

Dentons Flashpoint

Global Situation Report

October 17, 2022

Global Situation Update: October 17, 2022

KEY TAKEAWAYS

At leadership congress, President Xi steers China towards confrontation with west in 'great rejuvenation' push.

Violent protests in Iran opposing the country's leaders continue to grow.

The IMF forecasts that economies representing more than a third of global output will contract next year.

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

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WHAT WE'RE WATCHING

The newly appointed UK finance minister will make difficult decisions over the coming weeks that could determine if economic, financial, and political crises there help trigger a global recession. A proposed 'mini-budget' by his predecessor to stabilize the UK economy with massive tax cuts amid high inflation and fallout from the Ukraine war and pandemic led to market uncertainty and diminished public confidence.

In the short-term, the change of minister and a reversal of some of the 'mini-budget' policies may help regain the confidence of financial markets, which balked at what they viewed as unfunded tax cuts. However, it will cast UK Prime Minister Liz Truss permanently as a leader unsure of her own policy direction, and liable to perform swift reversals of policy in response to the markets and Conservative Party opinion.



Global

The IMF forecasts that economies representing more than a third of global output will contract next year, while the world's three largest economies—the US, EU and China—will essentially stall. Overall, the fund projects 2.7 percent growth in 2023, down from 3.2 percent this year.

- OPEC+ member states reaffirmed their endorsement of a steep **oil production cut** agreed this month, disputing the US claim that Saudi Arabia had coerced some other nations into supporting the move.
- Gazprom CEO Alexei Miller said plans to **cap the price of Russian gas exports** would cause supplies to be halted to Europe, echoing a similar threat from President Vladimir Putin.
- Western countries criticized China, the world's largest bilateral creditor, as the main obstacle to moving ahead with **debt restructuring agreements** for the growing number of countries unable to service their debts.
- Bill & Melinda Gates Foundation said on Sunday that it will commit \$1.2 billion to support efforts to end all forms of **polio** globally.

Markets & Business

Oil output at the Exxon-led Sakhalin-1 Russian Pacific project has collapsed following Exxon's refusal to accept local insurance for tankers after Western insurers pulled out due to sanctions.

- A fire at a suburban data center near Seoul damaged servers of South Korea's major tech companies, **Kakao Corp.** and **Naver Corp.** on Saturday, causing extensive disruption to the country's dominant messenger service and internet portal.
- According to analysis by the *Wall Street Journal*, at least 43 senior executives working with 16 publicly listed **Chinese semiconductor companies** are American citizens and may fall under new US export control rules that prohibit US citizens from supporting China's advanced chip development.
- Hurricane Ian is on track to become the most significant natural disaster for the **insurance sector** in decades after it swept through Florida and South Carolina, industry figures have warned. Initial forecasts for the industry's losses from the storm have reached as high as \$75 billion. Insurers may move towards levying higher premiums and avoiding some acute risks, such as Florida property.
- **Vodafone** and **Altice** launched a joint venture to challenge **Deutsche Telekom** by building a 7 billion euro (\$6.8 billion) fiber broadband network in Germany.

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Environment, Sustainability & Governance

