

Dentons Flashpoint

Daily Global Situation Report

February 9, 2022

Global Situation Update: February 9, 2022

KEY TAKEAWAYS

The ECB is preparing banks for a possible Russian-sponsored cyber attack as tensions over Ukraine mount.

French President Macron continued with shuttle diplomacy, heading to Germany to meet with Chancellor Scholz.

Top US health official assessed that the US is heading out of the “full blown” pandemic phase of COVID-19.

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WHAT WE'RE WATCHING

The US Labor Department's latest jobs report indicated that one million more American men than women returned to the labor force in January 2022. Statisticians and survey experts point out that the striking gender gap, which suggests women's workplace participation rate hit a 30-year low, is actually the result of annual technical adjustments to data weighting and modeling to reflect new census numbers.

As a result of the skew, it is difficult to compare January employment numbers to the prior month, but the takeaway remains that women's labor force participation is still lagging. This trend is a risk for companies that must meet diversity and inclusion goals, and for Nasdaq listed and SEC registered firms with new board diversity quotas in 2022 that are meant to prioritize ESG performance.



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

Global

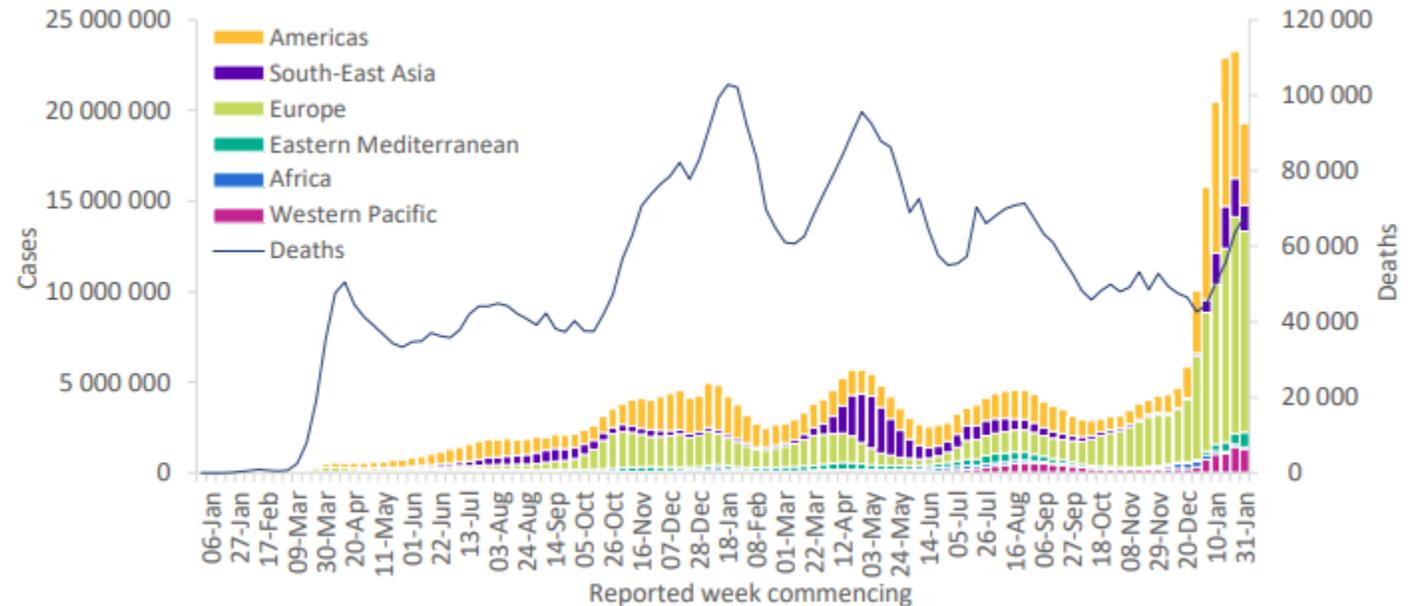
Globally, confirmed coronavirus cases topped 396.5 million with 5.7 million deaths; more than 10.0 billion vaccine doses have been administered.

- French President Macron continued with shuttle diplomacy, heading to Germany to meet with Chancellor Scholz, saying at a press conference that he believes it is *"possible to take the negotiations further"* in resolving the **Ukraine crisis**.
- The EU is pushing for a global agreement aimed at **preventing new pandemics** that could include a ban on wildlife markets and incentives for countries to report new viruses or variants.
- Access to **COVID-19 Tools (ACT) Accelerator**, the global initiative to get COVID-19 tests, treatments and vaccines to poorer nations has only received 5 percent of the targeted this year. The WHO called on urged rich countries to urgently provide the \$16 billion (€14 billion) shortfall.

Global

Globally, during the week of 31 January to 6 February 2022, the number of new COVID-19 cases decreased by 17 percent as compared to the number reported during the previous week, while the number of new deaths increased by 7 percent. Across the six WHO regions, over 19 million new cases and just under 68,000 new deaths were reported.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 6 February 2022**



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Markets & Business

Danish container shipping group AP Moller-Maersk said it expected global supply chain woes to ease in the second half of this year.

- The European Central Bank is preparing banks for a possible **Russian-sponsored cyber attack** as tensions over Ukraine mount.
- **Meta** is warning that **Facebook and Instagram** may be shut down across Europe, due to European data regulations that prevent from transferring, storing and processing Europeans' data on US-based servers.
- One of the UK's oldest remaining mutual insurers, **LV** has ended merger talks with fellow mutual insurer **Royal London**, deciding a combination with Royal London would not be in the best interests of its customers.
- Lingering chip shortages have forced **Toyota** to cut its vehicle production target and sales outlook for the fiscal year ending in March.

