

Dentons Flashpoint

Daily Global Situation Report

March 16, 2022

Global Situation Update: March 16, 2022

KEY TAKEAWAYS

North Korea's missile launch fails, sending debris into capital Pyongyang.

London Metal Exchange again stops trading on nickel.

China announced plans to bolster its capital markets following a massive stock sell-off.

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

Global Situation Update: March 16, 2022

WHAT WE'RE WATCHING

Peru's leftist President Pedro Castillo will face his second impeachment vote since taking office eight months ago. Opposition right-wing lawmakers in congress managed this week to open yet another impeachment process over new corruption allegations. Even though the allegations directly implicate Castillo, an impeachment is unlikely as other legislators are also involved in the scandal.

The latest move against the president reflects an old institutional crisis in the country between conservatives and socialists. Peru's pro-business fundamentals and a strong economy have mitigated the damage of long-standing political instability on the country's business environment. Ultimately, however, this instability will keep holding Peru back as risk-averse investors seek more politically stable destinations.



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Global

The war in Ukraine will reshape international trade flows and deal a blow to the post-pandemic recovery in global commerce.

- Ukrainian President Volodymyr Zelensky assessed **peace talks** were sounding more realistic, but more time was needed. Russia said there was “hope for reaching a compromise.”
- President Zelensky is expected to renew his **plea for air support to protect the skies over Ukraine** and push back against Russia’s attacks in a virtual speech before a joint session of the US Congress.
- Nine out of 10 Ukrainians could face **poverty and extreme economic vulnerability** if the war drags on over the next year, wiping out two decades of economic gains, warned the UN Development Program.
- Fitch Ratings has said it would constitute a “**sovereign default**” should Russia pay its foreign currency debt coming due on Wednesday in roubles rather than dollars.

Markets & Business

OPEC+ predicts reductions to its 2022 demand forecast, citing market instability and Ukraine disruptions, complicating efforts to increase output to reduce costs.

- **Intel** has picked Germany as the site for a huge new chipmaking complex, giving the first details of a \$88 billion investment drive across Europe.
- Television ratings group **Nielsen** is nearing a \$15 billion deal to be acquired by a consortium of private equity buyers led by **Elliott Management** and **Brookfield Asset Management**.
- **Alibaba Group and Tencent Holdings** plan to cut tens of thousands of jobs this year in one of their biggest layoff rounds as the internet firms try to cope with China's sweeping regulatory crackdown.
- The London Metal Exchange halted **nickel trading** minutes after it started, citing a technical issue with its new daily limit, as prices plunged immediately after trading resumed from a week-long hiatus.
- U.S. cybersecurity firm **NortonLifeLock Inc's** \$8.6 billion purchase of rival **Avast Plc** will face an in-depth probe by Britain if competition concerns are not addressed, the UK anti-trust regulator warned.

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Environment, Sustainability & Governance

ExxonMobil lost a federal appeal attempting to block Massachusetts and New York from probing whether the company misled investors about the impact of fossil fuels.

- Indigenous leaders from nine countries in the Amazon basin met in Ecuador earlier this week to demand that South American governments end extractive policies that **damage the rainforest** and legalize indigenous communities' rights over forest land.
- An Australian court overturned a groundbreaking ruling from last year that required the country's environment minister to consider harm to children from **climate change** as part of the approval process for a **coal mine**.
- EU countries backed the bloc's plan to establish the world's first-ever **border tax on carbon**, which will impose additional import taxes on carbon-intensive goods. EU advisors proposed adding an "amber" classification to the bloc's green financing rules for investments that are not fully environmentally friendly.

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Africa

- **Somalia** failed to hold elections for lower house of parliament by yesterday's deadline, further delaying the stalled electoral process which has held up the government for over a year amid a feud between the prime minister and president.
- Eni announced that it will lift force majeure on its **Nigerian** oil exports, put in place following Islamist attacks, in the next week to ease pressure on oil markets; Shell, another major operating in Nigeria, also has force majeure in place for its Northern Delta oilfields and has not indicated when it will lift.
- The International Criminal Court said the former **Central African Republic's** militia leader Maxime Jeoffroy Eli Mokom Gawaka had been turned over to the court by the authorities of **Chad** for crimes against humanity and war crimes.