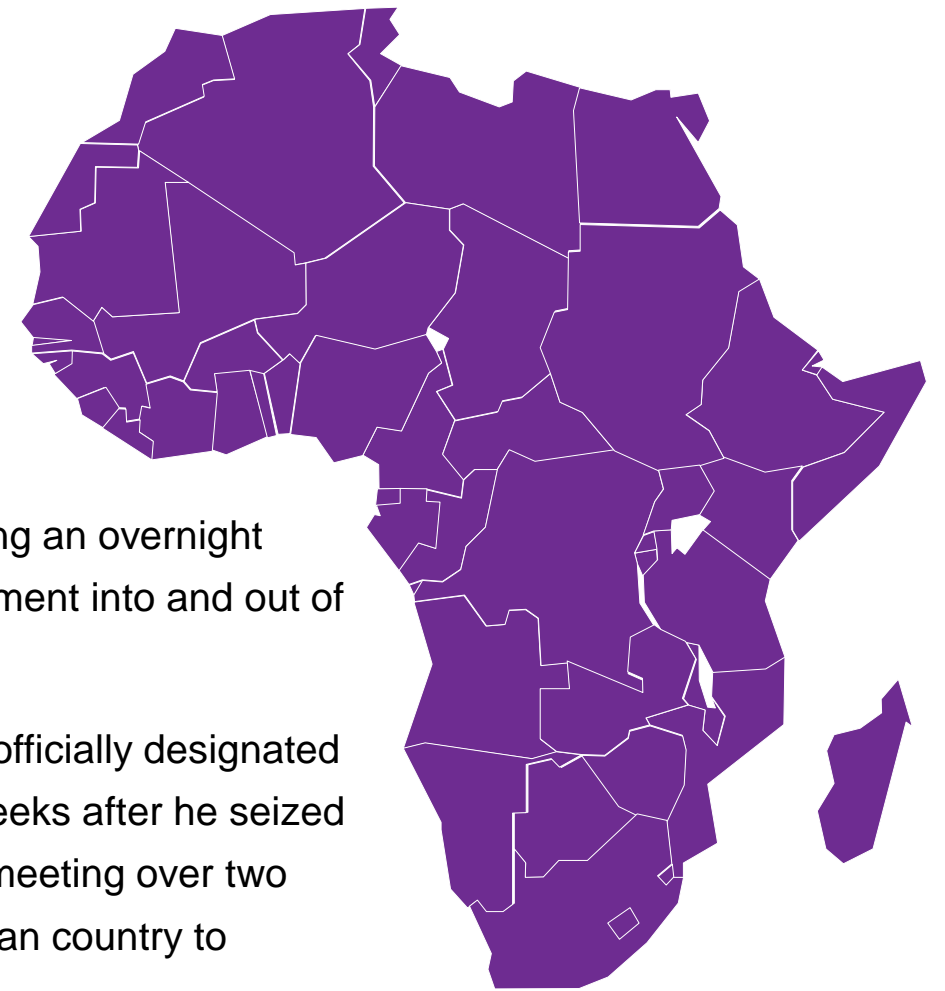
Oslo is on track to become the first capital city with an all-electric public transport system, targeting that goal for the end of 2023 as part of its aim to become the world's first wholly emissions-free city by 2030.

- **Climate change protesters** threw soup over Vincent van Gogh's painting "Sunflowers" at London's National Gallery, as part of the Just Stop Oil campaign.
- Reinsurer AXIS Capital said it will refuse to underwrite energy, mining and other projects that did not have the backing of **local indigenous communities**, setting a new standard.
- The world's biggest multilateral development banks increased their **climate-related financing** by 24 percent to \$82 billion in 2021.
- The pipeline for projects to **capture and store carbon emissions** has grown around 44 percent in the past twelve months to 244 million tons a year, per the Global CCS Institute think-tank.

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Africa

- Hundreds of inhabitants of **Chad's** capital N'Djamena have fled their homes due to massive flooding that has hit since Thursday, leaving parts of the city under water.
- **Uganda** President Museveni announced the government was implementing an overnight curfew, closing places of worship and entertainment, and restricting movement into and out of two districts affected by Ebola for 21 days.
- **Burkina Faso's** military officials, political parties and civil society leaders officially designated army captain Ibrahim Traore as the country's transitional president, two weeks after he seized power in Burkina Faso's second coup this year. About 300 delegates are meeting over two days in the capital, Ouagadougou, to outline plans to return the West African country to constitutional rule.
- **Saudi Arabia** and **South Africa** signed agreements and memorandums of understanding worth about \$15 billion during a state visit by South Africa's president to Riyadh. The two countries agreed to explore investment sectors and opportunities in areas of common interest in renewable energy, industry, mining, tourism, logistics and agriculture.



