

# Dentons Flashpoint

## Global Situation Report

October 26, 2022

# Global Situation Update: October 26, 2022

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## KEY TAKEAWAYS

Russia notifies the US about plans to carry out annual exercises of its nuclear forces.

The UN climate office assesses that the world is not on track to meet climate goals by a long shot

Saudi Arabia signals a willingness to pump more oil if the global energy crisis worsens.

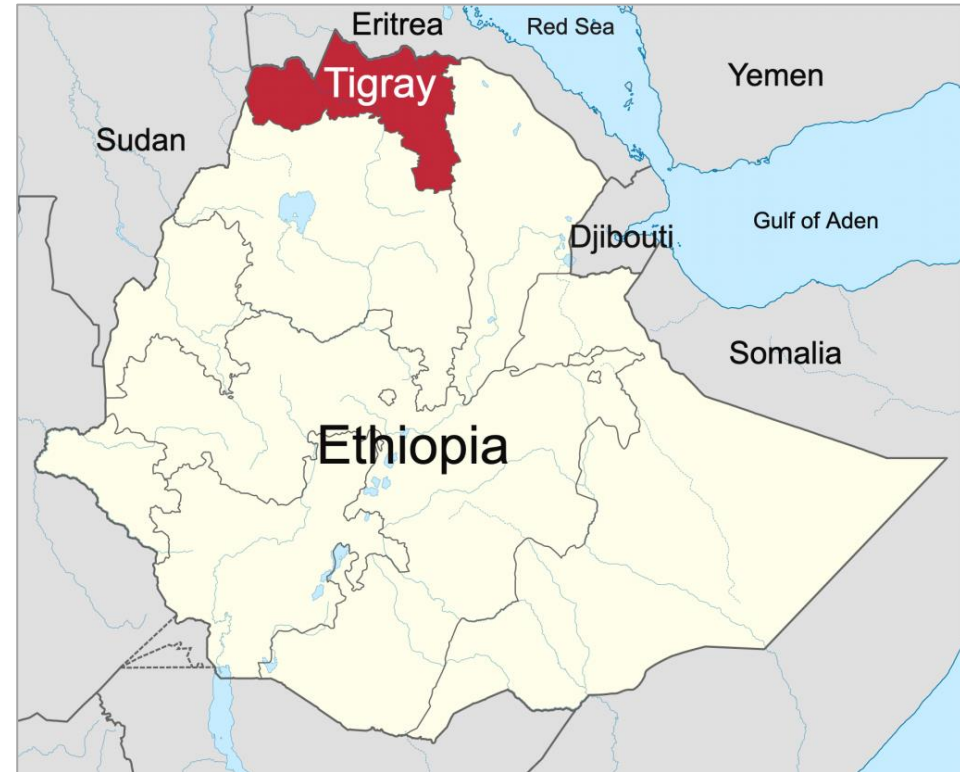
*Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.*

# Global Situation Update: October 26, 2022

## WHAT WE'RE WATCHING

The first direct talks between the Ethiopian government and the Tigray People's Liberation Front are taking place this week in South Africa. The African Union and international stakeholders will oversee this most significant effort yet to end two years of war that has displaced 2.5 million people, killed 500,000, and left millions food insecure.

Media coverage of peace talks will encourage further scrutiny into the human rights situation. Thus, the conflict will continue to pose serious reputational risks for operators closely associated with Addis Ababa. These risks will be especially elevated over the near term, as the US and others increasingly consider targeted sanctions to discourage any attempts to derail peace talks.



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# Global

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**Russia notified the US about its plans to carry out annual exercises of its nuclear forces, a move that Washington said lowers the risk of miscalculation at a time of "reckless" Russian nuclear rhetoric.**

- The UN's nuclear watchdog will visit two nuclear sites in Ukraine in the coming days, responding to Russia's unsubstantiated claims that Kyiv is preparing to use a "**dirty bomb**" on the battlefield.
- Russia's defense ministry has "*readied forces and capabilities*" to deal with radioactive contamination following Moscow's unsubstantiated and disputed claims that Ukraine is developing a "**dirty bomb.**" The US assessed there is no indication Russia has decided to deploy nuclear weapons.
- The WHO released a list of fungi that pose a growing risk to human health, including yeasts and molds found in abundance in nature and the body. **Fungal infections** are estimated to kill at least 1.6 million people yearly, according to Global Action for Fungal Infections.

# Markets & Business

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**BASF has said it will have to downsize “*permanently*” in Europe, with high energy costs making the region increasingly uncompetitive.**

- Saudi Arabia’s energy minister has signaled a willingness to pump more oil if the **global energy** crisis worsens.
- **Adidas AG** terminated its partnership with Kanye West, reacting to a rash of offensive behavior including hate speech from the American rapper and designer.
- Elon Musk confirmed on a video call with his advisers that he intends to close his \$44 billion acquisition of **Twitter** on Friday.
- **Mercedes-Benz** plans to withdraw from the Russian market and sell shares in its industrial and financial services subsidiaries to a local investor.
- The German cabinet approved an investment by China's **Cosco** for a 24.9 percent stake in one of logistics firm **HHLA's** three terminals in Germany's largest port in Hamburg.