Environment, Sustainability & Governance

A new report by the Corporate Climate Responsibility Monitor found that of the world's 25 largest companies, just three had a climate pledge plan that would lead to a reduction of emissions by more than 90 percent, and twelve had no specific climate commitments.

- DHL announced a plan to acquire 33 million liters of **sustainable aviation fuel (SAF)** from Air France KLM Martinair Cargo, which will result in 80,000 tons of carbon emissions savings.
- bp announced plans to significantly increase its **transition-focused investments** and increase its emissions reduction targets, including introducing Scope 3 goals for the first time.
- Global crop merchant Louis Dreyfus Company plans to eliminate **deforestation and conversion of native vegetation** of high conservation value for agricultural purposes from all its supply chains by the end of 2025.

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Africa

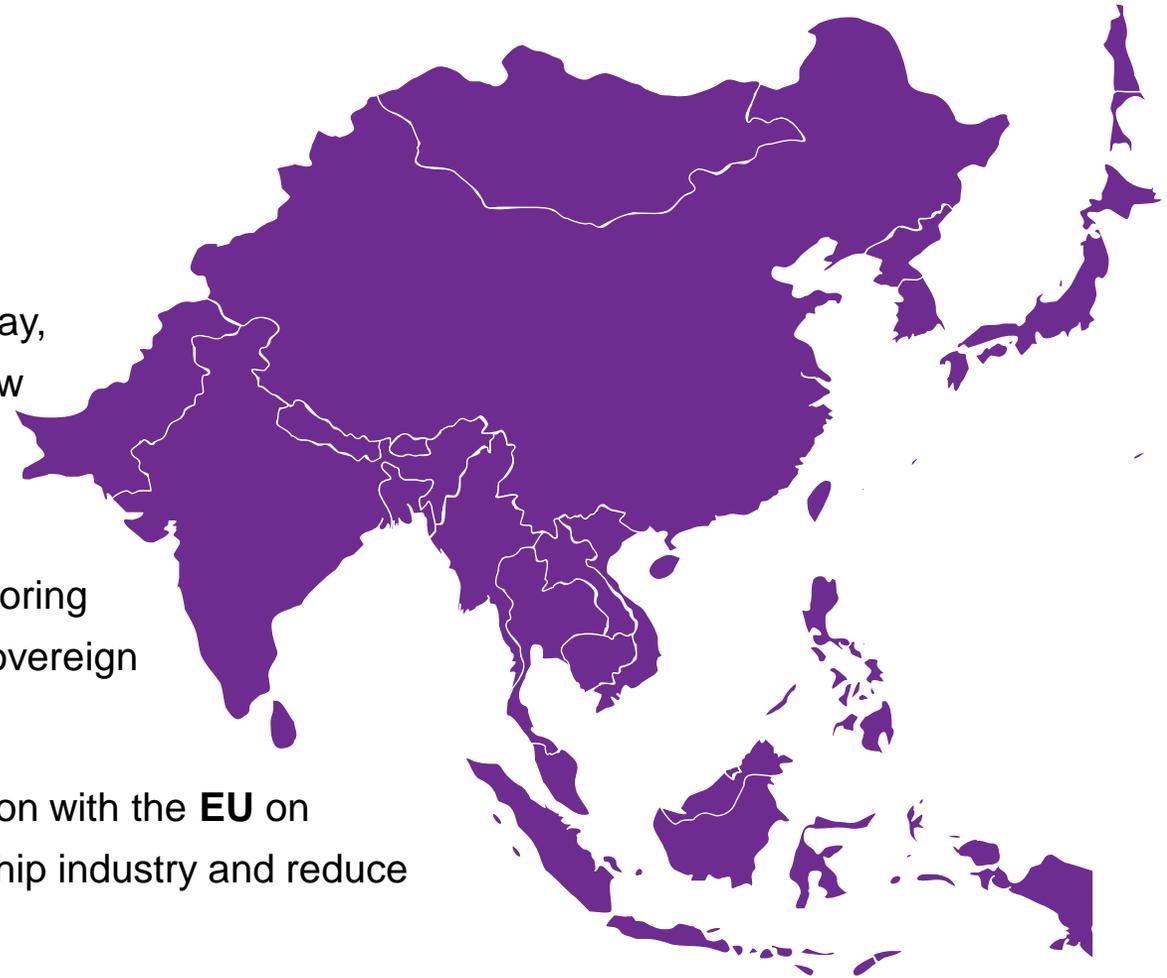
- The **Ugandan** government is seeking to institute a universal vaccine mandate, with up to six months jail time for failure to comply.
- The **EU** announced that it will resume giving aid to **Burundi** following a peaceful election cycle, despite claims by critics that human rights conditions that triggered the pause have not been resolved.
- **Mali's** military junta claimed that **France** is aiming to partition the country militarily via its counterterrorism operations, upping the rhetoric in its feud with Paris. **Russian** President Putin claimed that the Russian military contractors in Mali are not connected to the Russian government.
- The government of **Ethiopia's** Afar region claimed that more than 300,000 people have been displaced since December due Tigrayan attacks and looting.