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Asia

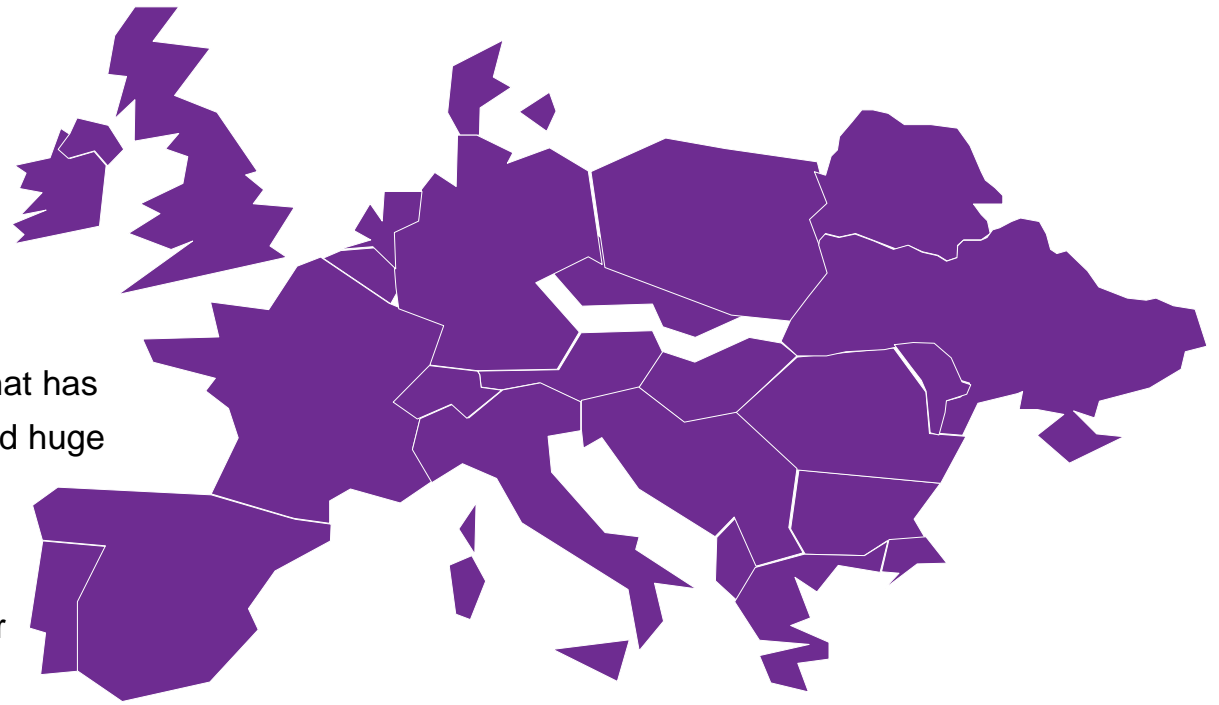
- **South Korea's** troops began their annual Hoguk defense drills today, designed to boost their ability to respond to **North Korea's** nuclear and missile threats amid tension over both sides' military activities.
- South Pacific Defense Ministers Meeting will convene tomorrow in Tonga, with **Australia** seeking a closer military relationship with the three island nations that have defense forces, **Papua New Guinea, Fiji and Tonga**, to counter **China's** security push in the region.
- In a speech opening the ruling Communist Party's 20th party congress in Beijing, President Xi Jinping revealed his intention to steer **China's** foreign policy and rising military superpower away from reconciliation with the west, warning of “*grave international developments*” not seen in the past 100 years.
- **India's** main opposition Congress party held a huge public rally, with tens of thousands of people, in the Indian state of Karnataka on Saturday, accusing the government of not doing enough to contain inflation and create promised jobs for young people.



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Europe

- **Russian** President Putin said that the calling up reservists should be completed in two weeks, promising an end to a divisive mobilization that has seen hundreds of thousands of men summoned to fight in **Ukraine** and huge numbers flee the country.
- Thousands protested in Paris on Sunday against soaring prices as weeks of strikes for higher wages at oil refineries spurred demands for a general strike. The **French** government is set to pass the 2023 budget bill using special constitutional powers that would allow it to bypass a vote in parliament.
- In an attempt to calm financial markets that have been in turmoil for three weeks, **British** Prime Minister Truss fired Kwasi Kwarteng as her chancellor of the exchequer and named experienced minister Jeremy Hunt to replace him. Hunt, in his first full day as UK chancellor, confirmed on that he will drop most of the tax measures in the disastrous fiscal statement of his predecessor. Truss is facing a challenge for her ouster this week.
- **Russia** attacked the center of Kyiv during today's morning rush hour with drones and shelled other cities around the country, the second time in a week it has unleashed strikes across **Ukraine** while its forces face setbacks on the battlefield. **France** pledged air defense systems to protect Ukrainian cities against drone strikes, as well as an expanded training program for Ukrainian soldiers. **EU** foreign ministers are expected to agree on a mission to train 15,000 Ukrainian troops from next month and an extra 500 million euros worth of funding for arms deliveries at today's meeting in Luxembourg.



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How do You Manage Incident Response?

2022 has already seen business disrupted by extreme weather, ransomware attack, the ongoing pandemic and more. The common refrain “It’s not if, but when” rings truer than ever for disruptive incidents that will impact business as usual.

Working with Dentons, you can effectively develop an organizational incident-behavior adopted by all your team members. Dentons will help you build muscle memory through tabletop exercises, which are crafted to fit the business strategy of every client.