Asia

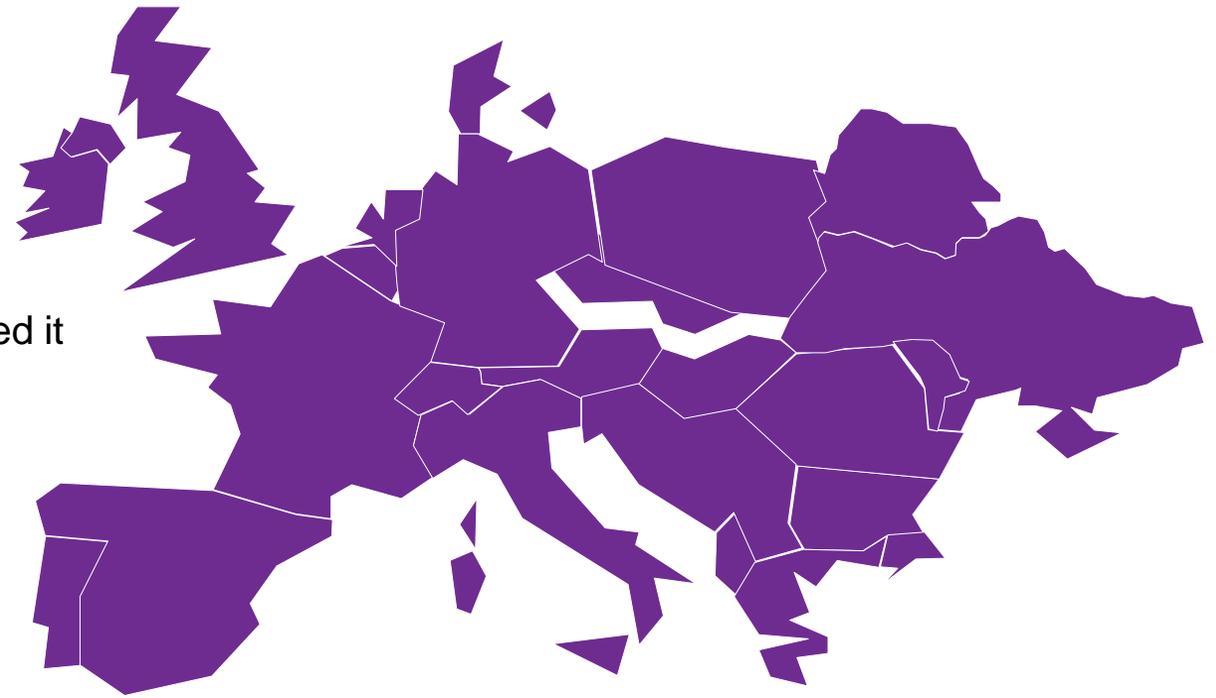
- **North Korea's** missile test on Wednesday failed, sending debris in or near Pyongyang as the test was conducted at the capital's international airport.
- The pandemic added 4.7 million more people to **Southeast Asia's** most extreme poor in 2021, reversing gains made in fighting poverty, per the Asian Development Bank.
- **Australia** will lift its entry ban for international cruise ships next month, effectively ending all major COVID-related travel bans after two years.
- **Japan** is set to announce today the lifting of COVID-19 restrictions imposed on Tokyo and other prefectures as a wave of infections caused by the Omicron variant continues to ebb.
- Beijing announced that it will roll out support measures to bolster its capital markets and steady economic growth following a massive stock sell-off over the past two weeks, driven by concern over **China's** coronavirus outbreaks, regulatory action and **Russia's** invasion of **Ukraine**.



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Europe

- Tit-for-tat diplomatic expulsions continue. Moscow announced it will retaliate against **Montenegro's** expulsion of a **Russian** diplomat by expelling Sarajevo's diplomat in Russia.
- **EU** growth will be “*severely impacted*” by the disruption stemming from **Russia's** invasion of **Ukraine**, the European Commission warned. Soaring energy prices, the threat of higher food prices and waning confidence are threatening to derail what promised to be a second strong year of economic recovery from the COVID-19 pandemic in Europe.
- **Germany's** biggest power supplier RWE has warned against halting Russian energy imports to put pressure on Moscow as it would have an “*unforeseen impact*” on heating supplies for German households and cause lasting damage to industry.
- **Armenia** said it is ready to establish ties with **Turkey**, a historic moment following decades of animosity over the Armenian genocide by the Ottoman Empire.



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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.

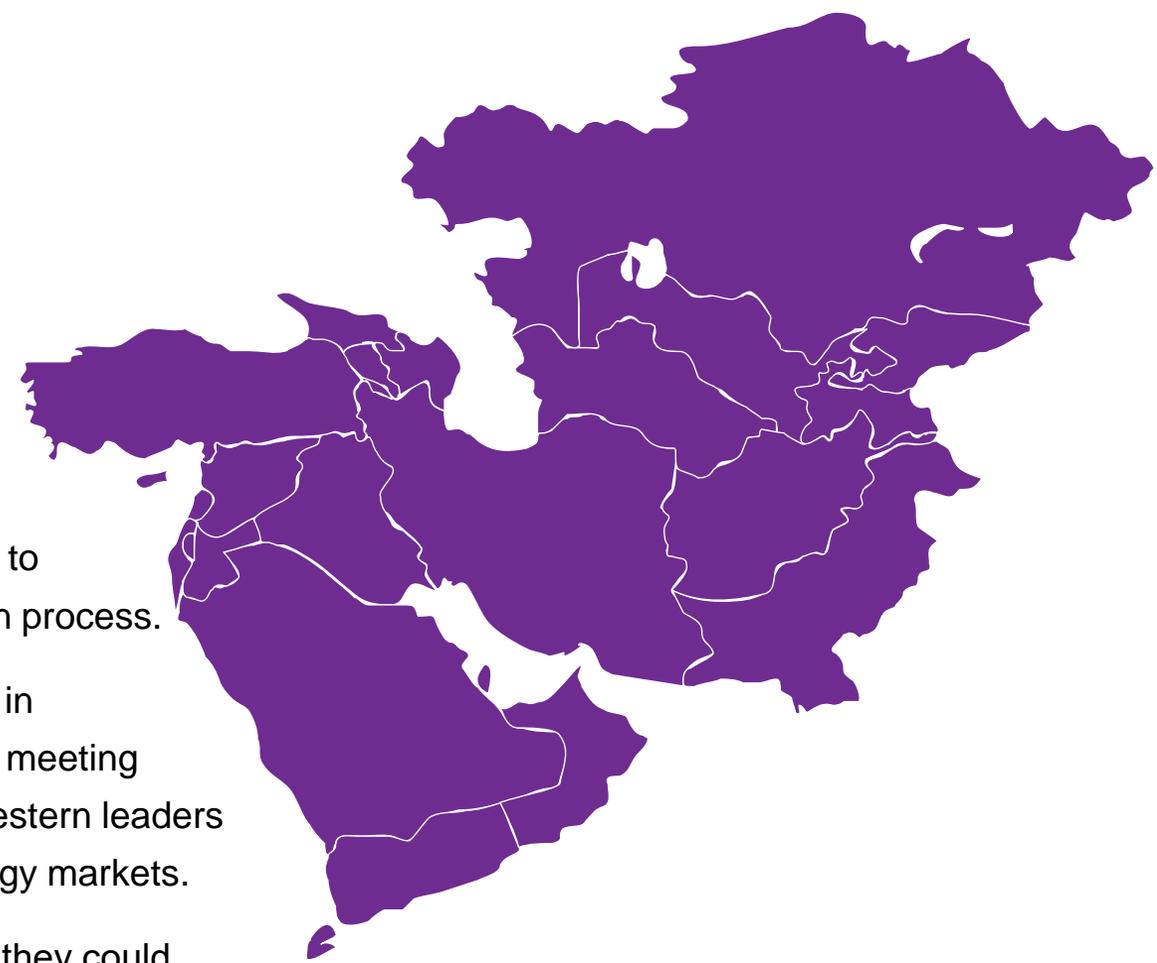
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

