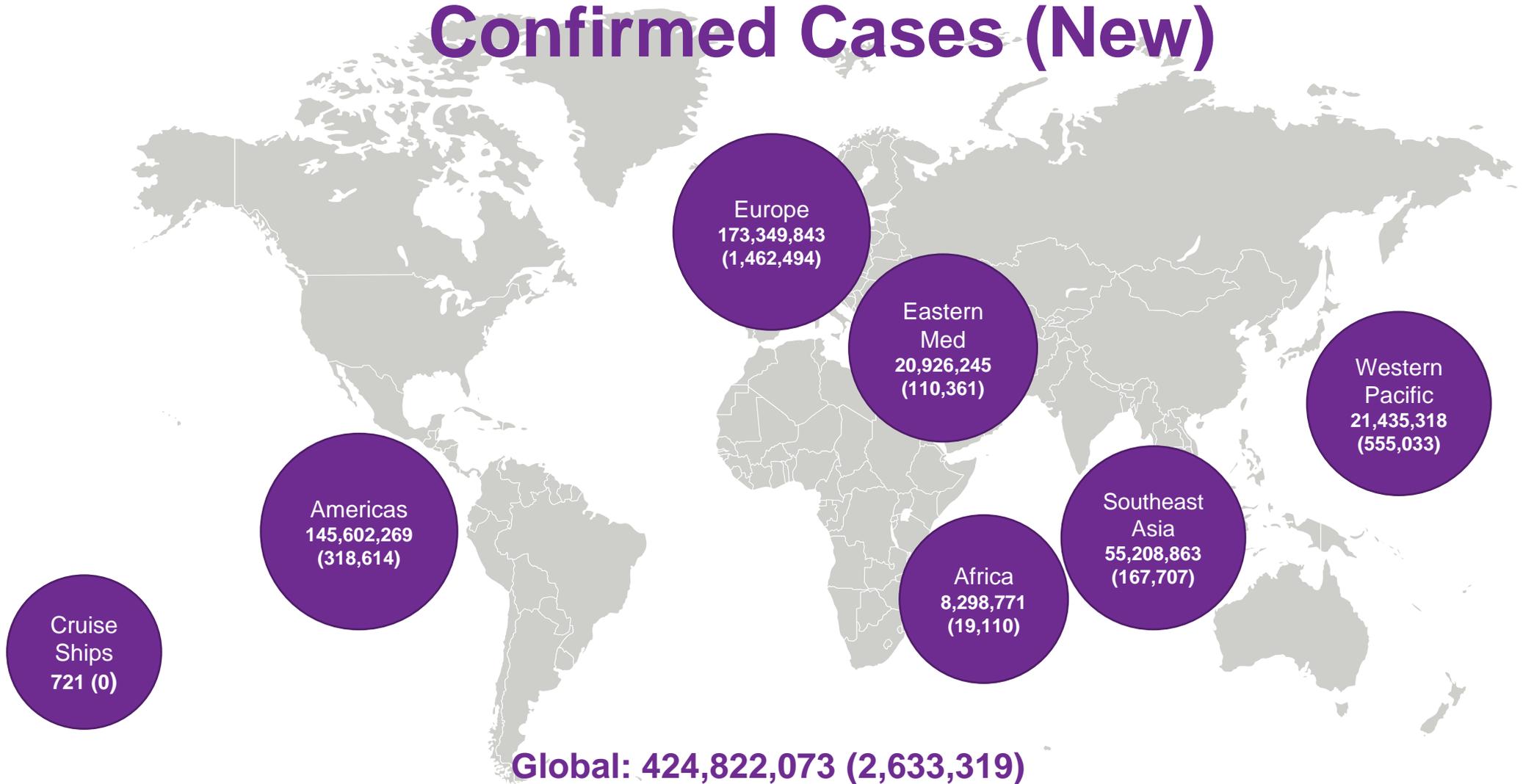
entities in the Defense Industrial Base, Healthcare and Public Health, Energy, Telecommunications, and Government Facilities Sectors. Britain's National Cyber Security Centre (NCSC), a part of the GCHQ eavesdropping intelligence agency, called on British organizations to "bolster their online defenses." NCSC stated it is not aware of any current specific threats to UK organizations in relation to events in and around Ukraine, while citing an historical pattern of cyber attacks on Ukraine with international consequences.