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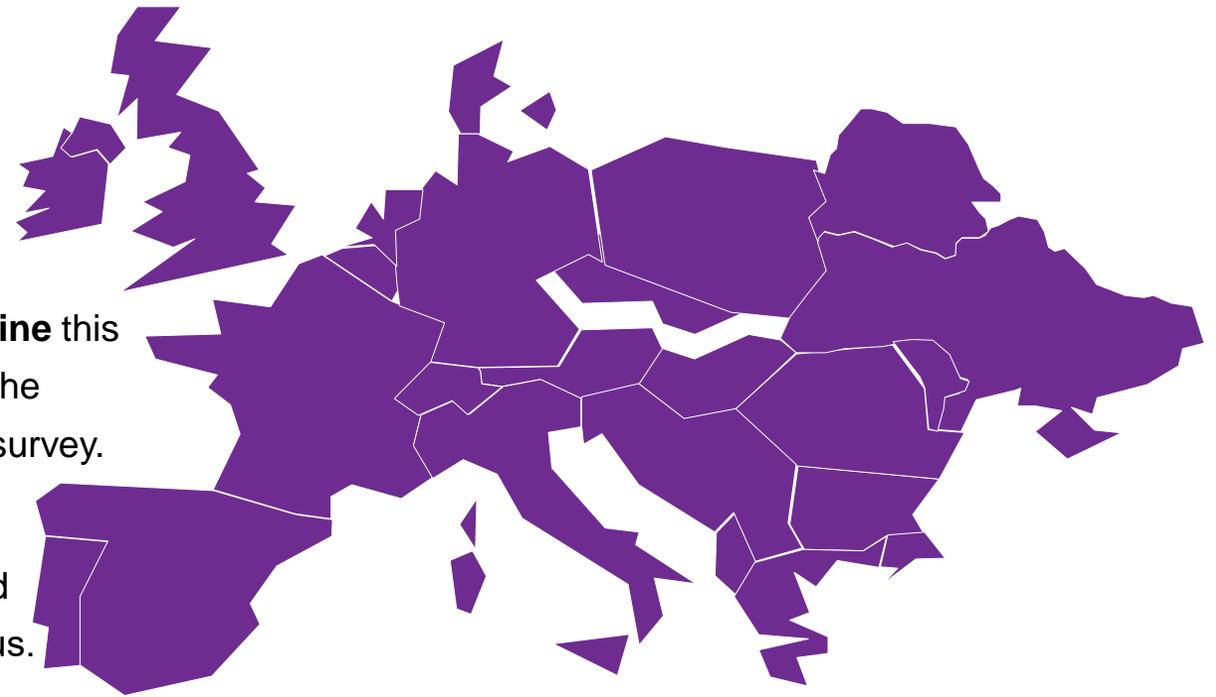
Asia

- **Hong Kong's** daily COVID-19 infections nearly doubled yesterday, testing the government's "dynamic zero" policy. Starting tomorrow is a new a ban on multi-household get-togethers in homes and a limit on public gatherings to two people.
- **Sri Lanka's** central bank said the country was committed to honoring all forthcoming debt obligations and was not on the verge of a sovereign default.
- **Taiwan's** government believes there is opportunity for cooperation with the **EU** on semiconductors, responding to plans from the bloc to boost its chip industry and reduce dependence on US and Asian supplies.
- **South Korea's** parliament is seeking a way to allow people who have caught COVID-19 to cast their ballot in next month's presidential election, as the number of daily new cases surged to nearly 50,000 for the first time.