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

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

Middle East

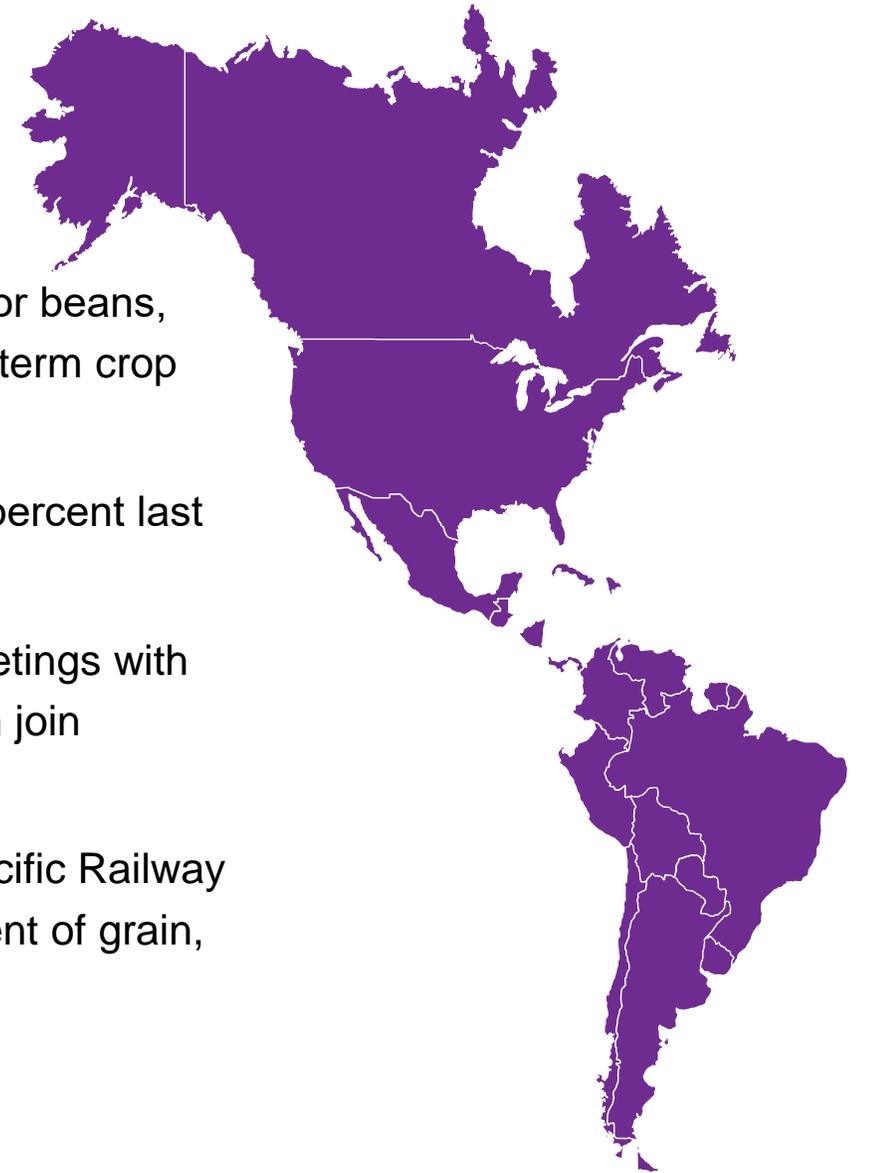


- A **Syrian** war monitor claimed that **Russia** has recruited more than 40,000 soldiers from the Syrian army and allied militias to fight in **Ukraine**.
- The **GCC** is reportedly considering inviting the parties to **Yemen's** war to Riyadh for peace talks in connection with the UN-led peace negotiation process.
- **UK** Prime Minister Johnson met Crown Prince Mohammed bin Zayed, in **Abu Dhabi** this morning, and will travel later in the day to Riyadh for a meeting with **Saudi** Crown Prince Mohammed bin Salman in a campaign by western leaders to convince the major oil producers to increase output to stabilize energy markets.
- **Russian** officials said that they had received “*written guarantees*” that they could continue their work as a party to the **Iran** nuclear deal, a confusing but potentially positive signal given that western nations have point-blank refused efforts by Russia to link nuclear negotiations to sanctions related to **Ukraine**.
- **Pakistan** plans to finalize a **Russian**-built gas pipeline despite international pressure to isolate Moscow economically.

