

Dentons Flashpoint

Daily Global Situation Report

July 28, 2022

Global Situation Update: July 28, 2022

KEY TAKEAWAYS

Russia continues to reduce gas flows into Europe threatening plans to boost EU storage ahead of winter.

North Korea accuses the US and South Korea of bringing the Korean peninsula to the “*brink of war.*”

The IMF calls on China to rethink its zero-COVID-19 policy.

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WHAT WE'RE WATCHING

The United States and Canada have demanded dispute settlement talks with Mexico under the US-Mexico-Canada Agreement trade deal. This is the most serious trade battle since the USMCA took effect, and the US could impose punitive tariffs if the issue is not resolved.

The demand for talks was filed on July 20 by the US Trade Representative's Office with support from the Canadian trade ministry, which is also launching its own set of talks with Mexico City. The USTR is arguing that Mexico has introduced measures that advantage state-owned power and energy companies at the expense of US firms. Mexican President Lopez Obrador has said that his government will review the US complaint, but that the measures being implemented are in full compliance with Mexican law.



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

Global

The G7 seeks to have a price-capping mechanism on Russian oil exports in place by December 5, when EU sanctions banning seaborne imports of Russian crude come into force.

- Russia delivered less gas to Europe on Wednesday, to about 20 percent of capacity, in a further escalation of an **energy stand-off between Moscow and the EU** that will make it harder, and costlier, for the bloc to fill up storage ahead of the winter heating season. Italian energy company ENI says it was advised by Gazprom that additional cuts could be expected.
- The UN Security Council condemned the execution of four democracy activists by **Myanmar's** junta and called for the release of all arbitrarily detained prisoners, including President Win Myint and leader Aung San Suu Kyi. The G7 also condemned the executions.

Markets & Business

The Chinese government is seeking to mobilize up to Rmb1 trillion (\$148 billion) of loans for millions of stalled property developments, in an attempt to revive the debt-stricken sector and head off a backlash by homebuyers.

- The US competition regulator, the Federal Trade Commission, is suing to block **Meta** from acquiring a virtual reality fitness start-up, accusing the social networking giant of “*illegally*” trying to “*buy its way to the top*” of the nascent metaverse sector.
- **Rio Tinto Group** has formed a joint venture with the Guinea government and **Winning Consortium Simandou** to develop infrastructure including a railway and port, in a breakthrough that should help unlock the world’s biggest untapped iron ore deposit.
- Electric-vehicle startup **Rivian Automotive Inc.** is laying off 6 percent of its 14,000 employees, a cash-saving move aimed at responding to inflationary pressures and a rapidly changing economy.
- A backup of container ships off the **Port of Savannah**, one of the US East Coast’s busiest ports has swelled to 40 vessels, in a fresh bottleneck, raising fears over potential supply-chain disruptions during the critical peak shipping season.

Environment, Sustainability & Governance

The Coca-Cola Company announced a change in packaging for Sprite, the lemon-lime soda, from green to clear plastic as part of an effort to reduce plastic waste.

- Three quarters of the world's **sovereign wealth funds** now have a formal policy on environmental, social and governance investing, yet just 30 percent have set a target to reduce **carbon emissions** across their investments, a new study found.
- Indonesia on Wednesday launched road tests for two types of **biodiesel** containing 40 percent palm oil, hoping to conclude by the end of the year whether they are viable for public use.
- Ground staff at Deutsche Lufthansa went **on strike** early Wednesday **over pay disputes**, prompting the cancellation of more than 1,000 flights.
- Egypt has signed a memorandum of understanding (MoU) with an Indian company to build a **green hydrogen factory** worth \$8 billion in the Suez Canal Economic Zone.

Africa

- A report by a **Burundian** human rights group claims that Burundi has secretly sent hundreds of troops and members of a youth militia into neighboring Democratic Republic of Congo since the end of 2021 to fight an armed rebel group.
- Four people participating in the third day of protests against the UN peacekeeping mission were electrocuted in the **Congolese** city of Uvira when troops fired shots which hit an electric cable that fell on them, raising the civilian death toll to at least 16.
- **Russian** Foreign Minister Lavrov said that Moscow supported **Ethiopia's** efforts to stabilize its internal political situation in remarks that sought to draw a contrast with what he presented as meddling by the West.
- **France** could deliver drones and more sophisticated weapons to **Benin** to help it tackle a worsening Islamist insurgency that is threatening the region, per French President Macron who is on a tour of **Cameroon, Benin and Guinea-Bissau**.