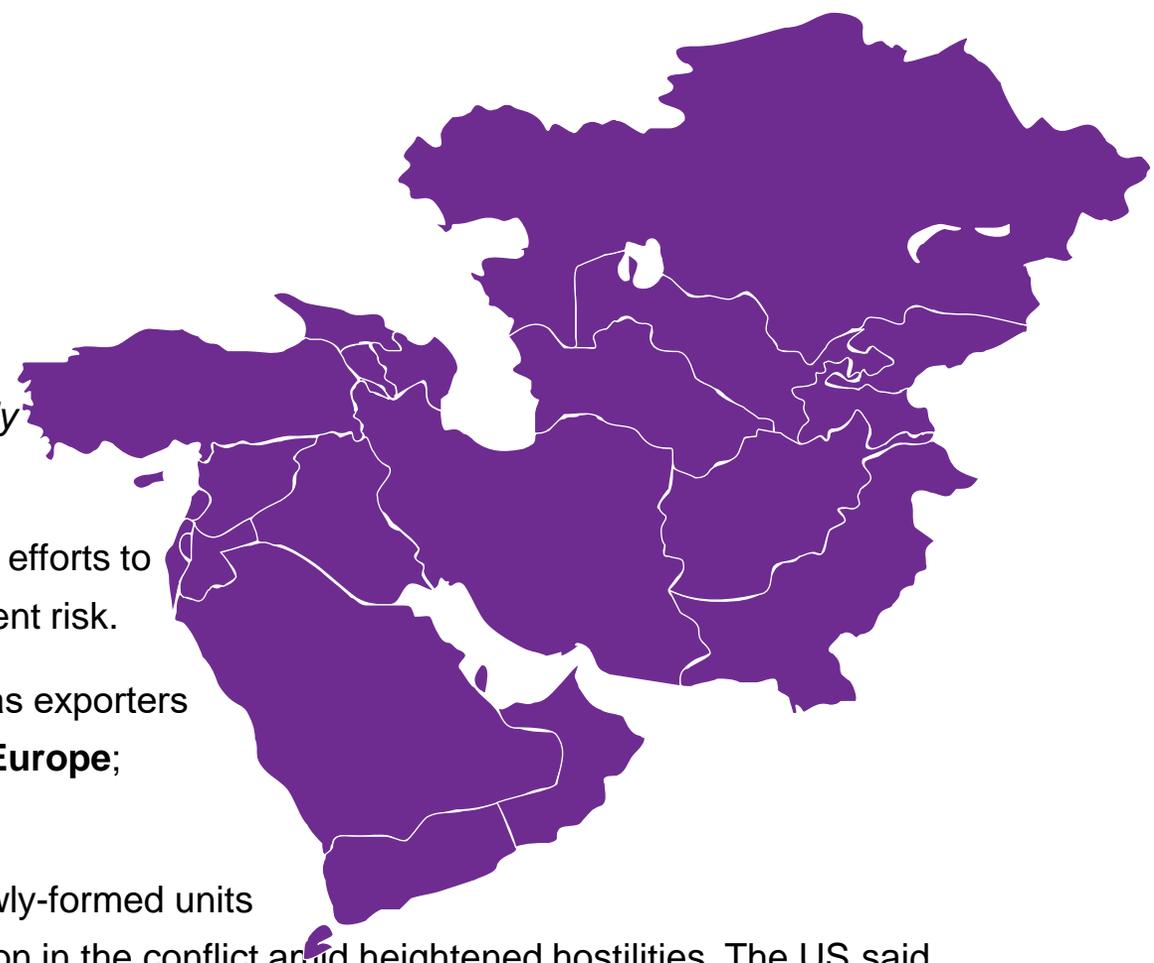
Europe

- A majority of people across the **EU** think **Russia** will invade **Ukraine** this year and believe the EU and NATO should come to Kyiv's aid in the event of Russian aggression, according to a new pan-European survey.
- **German** goods exports rebounded to a record high last year but rising energy prices drove up the value of imports even faster and led to the fifth consecutive annual fall in the country's trade surplus.
- **Sweden** is lifting almost all of its anti-COVID restrictions today. Last week, **Denmark** became the first **EU** country to lift almost all coronavirus restrictions. Protests against mandatory vaccinations and restrictions for the unvaccinated are now being held weekly in Brussels and many **European** capitals.
- Brussels says it will start withholding **EU** payments to **Poland** over its failure to pay daily fines imposed by the bloc's top court last year for failing to follow a ruling which said operations must cease at its Turów lignite mine and power plant close to the **Czech Republic's** border.



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Middle East



- Ambassadors of the G7 denounced **Tunisian** President Saied's move to dissolve the country's highest judicial body, saying it "*would seriously undermine the rule of law.*"
- **Libya's** interim Prime Minister said that he would ignore parliamentary efforts to replace him, making the formation of parallel government a more present risk.
- **Qatar** announced that it will host a summit of the world's top natural gas exporters next month amid pressure from the **US** to replace Russian exports to **Europe**; **Russia** did not confirm whether it would attend.
- The **Saudi**-led coalition in **Yemen** reported that they had deployed newly-formed units to the embattled region of Marib, a bid to retake and defend a key region in the conflict amid heightened hostilities. The US said that it would work with the **UAE** to develop a technological solution to stop drone attacks from the Houthis.
- The **Israeli** military said it attacked missile batteries in **Syria** today after an anti-aircraft missile was fired towards Israel.
- **Iran** unveiled a new missile with a range of 1,450 kilometers on Wednesday, a day after the resumption of indirect talks in Vienna on salvaging Tehran's 2015 nuclear deal with world powers.

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How do You Manage Political Risk?

Today, the economic and political changes affecting international business are more complex than ever. Conflicts, coups and the coronavirus pandemic continue to impact governments and people worldwide and shape the business landscape in 2021.

Dentons offers business leaders routine and one-off political risk assessments on specific interests. Many clients also retain our team of attorneys and former intelligence and military professionals, equipped with the latest big data analytics tools, deep substantive knowledge and extensive networks of contacts, to provide services, including:

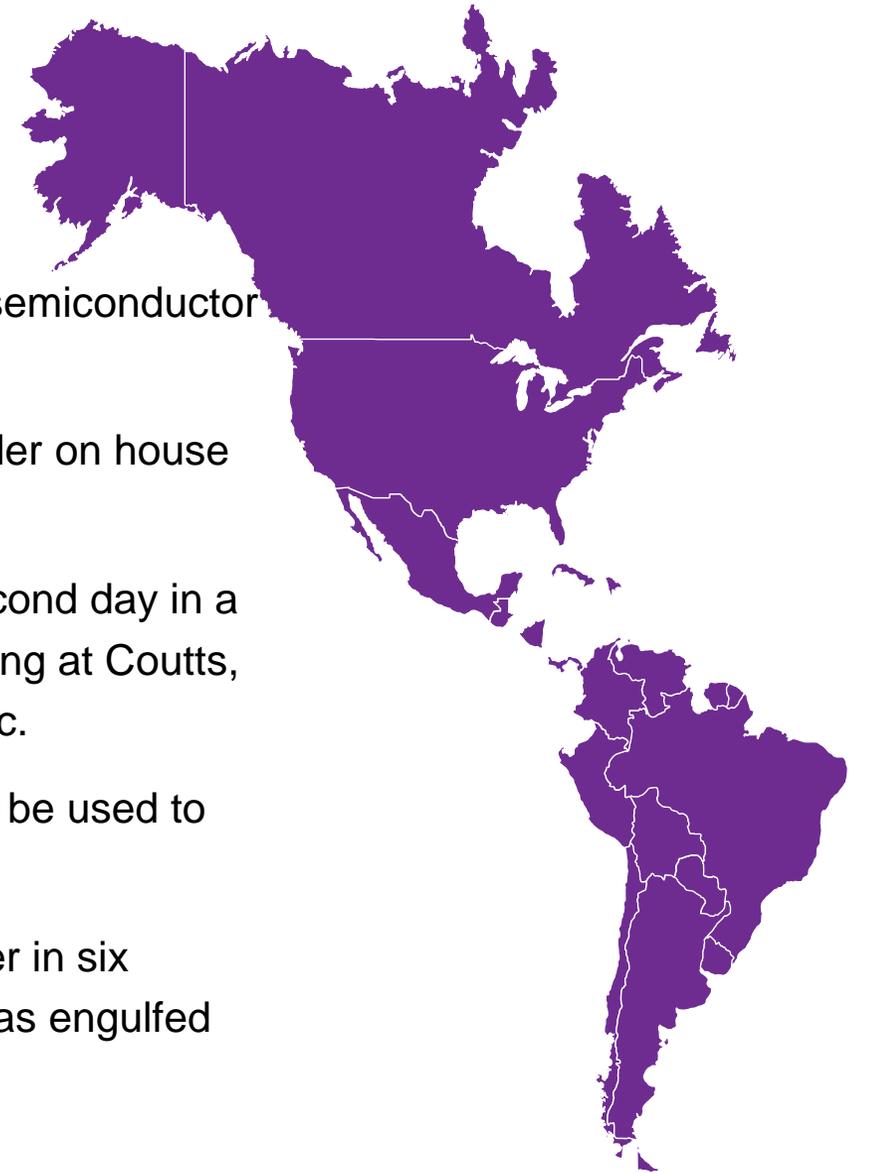
- ❖ Political and country risk forecasts and analysis
- ❖ Market-entry assessments
- ❖ Legislative and government action forecast
- ❖ Comprehensive project analysis
- ❖ Coronavirus vaccine tracker and return-to-work monitoring
- ❖ Investment risk analysis