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Americas

- **Colombian** President Duque inaugurated the world's largest gene bank for beans, cassava and tropical forages for feeding livestock, aiming to provide long term crop conservation.
- **Argentina's** president promised a “war” against inflation after it rose 4.7 percent last month, far above predictions.
- The government of **Venezuelan** President Nicolas Maduro is seeking meetings with political and business groups, and unions, among others, so that they can join negotiations alongside opposition politicians led by Juan Guaido.
- Thousands of workers at **Canada's** second-biggest railway, Canadian Pacific Railway Ltd have threatened to strike this week, potentially disrupting the movement of grain, potash and coal at a time of soaring commodity prices.



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Americas: US

- The US government will run out of supplies of **COVID-19 treatments** known as monoclonal antibodies as soon as late May and will have to scale back plans to get more unless Congress provides more funding, per the White House.
- Pfizer Inc and its German partner BioNTech SE will seek emergency use authorization for a second booster shot of their **COVID-19 vaccine** for people aged 65 and older.
- Today, the Federal Reserve is expected to lift its benchmark **interest rate** for the first time since 2018 and set the stage for rate rises at most of the remaining seven policy meetings this year as it seeks to combat the highest inflation in four decades.
- The US Senate yesterday unanimously passed a resolution condemning **Russian** President Vladimir Putin as a war criminal.



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“Stealth Omicron” Prompts Rising Cases, Lockdowns in China

By Anni Coonan

While news of a new, more infectious subvariant is alarming, researchers mostly argue that “stealth Omicron” will not cause a significant spike in either transmission or deaths, for various reasons. Still, the rise of a new variant demonstrates the persistent threat of new mutations emerging from under-vaccinated areas, especially as first-dose protection wanes and vaccine hesitancy remains high throughout much of the world.

Over the last several days, China has renewed citywide lockdowns on millions in response to a spike in new coronavirus cases (the country’s worst since the height of the pandemic in winter of 2020) that many attribute to a subvariant of the Omicron variant widely referred to as “stealth Omicron.” China is not the first country to see a rise in cases from the Omicron subvariant: European countries including the UK, Germany and the Netherlands are seeing small rises in new coronavirus cases, with “stealth Omicron” making up larger and larger shares of positive tests. “Stealth Omicron,” better known as the BA.2. subvariant of the Omicron strain, is a novel mutation from the Omicron variant of the coronavirus, originally dubbed “stealthy” due to its ability to evade protein signals on PCR tests. While PCR tests are now able to detect all known variants of the Omicron strain, making the “stealth” moniker inaccurate, the name has stuck in the media. Despite natural wariness of a new

strain, preliminary research in the Netherlands and the UK has found that BA.2. behaves much like the original Omicron variant, or BA.1., in that it is more infectious than the previously widespread Alpha or Delta variants but much less likely to cause severe illness or death. Danish researchers estimate that BA.2. is about 1.5 times more transmissible than BA.1. (a much smaller increase in transmissibility than that between the Delta and Omicron variants), and while Japanese researchers have reported initial research that hamsters infected with BA.1. were slightly more likely to develop severe symptoms, other researchers have cast doubt on whether this result will be replicated in humans.

Still, BA.2. appears to be driving moderate case jumps throughout Europe and Asia, although that is likely driven as much by a relaxation of COVID-19-related restrictions following the winter

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“Stealth Omicron” Prompts Rising Cases, Lockdowns in China