Our team plays events and incidents of different severities and complexities and accounts for real-world factors such as inconclusive evidence, mistakes by responders, and the business impact of eradication steps. Our tech-savvy lawyers continuously revise the playbooks per the evolving sector-specific threat landscape.

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

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

All interaction with Dentons is attorney-client privileged

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

Middle East

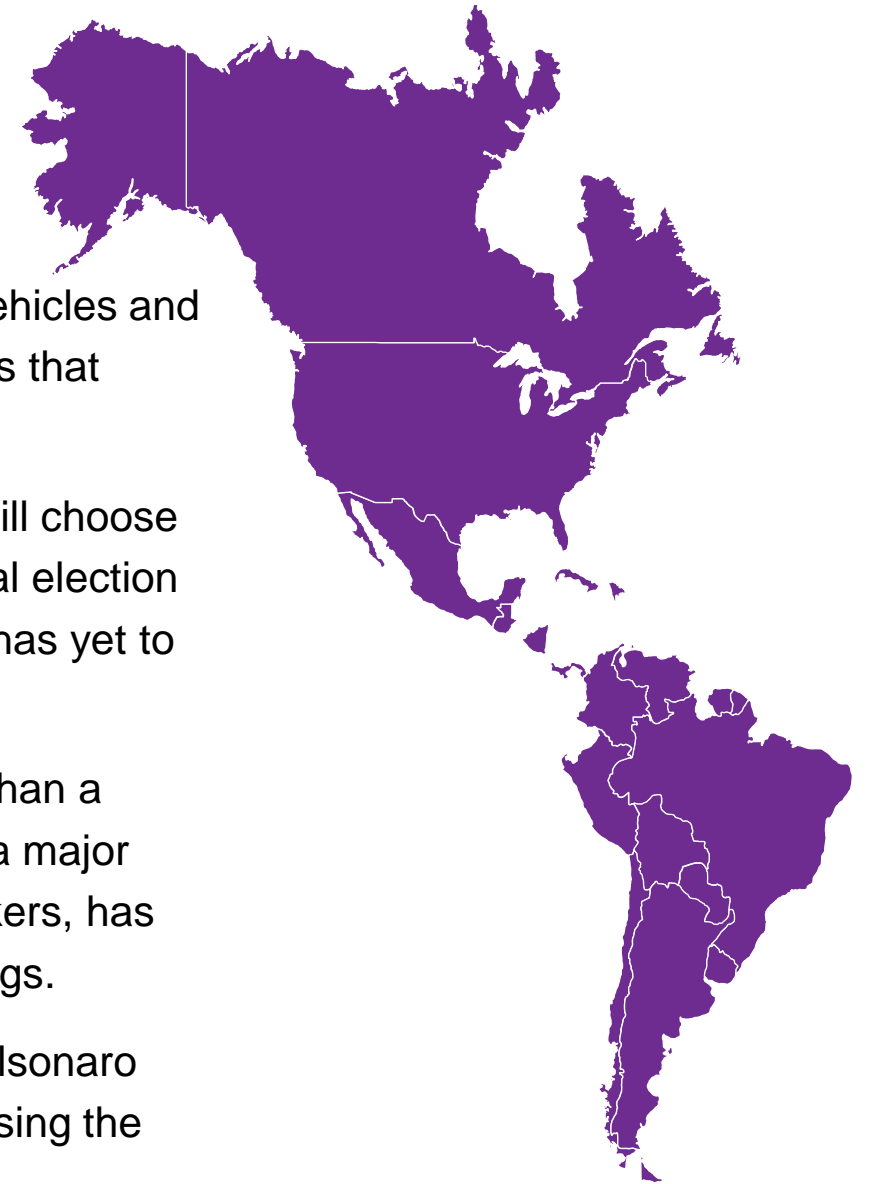


- Over the weekend, two rival **Tunisian** opposition groups staged the biggest protests so far against President Saied, denouncing his moves to consolidate political power as public anger grows over fuel and food shortages. The protests turned violent and riot police fired tear gas to disperse the crowds.
- **Pakistan's** new finance minister Ishaq Dar plans to seek rescheduling of some \$27 billion worth of non-Paris Club debt largely owed to **China** and ruled out the possibility of a default on Pakistan's debt.
- **Saudi** Crown Prince Mohammed bin Salman spoke by phone with **Ukrainian** President Zelenskiy on Friday expressing the kingdom's readiness to continue efforts of mediation and support everything that contributes to de-escalation. Saudi Arabia will also provide \$400 million in humanitarian aid to Ukraine.
- Protests continued across **Iran** over the weekend, with a fire breaking out at Evin Prison, which holds detainees facing security charges. Rights groups said at least 240 protesters had been killed in the anti-government protests, including 32 minors. Over 8,000 people had been arrested in 111 cities and towns, Iranian activist news agency HRANA. President Ebrahim Raisi blamed US President Biden for inciting "*chaos, terror, and destruction*" in Iran.