All interaction with Dentons is attorney-client privileged

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

Americas

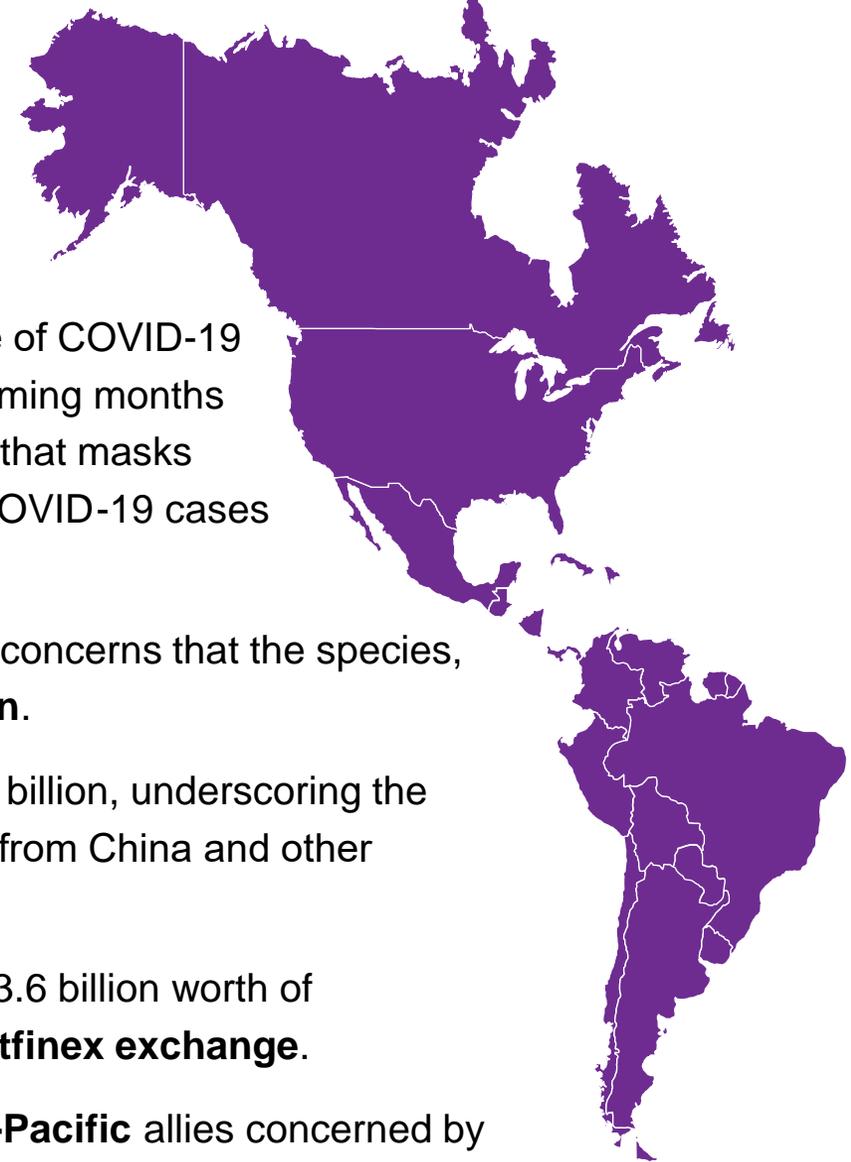
- The **Mexican** Automotive Industry Association (AMIA) said that Mexican semiconductor chip production should normalize to pre-2020 levels within the year.
- The US will begin placing some migrants detained at the **US-Mexico** border on house arrest in a search for cheaper alternatives to immigrant detention.
- The busiest **US-Canada** border land crossing remained closed for the second day in a row due to truckers protesting vaccine mandates. A second border crossing at Coutts, Alberta, was also shut down by protesters for inbound and outbound traffic.
- **Russia** promised that military equipment being sold to **Venezuela** will not be used to attack **Colombia** or destabilize the region.
- **Peru's** left-wing president Pedro Castillo swore in the fourth prime minister in six months in office, as he tried to move on from the crisis of credibility that has engulfed his government.