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Asia

- **Japan** urged **Russia** to exclude areas around disputed northern islands, the Kuril Islands, from military drills Moscow is planning to conduct in the country's Far East from late August.
- **Sri Lanka's** parliament approved the extension of a state of emergency for a month on Wednesday, in a bid to contain the political and economic crisis that has forced a change of leadership.
- **China** needs to rethink its zero-COVID policy to avoid more harm to the economy, as well as come up with a long-term solution to the crisis in the real estate sector, per a senior IMF official.
- **North Korean** leader Kim Jong Un is accusing the **US and South Korea** of bringing the Korean peninsula to the “*brink of war*,” as Seoul and Washington prepare for their first large-scale joint military exercises in four years in a show of unity in an effort to deter North Korea from conducting a nuclear test.



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:

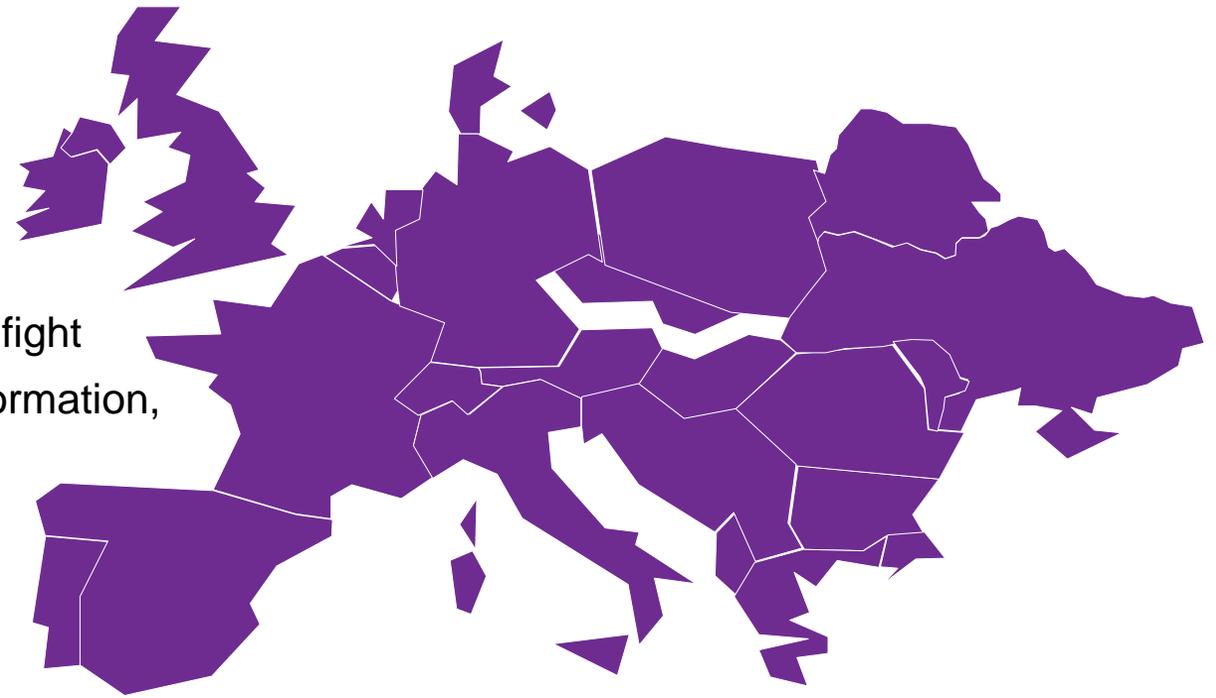
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Europe

- State-controlled media outlet **Russia Today** lost its court fight against an **EU** ban imposed in March over alleged disinformation, with the Kremlin promising retaliatory measures against Western media.
- A long-time adviser to Viktor Orbán has resigned over a racist speech that the **Hungarian** prime minister gave in which he criticized what he labelled as "*race mixing*," sparking international outcry.
- Three **Ukrainian** Black Sea ports resumed work yesterday, following a UN-backed deal aimed at releasing 25 million tons of cereals stuck in Ukraine.
- **Britain's** railways ground to a halt on Wednesday and travel was disrupted for millions of commuters as ministers, union leaders and rail bosses hardened their positions during one of the country's biggest one-day rail strikes in decades.