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Americas

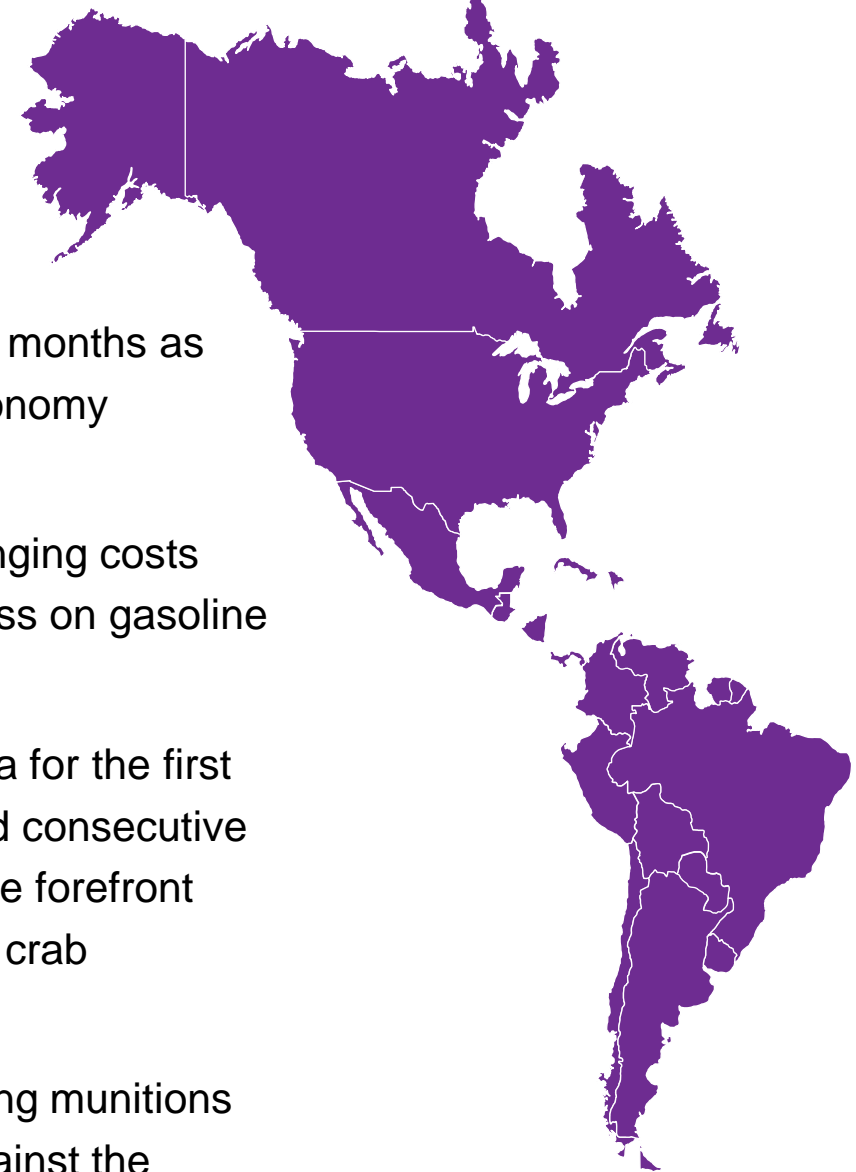
- Over the weekend, the **US and Canada** delivered tactical and armored vehicles and other supplies to the Haitian National Police to help combat criminal gangs that have worsened a humanitarian crisis in **Haiti**.
- **Venezuela's** opposition has agreed to hold primary elections in which it will choose a single candidate for the presidency at the end of June 2023. The general election is set to be held in 2024, however, Venezuela's national electoral council has yet to determine a date.
- In the second mass shooting in the **Mexican** state of Guanajuato in less than a month, unidentified gunmen opened fire in a bar, killing 12. Guanajuato, a major manufacturing hub and production site for many of the world's top carmakers, has been convulsed in recent years by brutal turf wars between rival drug gangs.
- In the first one-on-one debate with **Brazilian** presidential election, Jair Bolsonaro went on the offensive attacking challenger Luiz Inácio Lula da Silva, accusing the leftwing former leader of corruption.