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Americas: US

- Dr. Fauci assessed that the US is heading out of the “*full blown*” pandemic phase of COVID-19 and hoped there would be an end to all **pandemic-related restrictions** in the coming months including mandatory wearing of masks. The CDC reaffirmed its recommendation that masks should continue to be worn in schools and other public places, saying that with COVID-19 cases still high nationwide, "now is not the moment" to drop **mask mandates**.
- The discovery of the Omicron variant in white-tailed deer in New York has raised concerns that the species, numbering 30 million in the US, could become hosts of a **new coronavirus strain**.
- The **US trade deficit** increased 27 percent last year to an all-time high of \$859.1 billion, underscoring the strength of the nation’s economy and its continued hefty dependence on imports from China and other countries.
- The Department of Justice has arrested two people and confiscated more than \$3.6 billion worth of cryptocurrency that it said was stolen during the high-profile 2016 **hack of the Bitfinex exchange**.
- Secretary of State Blinken arrived in Australia today to meet with the Quad, **Asia-Pacific** allies concerned by China's rise, and signal US commitment to the region despite Washington's recent focus on Ukraine.



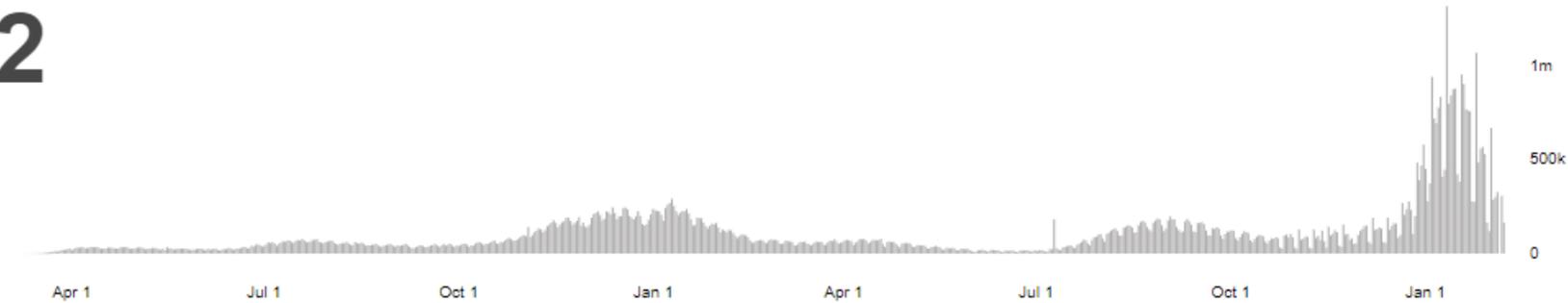
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Americas: US

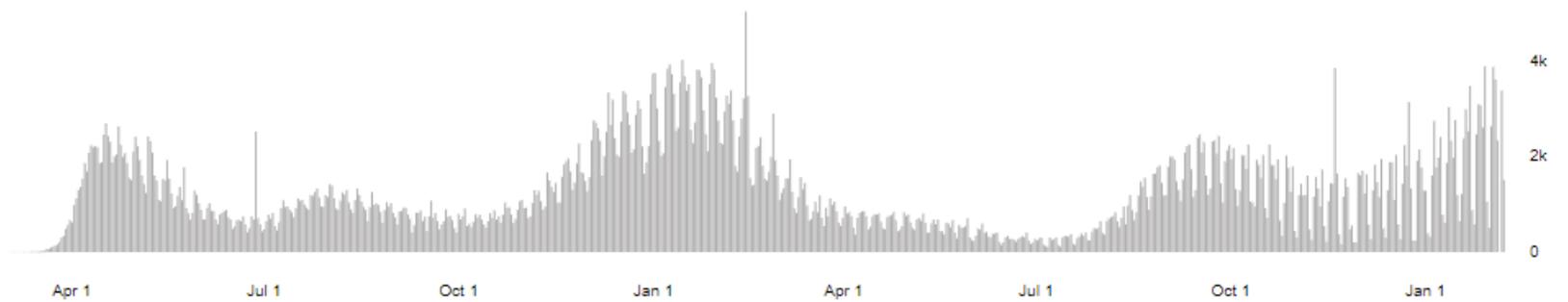
United States of America Situation



75,890,112
confirmed cases



895,389
deaths



Source: World Health Organization

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Second-Order Effects of Russia-Ukraine Crisis: Agricultural Price Shocks

By Alexander Lucaci

Although a Russian invasion of Ukraine would have the most serious and obvious implications for Europe, a disruption to the Ukrainian economy also has the potential to trigger a geopolitical contagion across a range of countries in west Asia and Africa.

The looming military crisis between Russia and Ukraine has the potential to destabilize not just eastern Europe, but the Middle East and Africa as well. In recent months, Moscow has positioned over 100,000 troops on its border with Ukraine and is threatening to escalate its military activities should the European Union and United States not acquiesce to a series of security demands issued by the Kremlin in December 2021. The Biden Administration has assessed that if Moscow decides to go ahead with a full invasion, it could result in the potential deaths of up to 50,000 civilians in eastern Europe, as well as between one and five million refugees fleeing from Ukraine into Poland. Ukraine's role in the global economy as a key agricultural exporter has left key regions at risk, should Moscow decide to expand its military activities in the Donbass. Kyiv is a top global producer of corn, barley and rye, but also accounts for 12

percent of global wheat exports. Despite the fact that it is deep winter, a Russian invasion would disrupt planting and harvesting cycles and a Black Sea blockade would affect the global agricultural market immediately, regardless of the longevity of an occupation; furthermore, Ukrainian grain exports continue year-round. According to UN data, of the 14 main countries that rely on Ukrainian agricultural imports, a significant majority already suffer from food insecurity as a result of ongoing political instability, war, and violent domestic unrest. Yemen and Libya import 22 percent and 43 percent, respectively, of their total wheat consumption from Ukraine, while Egypt imports about 14 percent of its total wheat from the historical breadbasket of eastern Ukraine. Malaysia, Indonesia, and Bangladesh are also among the countries that would be most affected by an agricultural supply chain disruption in the event of a