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Middle East



- Rockets hit the vicinity of the **Turkish** consulate in Iraq's main northern city of Mosul causing damage but no casualties.
- **Tunisian** authorities certified that a new constitution granting sweeping new powers to President Saied passed in a referendum with low turnout after several opposition parties boycotted the vote.
- **Egypt** has reportedly cancelled contracts for a total of 240,000 tons of **Ukrainian** wheat that were booked by its state grains buyer for February and March delivery but never loaded due to Russia's invasion of Ukraine.
- Mainly Sadrist protesters in **Iraq** breached the capital building and areas of the demilitarized Green Zone in protest of the nomination of a new prime minister candidate by Shia and Iran-backed parliamentary blocs. Protesters left following a tweet by Sadr saying they had "*made their message known.*" The country marked its longest post-election deadlock at nine months.

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Americas

- **Brazil's** federal public debt grew 2.51 percent in June from the month before, and the average cost of domestic debt issuance kept soaring amid greater risk aversion.
- The US' top defense official said that **Brazil's** defense minister had told him his country's armed forces were focused on providing security to ensure a "*safe, secure and transparent*" election in October.
- The **Pan American** Health Organization said that nearly 5,300 monkeypox cases have so far been reported across 18 countries and territories in the Americas, with the majority in the **US, Canada and Brazil**.
- **Argentina's** president plans to fire Economy Minister Silvina Batakis after just a few weeks on the job, per media reports, as the country struggles with a growing economic crisis.