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Coronavirus Condition Updates

As of 5:53 pm CEST on February 22, 2022

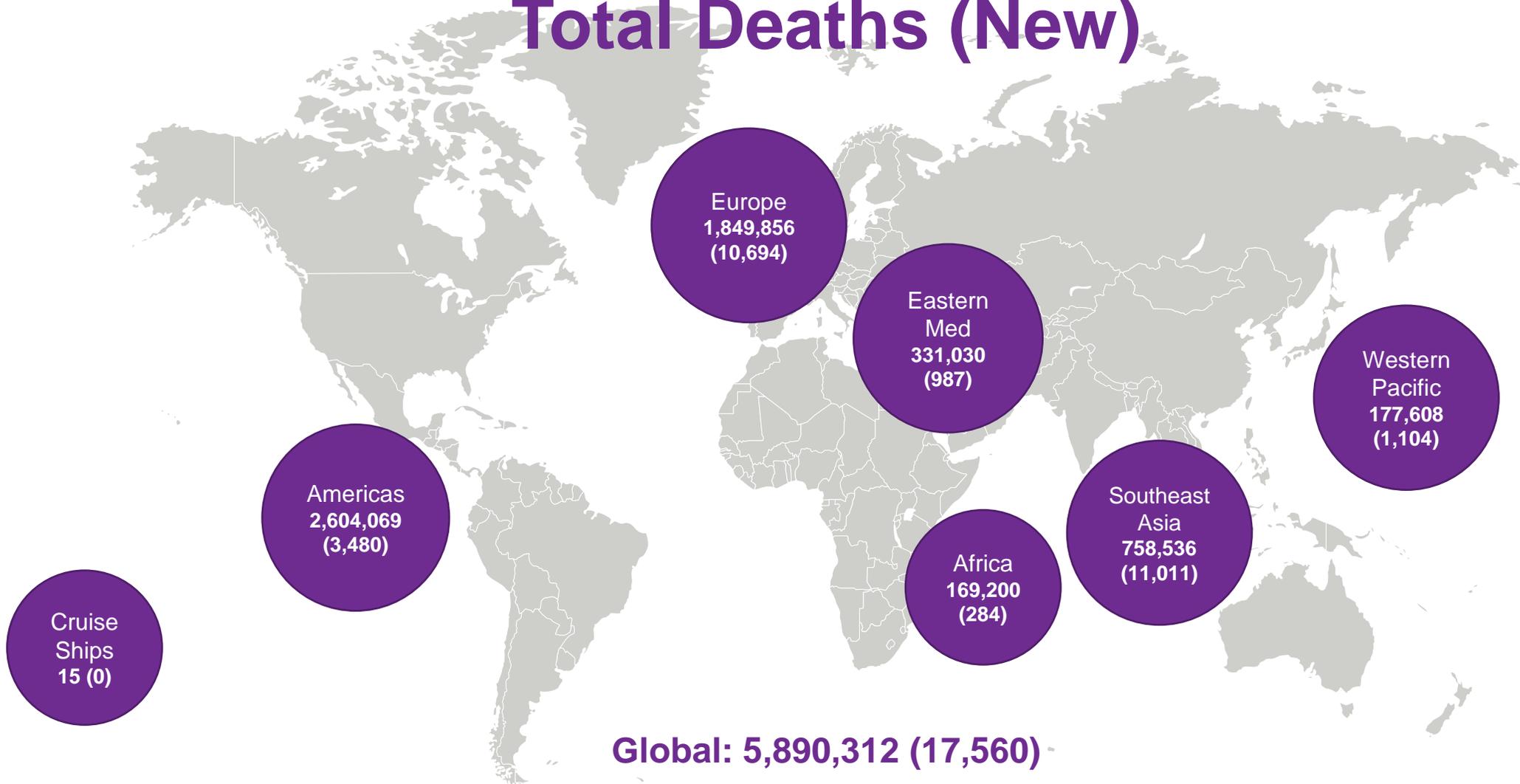
Confirmed Cases (New)



Reflects data as of 5:53 pm CEST on February 22, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:53 pm CEST on February 22, 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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