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Second-Order Effects of Russia-Ukraine Crisis: Agricultural Price Shocks

Russian invasion. If Moscow, or Russian-backed militias, were to further occupy the main agriculture-producing regions of Ukraine, the resulting uncertainty could exacerbate a global inflationary cycle that for many countries is already the worst in decades. In 2021, global food prices rose 28 percent to their highest level in over a decade – corn and wheat futures in particular have been driven to record highs in recent months.

Price shocks in commodity markets have historically been the primary drivers of increased political unrest and violence, as well as the spark for full-fledged revolution in some cases. Just last month, rising fuel prices in Kazakhstan precipitated violent protests across the country and led to the resignation of longtime political leaders, as well as Russian military intervention. If Ukrainian agricultural exports were cut off, even for a short period of time, to politically unstable countries such as Libya, Yemen, and Lebanon, the resulting economic disruption and food insecurity could easily trigger a wave of unrest across the region (Lebanon, where the government is in turmoil and citizens have already heavily protested the spike in costs for other necessities amid a historic fiscal crisis, could be especially at risk). Parts of Africa would also be at risk, with Egypt, Tunisia, and

Algeria the most heavily exposed to interruptions of Ukrainian agricultural exports. Already, Egypt is reportedly considering replacing popular bread subsidies with cash payments in order to insulate the country's budget from rising grain prices; further shock to bread supplies could hasten that decision and make popular pushback from the poor more likely, which analysts worry could spark a reprise of the destructive “bread riots” of 1977. Consumers in Western Europe, the United Kingdom, and Europe would also be affected, albeit to a lesser degree. Any additional inflationary pressures to global food prices have the potential to be politically disruptive, even apart from the primary security repercussions of a land war in Europe.

On Tuesday, reports of six Russian warships and submarines entering the Black Sea towards Ukraine further escalated tensions across Europe as well as concerns that Moscow is completing the final stages of a military buildup capable of seizing Ukraine. Apart from full-fledged war, another short-term fear is whether Russia would attempt to strangle Ukraine's economy through a blockade of exports through the Black Sea. The potential for Russian hybrid conflict, below the threshold of kinetic warfare, could also be hugely

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Second-Order Effects of Russia-Ukraine Crisis: Agricultural Price Shocks

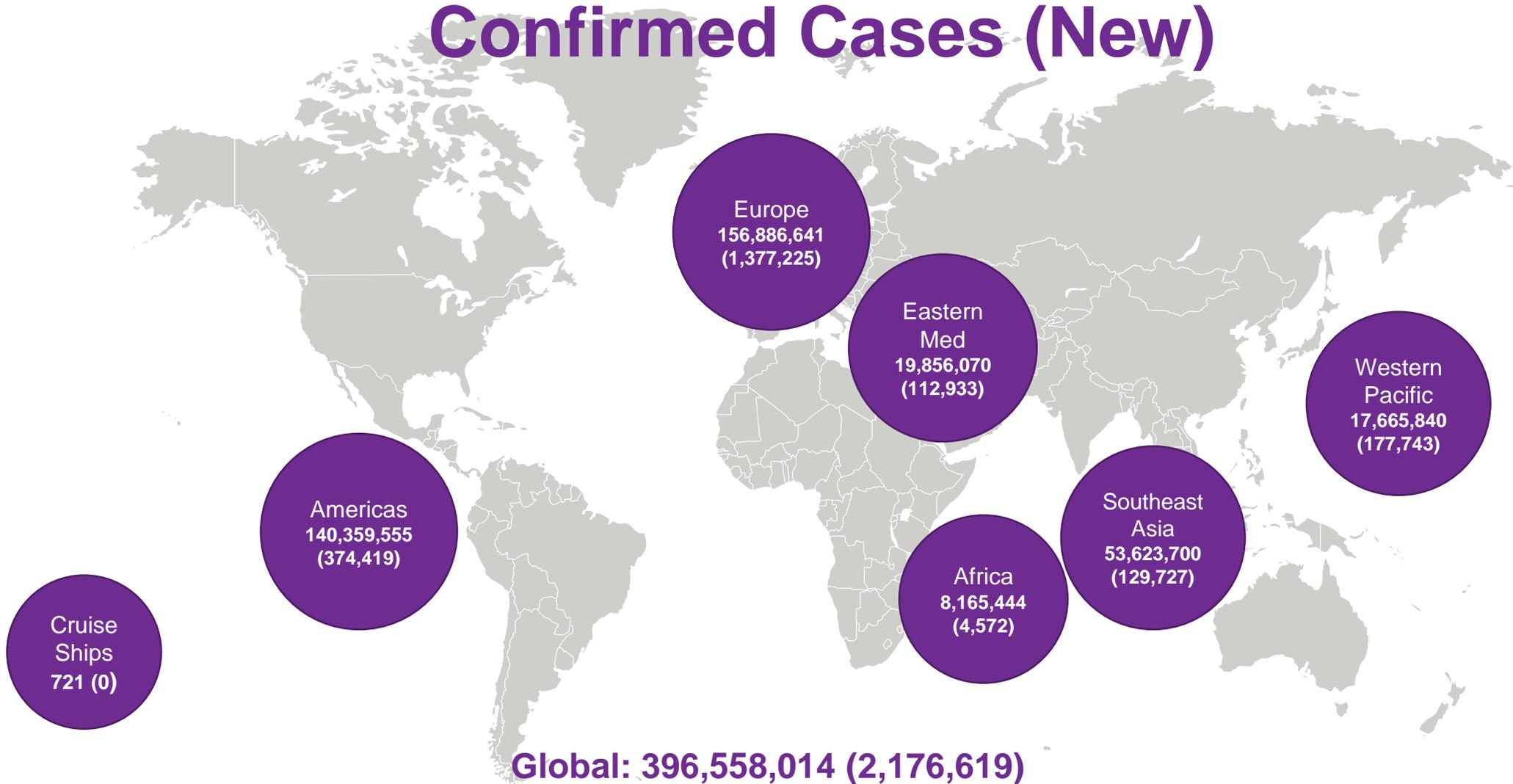
disruptive to global commodity markets and act as a driver of instability across the Middle East and Africa. Many analysts believe that Moscow's force posture has entered a "go/no-go" scenario, and that President Putin will make a final decision in the coming weeks. Businesses, organizations and investors should be aware of the potential for severe short-term political and security disruptions in Europe, as well as the potential for wide-ranging second and third-order effects to the global economy.