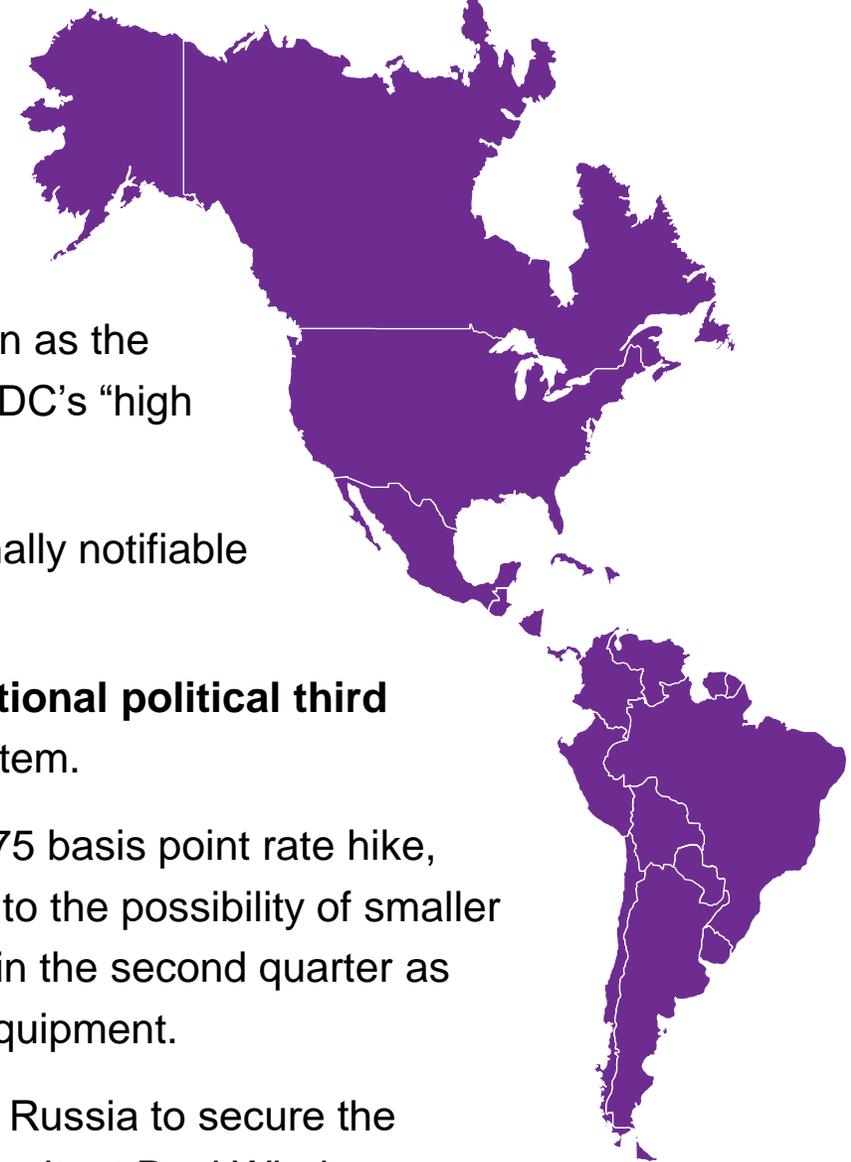


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Americas: US

- **Mask mandates** are making a comeback at public schools around the nation as the omicron subvariants BA.4 and BA.5 pushed hundreds of counties into the CDC's "high community transmission" category.
- The CDC plans to make the rapidly spreading **monkeypox** disease a nationally notifiable condition, requiring states to report data on cases.
- Dozens of former Republican and Democratic officials announced a new **national political third party**, Forward, to appeal to voters dissatisfied with America's two-party system.
- After the US Federal Reserve yesterday raised **interest rates** by a second 75 basis point rate hike, Chairman Powell soothed markets by saying the US central bank was open to the possibility of smaller increases in the future. **US economic growth** likely rebounded moderately in the second quarter as companies boosted exports and maintained a strong pace of spending on equipment.
- Secretary of State Blinken said the US has made a "*substantial proposal*" to Russia to secure the release of two jailed Americans: WNBA star Brittney Griner and security consultant Paul Whelan, feeding speculation about a **possible prisoner swap** involving Russian arms dealer Viktor Bout, nicknamed the "Merchant of Death," who is serving a 25-year sentence in Illinois.

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Cyber Insurance Premiums Rise Amid Record-Level of Attacks

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

The average price of cyber insurance premiums for organizations around the world is rising to match record high demand for coverage amid a constant barrage of cybercrime and advanced persistent threat activity.

While cyber insurance can help offset the costs associated with mitigation and recovery from a cyber-attack, organizations must understand the exact type of coverage necessary for their industry, as well as the costs associated with attack remediation, legal regulatory notification, and potential reputational damages that may result from a successful attack. Businesses also must be aware that cyber insurers are increasingly more selective in whom they insure and have numerous requirements that must be addressed before providing coverage at all.

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Booming Industry

The appetite for cyber insurance protection is at an all-time high, with the market earning nearly USD \$7 billion in 2020. According to a recent survey by the US Government Accountability Office (GAO), 47 percent of organizations in America sought cyber coverage in 2020 as the frequency and severity of cyberattacks intensified, almost doubled from 26 percent in 2016.

Rising Premiums

The cost of attacks is increasing exponentially, which is simultaneously leading to a rise in insurance premiums and more selective coverage, with insurers limiting how much they will reimburse victims. Ransomware attacks are a major driver behind the substantial increase in cyber insurance costs; 41 percent of cyber insurance claims involved such hacks during the first half of 2020. Seventy-four percent of insurers acknowledge that they are unaware of the security postures of their customers, which also affects the cost of premiums (according to a recent survey of global insurers in the United States and United Kingdom). Of those insurers, 82 percent expect premiums to continue to rise.

Cyber Insurance Premiums Rise Amid Record-Level of Attacks

Potential Pitfalls

Certain business sectors, especially those like healthcare and education, which are extensively targeted by cyber criminals, are witnessing a reduction in coverage limits. Organizations must often meet stringent requirements before they are considered for cyber coverage at all. This can include, but is not limited to, knowing how administrative, electronic, and physical security measures in place are protecting information and information systems; third party safeguards; plans for incident response and continuation of operations; and self-audits of the organization's internal IT environment. Failing to meet these requirements could result in higher premiums or no coverage at all.

Additionally, as the war in Ukraine rages, several prominent insurance carriers are now including act-of-war exclusions that would deny coverage to victims of data breaches or disruptive attacks that result from geopolitical crises. The reason is that insurers can find themselves suffering severe losses in a short amount of time if cyber-attacks escalate during a war and affect a multitude of organizations.

Going Forward

Despite increasing demand for cyber insurance, there is some evidence to suggest that many businesses are still willfully or unintentionally avoiding it. This may be out of budgetary concerns or the erroneous belief that they will not be victimized. A 2021 cyber readiness report found that less than one-third of organizations maintain a standalone cyber insurance policy, a disconcerting statistic given that experts estimate cybercrime costs to amount \$10.5 trillion by 2025.

Finding the right cyber insurance policy that fits the needs and budget of an organization can serve as another tool in the cybersecurity arsenal, although it is not a fix all solution. It is best used as a part of an organization's multi-prong strategy to achieve cyber resilience working in complement with other security mechanisms. The requirements imposed on organizations by insurance carriers can even help highlight possible improvements for the cyber hygiene of IT departments, which will not only benefit cybersecurity postures, but enable them to receive coverage that will strengthen the organization.