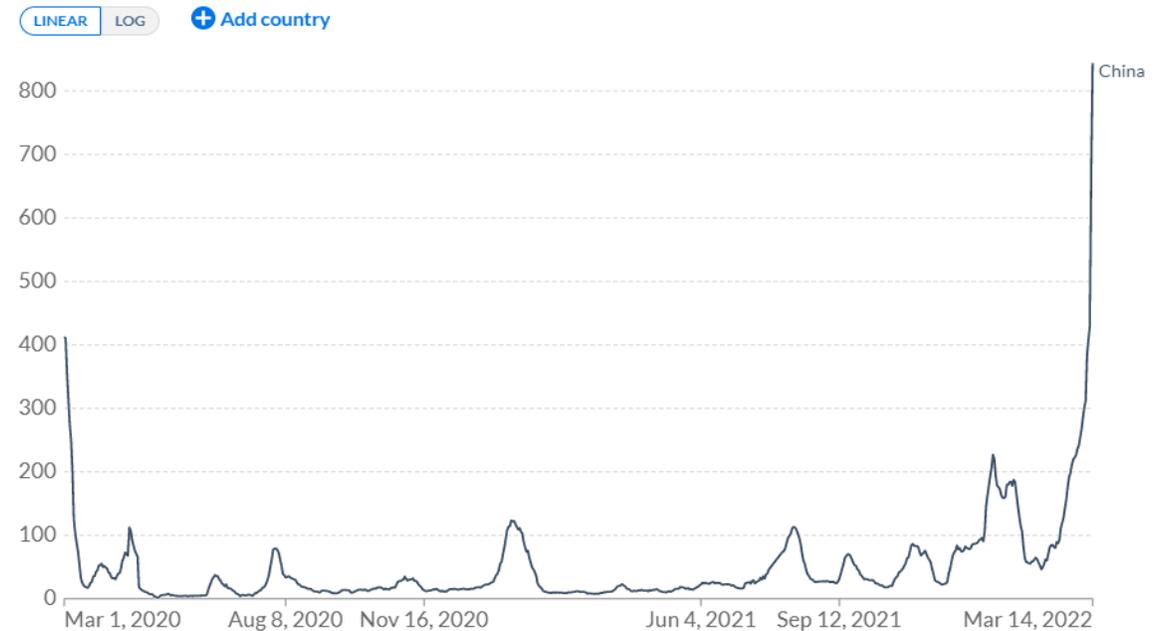
Omicron surge as by the increased transmissibility of BA.2. Scientists are optimistic that the subvariant will not cause major spikes in cases. Existing vaccines still provide significant protection against both the BA.1. and BA.2. subvariants (about 77 percent protection against severe illness from both types, according to UKHSA). Further, natural immunity derived from BA.1. infection, which is widespread after the winter’s spike, appears to protect against almost equally as well against BA.2. as BA.1. reinfection.

Nonetheless, BA.2. does appear to be slowly gaining dominance as the primary coronavirus variant in circulation (first detected in December, the subvariant is responsible for at least half of all new cases in Germany and 11 percent in the US), and its rise has prompted new, restrictive lockdowns in several cities in China.

Last week, Beijing imposed comprehensive lockdowns on the cities of Shenzhen and Changchung, affecting 35.5 million people, after new cases in the country rose to over 1,200 new positives in a 24-hour period – relatively low for many countries at this point in the pandemic, but the highest that

Daily New Confirmed Coronavirus Cases in China

Our World
in Data



Source: Johns Hopkins University CSSE COVID-19 Data

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“Stealth Omicron” Prompts Rising Cases, Lockdowns in China

local transmission has reached in mainland China since the onset of the pandemic (note that Johns Hopkins data for China, in the chart to the right, is limited). The move demonstrates Beijing’s dedication to its COVID-zero strategy even as most other Asian countries abandon the tactic, which successfully reduces transmission but disrupts daily economic activity more than most countries are willing to accept after two years of the COVID-19 pandemic.

The current lockdown in Shenzhen has shuttered electronics and automaker factories, including those of Foxconn, an Apple assembler, and many manufacturers of Huawei phone parts, dealing another blow to already battered global supply chains. However, China appears unlikely to abandon the COVID-zero strategy or lift the current lockdowns early, even amid economic pressure; many experts agree with the Chinese argument that taking a more liberal tack at this point, when such a small slice of the population has natural immunity to any variant of the coronavirus, could cause a devastating case surge. Additionally, the success of China’s COVID-zero policy has become a point of nationalist pride for Beijing, and it could be politically difficult to walk back. Still, the evolution of more transmissible variants, which are increasingly difficult to contact trace

to impose targeted lockdowns, demonstrates the difficulties that China’s COVID-zero strategy will face in coming months and years.

Although the BA.2. variant is unlikely to cause significant case spikes or renewed COVID-19 restrictions outside of China, its emergence presents an evergreen reminder of the potential dangers of new mutations, which emerge from virus circulation in under vaccinated populations. Under-vaccination presents the dual risk of increasing the likelihood that new mutations will emerge, and that populations without second or third doses will become more and more vulnerable to mutating variants. While global vaccination is on the rise, new variants will present a larger threat as time goes on and protection from first doses wanes, especially in areas where vaccine hesitancy is high and uptake for booster vaccine doses has been low.

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Ukraine War Update: Peace Talks “Realist,” Humanitarian Relief “Difficult,” Russian Default “Imminent”

International pressure on China to exert its influence over Russia to end the war on Ukraine by not supporting Moscow with military or financial assistance is growing.

Political Developments

Ukrainian President Volodymyr Zelensky assessed peace talks were sounding more realistic, but more time was needed. Russia said there was “*hope for reaching a compromise.*”

President Zelensky is expected to renew his plea for air support to protect the skies over Ukraine and push back against Russia’s attacks in a virtual speech before a joint session of the US Congress.

US President Joe Biden will travel to Europe for an extraordinary NATO summit on Ukraine next week. NATO defense ministers met today and discussed their response to a “*changed security environment*” in Europe, making clear to Russia that it will defend all allies in case its invasion of Ukraine sparks conflict outside that country.

NATO countries will continue to deliver weapons to Ukraine even as these deliveries could become the target of Russian attacks. The US

expected to announce an additional \$800 million in security assistance to Ukraine today.

The prime ministers of the Czech Republic, Poland and Slovenia arrived in Kyiv on Tuesday in a show of high-level backing for Ukrainian President Zelensky, who briefed them on the war with Russia. The three, who came by train, were the first foreign leaders to visit the capital since Russia invaded last month.