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Americas: US

- Economists now expect that the US will enter a **recession** in the coming 12 months as the Federal Reserve battles to bring down persistently high inflation, the economy contracts and employers cut jobs in response.
- **Consumers' retail spending** shifted in September as they adjusted to changing costs amid strong inflation and rising interest rates, spending more on food and less on gasoline and new cars.
- Alaska will cancel the upcoming winter **snow crab season** in the Bering Sea for the first time, and bar fishers from catching king crabs in the Bristol Bay for a second consecutive year, because of a sharp decline in their estimated population, bringing to the forefront questions about the role of **climate change** in the rapid decline of the snow crab population:
- The US announced a new \$725 million security assistance package, including munitions and military vehicles, as part of e aimed at bolstering **Ukraine's** defense against the Russian invasion.



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Future of Work: Diversity, Equity and Inclusion Efforts Accelerate

By Matthew Gardell

A Two years after the murder of George Floyd prompted a renewed push for diversity, equity and inclusion (DEI) efforts in the workplace, companies are instituting more DEI programs and initiatives. The continued presence of remote work has allowed companies to change, and in some cases, enhance their DEI strategy. Regulation on corporate board diversity is becoming an important flashpoint for companies as a risk and compliance issue.

Over the past couple years, companies have focused on the issue of diversity and inclusion in the workplace. From new programs to the use of employee resource groups (ERGs), it worth assessing what the state of the DEI efforts is and look ahead to potential flashpoints such as corporate board diversity requirements. Overall, there is increasing awareness and action on the importance of DEI and job seekers report in recent surveys that they strongly desire inclusive working environments. Business leaders too increasingly believe that advancing DEI in the workplace is a net positive for their companies. According to McKinsey & Company, the US private sector has now collectively spent hundreds of millions of dollars on DEI initiatives. Empirical research has shown that more racially and ethnically

diverse companies perform better than those in the bottom percentile of that category. In addition to a correlation to performance, business leaders believe that advancing DEI can broaden a company's talent pool, increase insight into their customer base and provide reputational benefits.

State of DEI Efforts in 2022

There is no doubt that companies see DEI as a priority and have poured resources into programs. Businesses are increasingly recruiting at HBCUs and developing talent incubator programs. Some major companies, such as Target, are introducing diversity benchmarks such as committing to increase the representation of

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Future of Work: Diversity, Equity and Inclusion Efforts Accelerate

Black employees across all levels by 20 percent over the next three years. Other companies are introducing benefits such as education assistance programs. Salary transparency is another method that could advance DEI, an issue being spurred by recent legislation such as New York's pay transparency law.

In addition to the use of these methods, new DEI strategies include leveraging the popularity and endurance of remote work to recruit a more diverse workforce. Tech companies in particular believe that expanding their geographic base outside of Silicon Valley can diversify their workforce. Both Meta and Twitter have reported that its use of remote work has helped meet DEI hiring goals, with Meta reporting that minority candidates were more likely to accept remote positions.

According to a report by McKinsey & Company, there has been some progress on DEI efforts to increase minority representation in C-suite roles, but there is a mixed report card for front-line workers. There is still a large opportunity gap that people of color in front-line positions face, for example, Black workers, who make up 17 percent of hourly jobs at major companies, see a steeper drop-off in terms of their representation in supervisory or management roles. Critics

argue that while progress has been made in diversifying senior leadership roles, for example, there are now a record number of Black CEOs among the Fortune 500, DEI efforts have yet to reap large rewards for workers who stand to benefit the most.

Corporate Board Diversity Requirements – Emerging DEI Flashpoint

For major companies, DEI is quickly becoming a legal, compliance and risk issue. There is growing momentum to institute corporate board diversity requirements, and although many are subject to legal challenges, Nasdaq's new board diversity rules came into effect two months ago. The current rules require that Nasdaq-listed companies disclose the ethnic and gender makeup of their boards. Over the next few years, Nasdaq plans to introduce quotas to eventually require at least two diverse directors by 2025/2026. It is not just Nasdaq that is moving to mandate board diversity, but also state governments. New York, Maryland and Illinois require boards to disclose their demographic makeup but fall short of mandating quotas. Other states including Massachusetts, Hawaii, Connecticut, Michigan, New Jersey are considering mandatory disclosure measures.