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This insurance onboarding process may even help security teams to request the necessary funds to address shortcomings that might have otherwise been ignored or not previously considered.

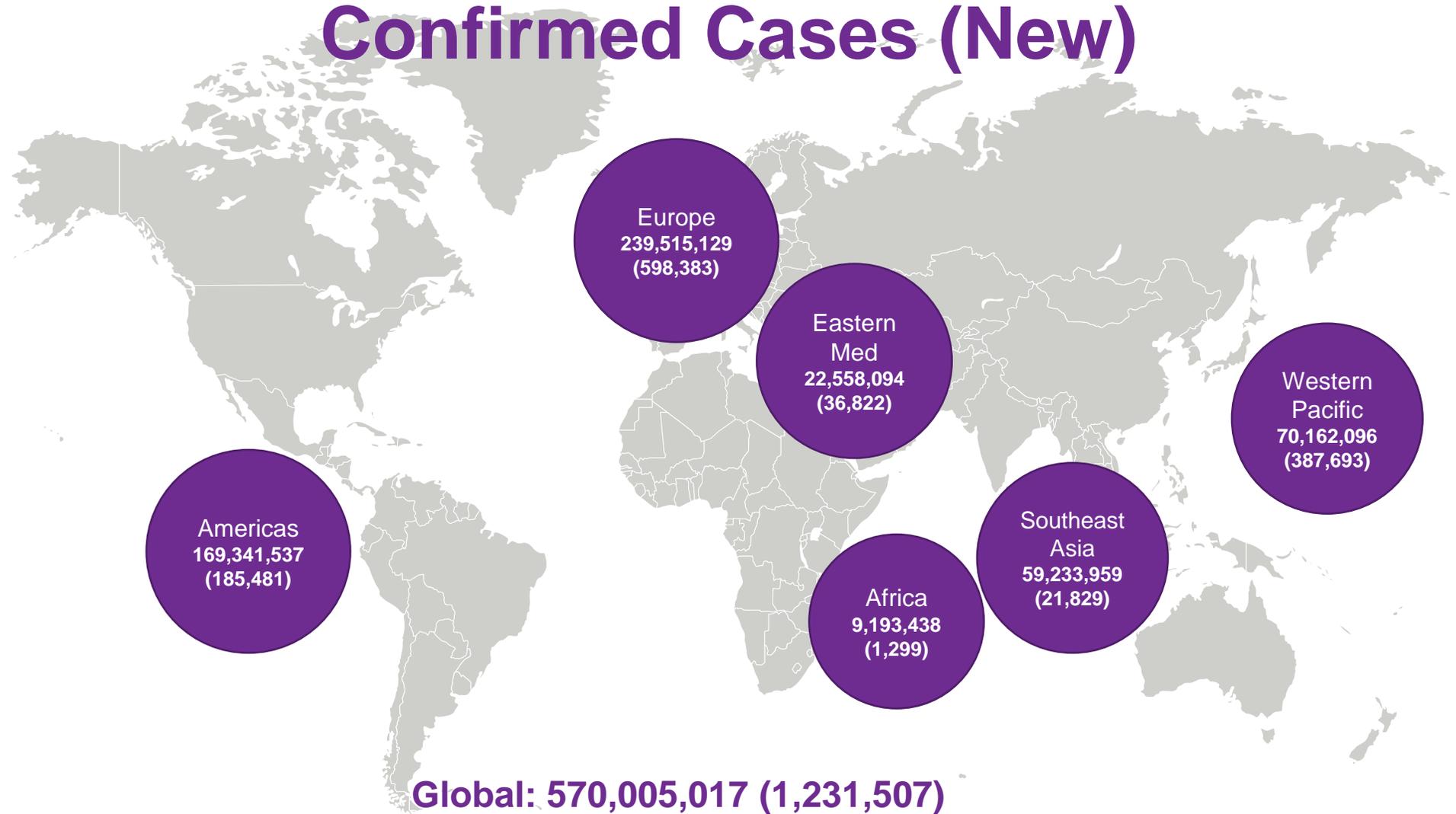
Dentons offers business leaders a full complement of counseling and advice for cyber risk management and also offers regulatory and litigation services. Analysis and intelligence products from Dentons can help to better understand fast-changing complex operating environments and, importantly, all interaction is attorney-client privileged. To learn more about the bespoke cyber intelligence and risk services from Dentons please contact us today.