The UK’s Ministry of Defense on Tuesday said Russia may seek to stage a ‘referendum’ in Kherson in an attempt to legitimize the area in a similar fashion to Donetsk, Luhansk and Crimea.

The head of NATO called on China to “*clearly condemn*” Russia’s invasion of Ukraine and not extend any form of support to Moscow. The US has told allies that China signaled its willingness to provide military assistance to Russia after Moscow requested equipment including surface-to-air missiles.

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Ukraine War Update: Peace Talks “Realist,” Humanitarian Relief “Difficult,” Russian Default “Imminent”

A Moscow court fined a state television editor, Marina Ovsyannikova, on Tuesday for a video condemning the war in Ukraine.

Germany's Federal Office for Information Security (BSI) has recommended users of Kaspersky antivirus software switch to an alternative over fears the Russian cybersecurity firm could be used to facilitate cyberattacks by the Russian government.

Battlefield Developments

Ukraine has launched a “counteroffensive” against the Russian army to try to “radically change the parties’ dispositions,” according to an adviser to Ukrainian president Volodymyr Zelensky.

While the Russian offensive against Kyiv remains stalled, Russian forces in southeastern Ukraine continue to steadily advance in three directions: northeast from Kherson, taking territory in Donetsk and Luhansk Oblasts, and encircling Mariupol.

Military analysts at the US-based Institute for the Study of War assess that Russian capture of Mariupol will likely be the next key inflection point. Russian forces have successfully encircled Mariupol and are conducting daily assaults on the western and eastern outskirts of the city. Russian air,



Source: Institute for the Study of War

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Ukraine War Update: Peace Talks “Realist,” Humanitarian Relief “Difficult,” Russian Default “Imminent”

missile, and artillery strikes continue to target residential areas and civilian infrastructure to force the city to capitulate. Russian forces have encircled the city to a depth that trapped Ukrainian fighters are unlikely to break and efforts to relieve them from outside will be prevented.

More than 600 buildings have been destroyed in Kharkiv, Ukraine's second city in the east of the country, since the start of Russia's invasion, per Mayor Ihor Terekhov.

Russian shelling of critical infrastructure like roads, bridges and railroads in Ukraine is making it “difficult” for humanitarian workers to reach people in need of aid, a senior US official said. A convoy carrying urgent supplies for Mariupol remained stranded outside the besieged port city for a third day. About 20,000 people have escaped Mariupol in private cars, but hundreds of thousands remain trapped by Russian shelling, per Ukrainian officials.

Just over 3 million have now fled Ukraine, according to the United Nations, with over 1.8 million arriving in neighboring Poland; 4.7 million people had been internally displaced.

Economic and Commercial Developments

Western powers continued to impose new sanctions on Russia and Belarus. The US announced sanctions on four Russians and one entity it accused of playing a role in concealing events around the death of whistleblower Sergei Magnitsky or of being connected to human rights violations against human rights advocate Oyub Titiev.

The UK government announced an additional set of sanctions on more than 370 individuals associated with the Kremlin. Russian vodka imports will be subject to a 35 percent tariff in the UK, as part of the new economic sanctions

Switzerland expanded sanctions on Russia and Belarus, adding an export ban of dual-use items which can be used for both military or civilian purposes, and an import ban of products into Switzerland to include Belarusian wood products, and items made from rubber, iron, steel, and cement.

Digital assets of sanctioned Russian individuals and companies are being targeted. Digital asset data company Elliptic assess that “several hundred thousand” cryptocurrency wallets have links to sanctioned individuals.

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Ukraine War Update: Peace Talks “Realist,” Humanitarian Relief “Difficult,” Russian Default “Imminent”

EU regulators have told some banks to scrutinize transactions by all Russian and Belarusian clients, to ensure that they are not used to circumvent Western sanctions against Moscow.

Fitch Ratings has said it would constitute a “sovereign default” should Russia pay its foreign currency debt coming due on Wednesday in roubles rather than dollars. The two bonds with coupon payments due today, with a combined payment amount of \$117 million, are already trading at about 20 cents on the dollar, a highly distressed level that indicates investors who hold the debt are bracing themselves for an imminent default.

Russia has placed US President Biden, Canadian Prime Minister Trudeau and a dozen top US officials on a “stop list” that bars them from entering the country. Russia also outlined a \$8 billion rescue plan to counter international sanctions. The plan contains more than 100 initiatives with roughly Rbs1 trillion in financing to support the Russian economy and citizens.

A growing number of drugmakers including Eli Lilly and Co, Novartis and Abbvie Inc are scaling back business in Russia after Moscow's invasion of Ukraine, but still pledge to continue supplying critical medicines.

Volkswagen is struggling to secure crucial supplies from parts manufacturers in Ukraine and announced it will consider moving more of its production out of Europe to the US and overseas if the Ukraine conflict continues

Tobacco group Imperial Brands has announced that it is pulling out of Russia entirely, becoming the latest large consumer brand to exit the country.