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Future of Work: Diversity, Equity and Inclusion Efforts Accelerate

Corporate board diversity, particularly the idea of using quotas, is legally contested as conservative public interest groups and Republican states launch challenges. Nasdaq's future quota mandates are subject to a lawsuit in federal court by two conservative groups that argue that the quotas are illegal. Board diversity mandates also face judicial scrutiny as demonstrated by the much-publicized decisions by a California court to strike down both of the state's two board diversity laws as unconstitutional. The first law that was struck down required companies to have a minimum number of directors from "underrepresented groups," while the second law mandated a gender diversity requirement for certain boards of directors. Companies are monitoring legal developments as future mandates will create compliance risks.

Regardless of whether new state laws mandating board diversity will be struck down, there is still an overall push for more corporate board diversity. The Nasdaq demographic disclosure rule is in effect, and at least for now, quotas will be introduced over the next few years. DEI will remain a priority for businesses, and shareholder activism, workforce expectations and ESG investor concerns may

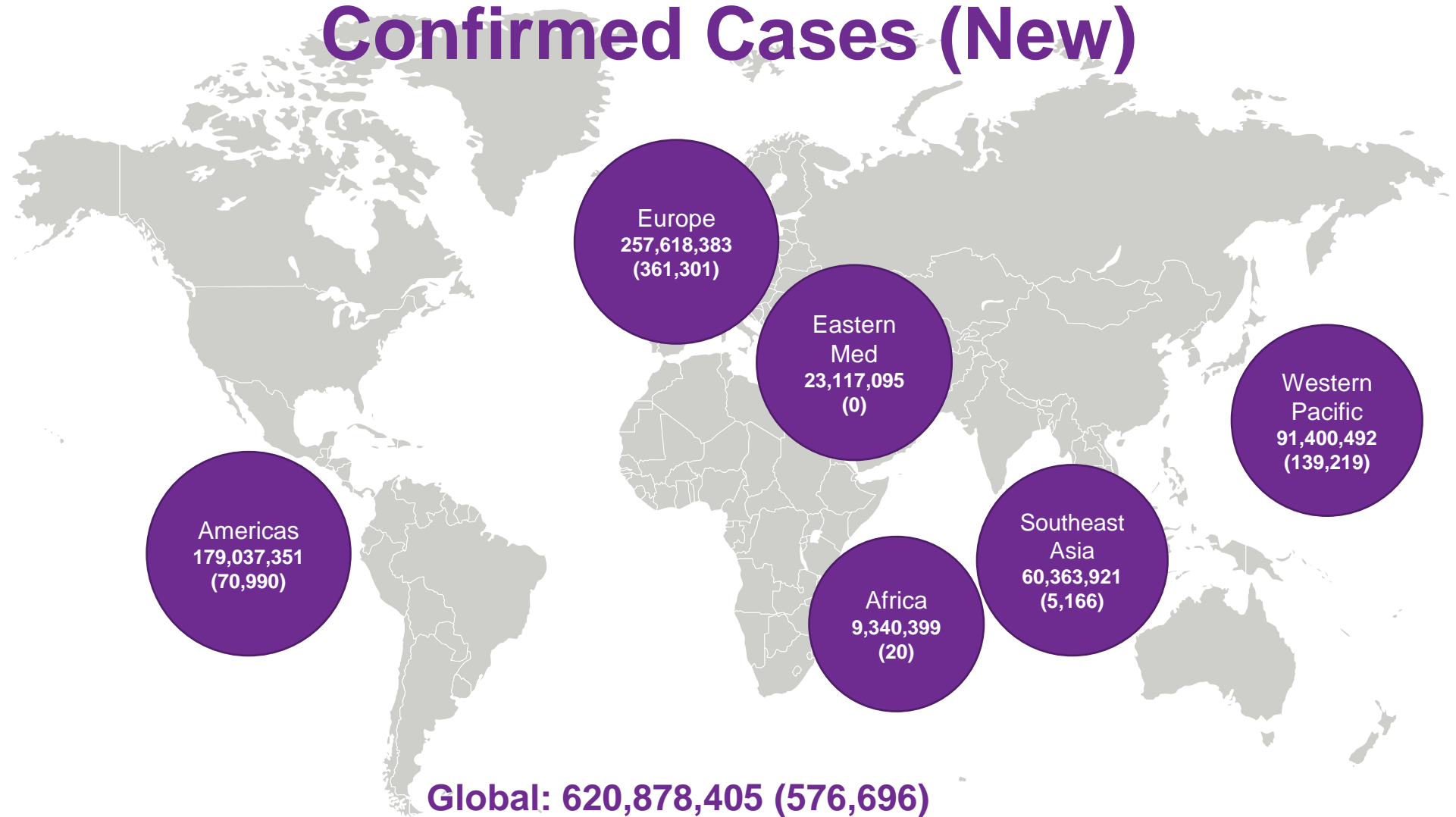
push companies in the direction of more board diversity even without legal mandates.