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Coronavirus Condition Updates

As of 4:28 pm CEST on July 27, 2022

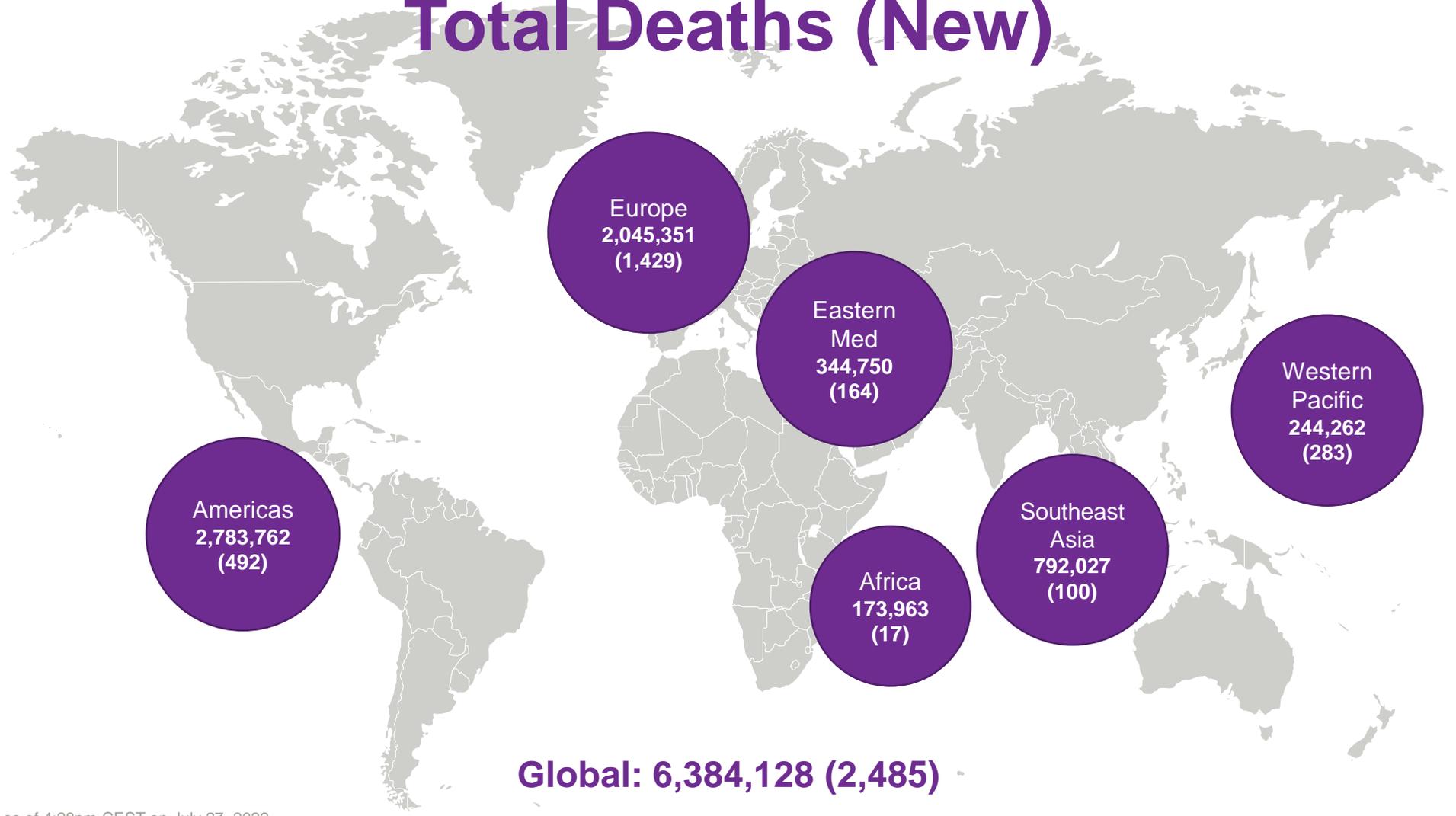
Confirmed Cases (New)



Reflects data as of 4:28pm CEST on July 27, 2022.
Data Source: World Health Organization

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

Total Deaths (New)



Global: 6,384,128 (2,485)

Reflects data as of 4:28pm CEST on July 27, 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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