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Coronavirus Condition Updates

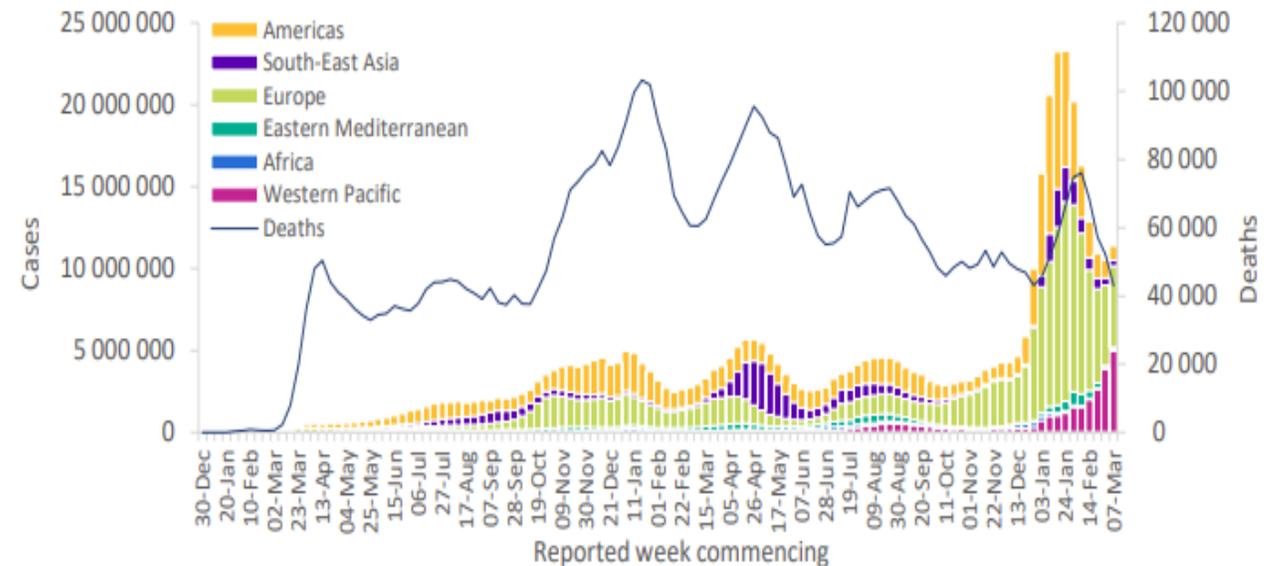
As of 5:56 pm CEST on March 15, 2022

Coronavirus Snapshot

Globally, confirmed coronavirus cases topped 458.7 million with 6.0 million deaths; more than 10.7 billion vaccine doses have been administered.

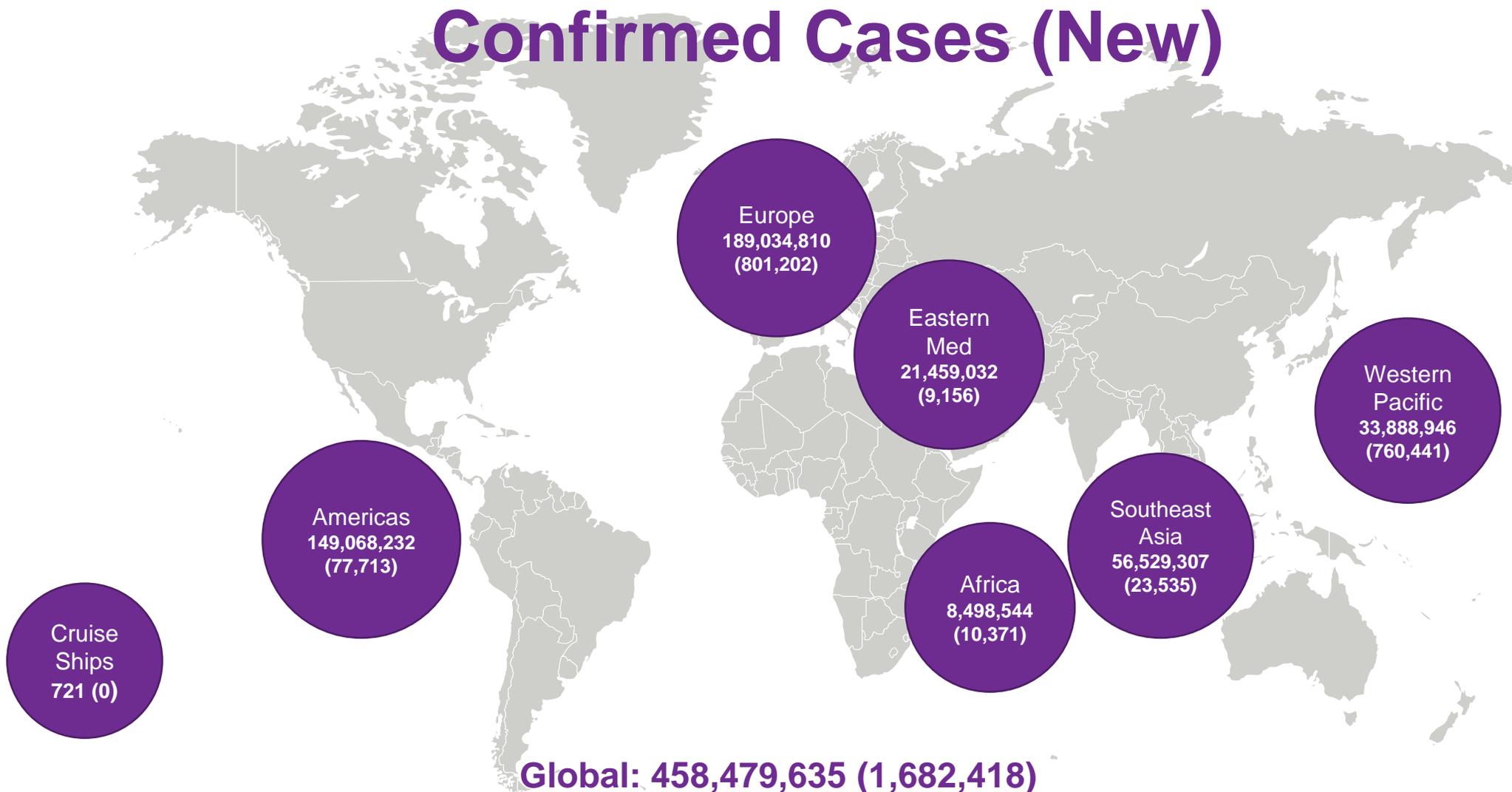
- After a consistent decrease in the number of new COVID-19 cases reported globally on a weekly basis since the end of January 2022, during the week of 7 through 13 March 2022, the number of new weekly cases has **increased by 8 percent** as compared to the previous week. Across the six WHO regions, over 11 million new cases and just over 43,000 new deaths were reported.
- The US, EU, India and South Africa have reached a consensus on key elements of a long-sought **intellectual property waiver** for COVID-19 vaccines.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 13 March 2022**