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Coronavirus Condition Updates

As of 6:08 pm CEST on October 14, 2022

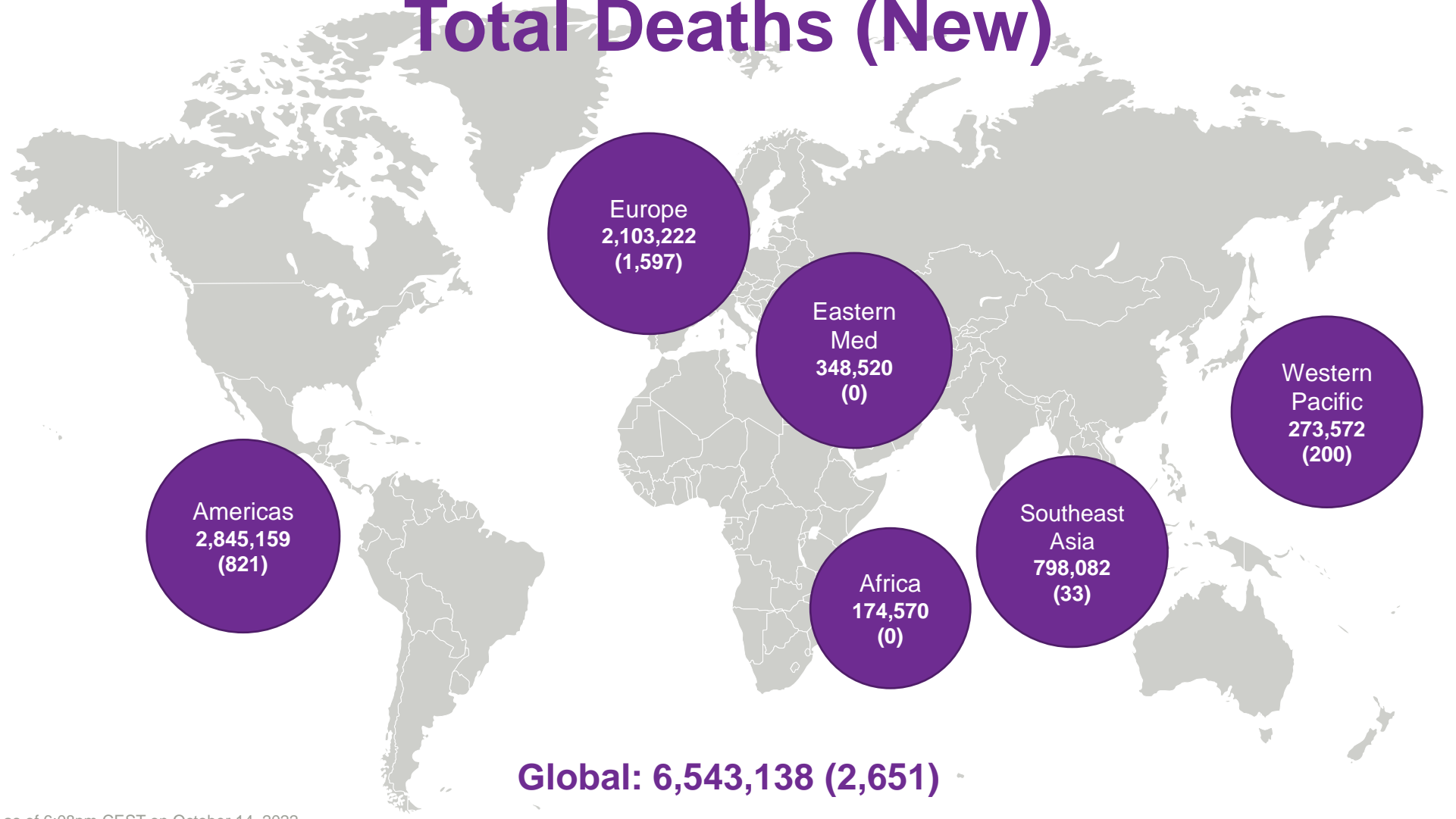
Confirmed Cases (New)



Reflects data as of 6:08pm CEST on October 14, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:08pm CEST on October 14, 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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