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Coronavirus Condition Updates

As of 4:33 pm CEST on February 8, 2022

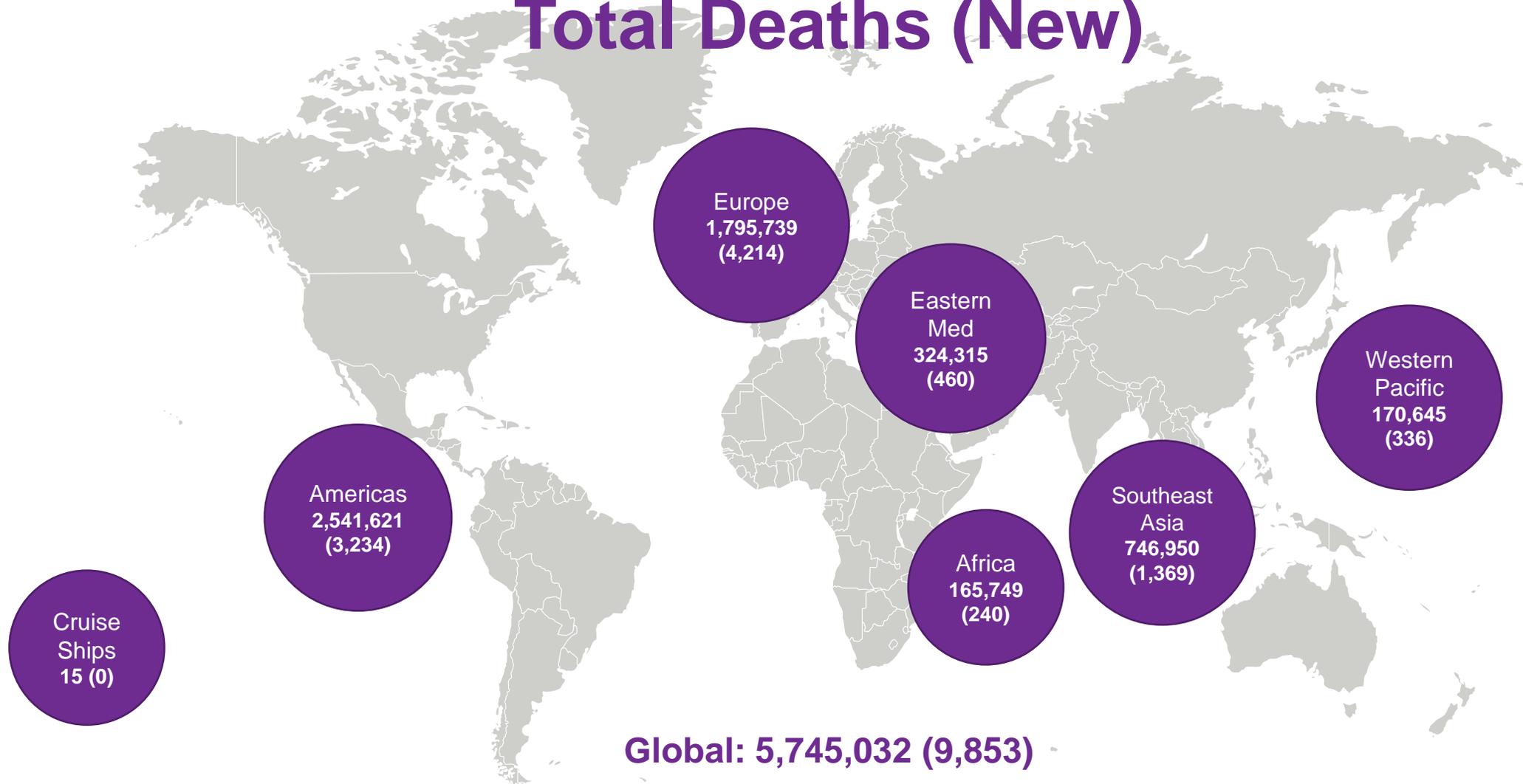
Confirmed Cases (New)



Reflects data as of 4:33 pm CEST on February 8, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 4:33 pm CEST on February 8, 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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