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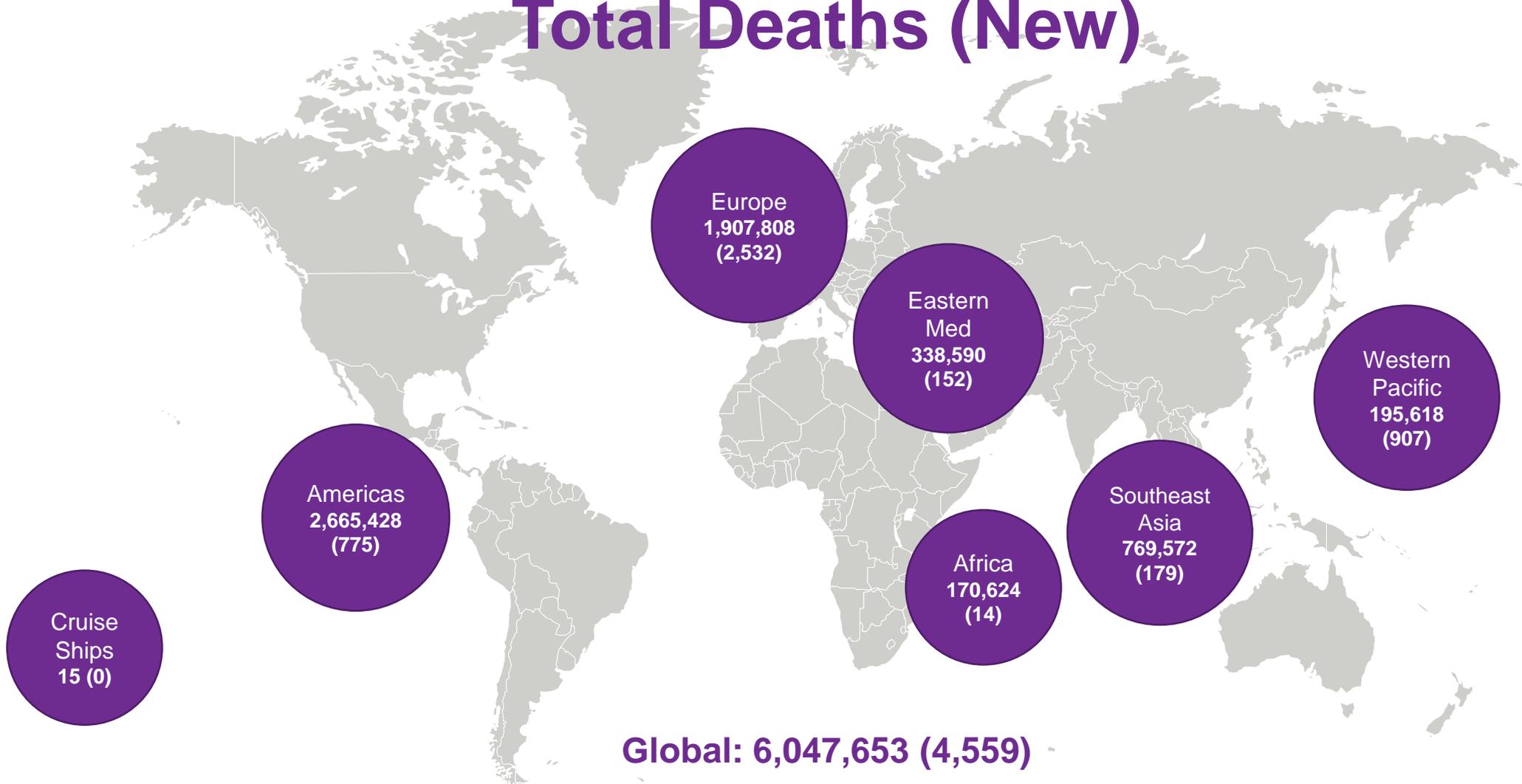
Confirmed Cases (New)



Reflects data as of 5:56 pm CEST on March 15, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:56 pm CEST on March 15, 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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