# Environment, Sustainability & Governance

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**Britain's financial watchdog has proposed new rules from 2024 for funds and their managers to prevent consumers being misled by 'greenwashing' or exaggerated claims regarding environmentally friendly investments.**

- The UN climate office said Wednesday that its latest estimate based on 193 national **emissions targets** would see temperatures rise to 2.5 degrees Celsius (4.5 Fahrenheit) above pre-industrial averages by the end of the century. That's a full degree higher than the ambitious goal set in the Paris pact to limit warming by 1.5 C (2.7 F).
- Cadbury chocolate-maker Mondelez International pledged to spend an additional \$600 million by 2030 on efforts to combat **child labor, farmer poverty and deforestation** in cocoa.
- BlackRock Inc has raised \$4.5 billion out of an overall \$7.5 billion-target for a new fund to invest in infrastructure assets aimed at **climate-focused projects**.
- Extreme weather events and rising temperatures could see 13.6 percent of the Philippines' economic output lost by 2040, inflicting a heavy toll on the country's poorest if it does not address **climate change**, per a World Bank report.

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# Africa

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- Tens of thousands of **Sudanese** protested throughout the country in recognition of the one-year anniversary of the military coup; protesters faced tear gas and rubber bullets, resulting in at least one death. Protest leaders promised an increased focus on the countryside moving forward.
- **Ghana's** ruling party lawmakers called for the dismissal of the country's finance minister amid record high inflation.
- Eleven leaders from Central Africa gathered in DRC's capital, Kinshasa, to discuss the process of political transition in **Chad**.
- Several **Guinean** political leaders were questioned and held in custody all day on Monday following a banned anti-junta demonstration; critics denounced it as another attempt to quash dissent.
- One of **South Africa's** largest public sector unions gave notice of its intention to strike after rejecting a 3 percent wage offer from the government.



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# Asia

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- **Australian** inflation hit a 32-year high last quarter as the cost of home building and gas surged.
- The **US, Japan and South Korea** warned that an "*unparalleled*" scale of response would be warranted if **North Korea** conducts a seventh nuclear bomb test.
- **China's** renminbi hit its weakest level against the dollar since 2007 on Tuesday as concerns over President Xi Jinping's appointment of a harder line leadership team and a struggling economy spread from equities to currency markets.
- The UN refugee agency urged **Malaysia** to stop deporting refugees back to **Myanmar**, saying it had received reports of hundreds of such cases over the past two months, calling the deportations a violation of international law.

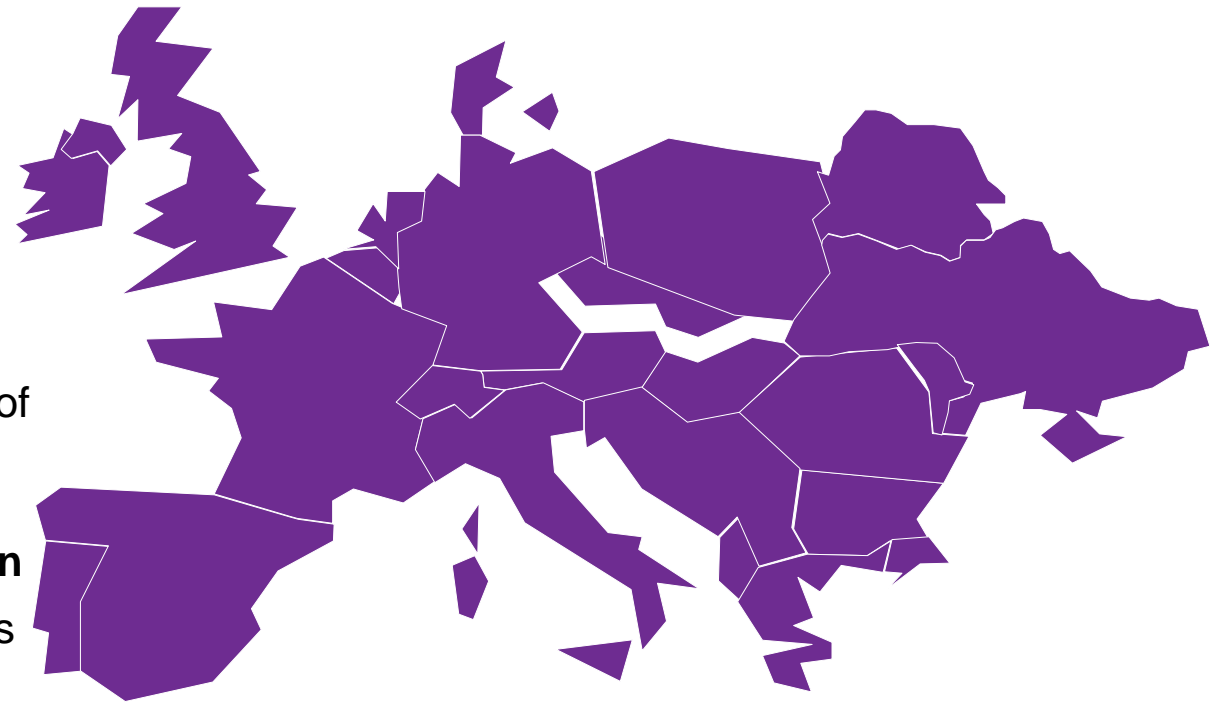


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# Europe

- Rishi Sunak became **Britain's** third prime minister in two months on Tuesday and pledged to lead the country out of a profound economic crisis and rebuild trust in politics.
- **Poland** may build a barrier on its border with the **Russian** exclave of Kaliningrad, as Warsaw suspects Russia plans to help African and Asian migrants flood the border in the coming week.
- **Norwegian** police on Monday arrested a suspected **Russian** spy in the Arctic town of Tromsø, the PST security service said, describing him as a rare illegal agent.
- European Commission president von der Leyen and **German** chancellor Scholz hosted a conference in Berlin on the postwar reconstruction of Ukraine. Speaking by video link, **Ukrainian** President Zelensky said Ukraine had an urgent need to rebuild housing, schools and power plants, and could not wait until war's end.



# 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:*

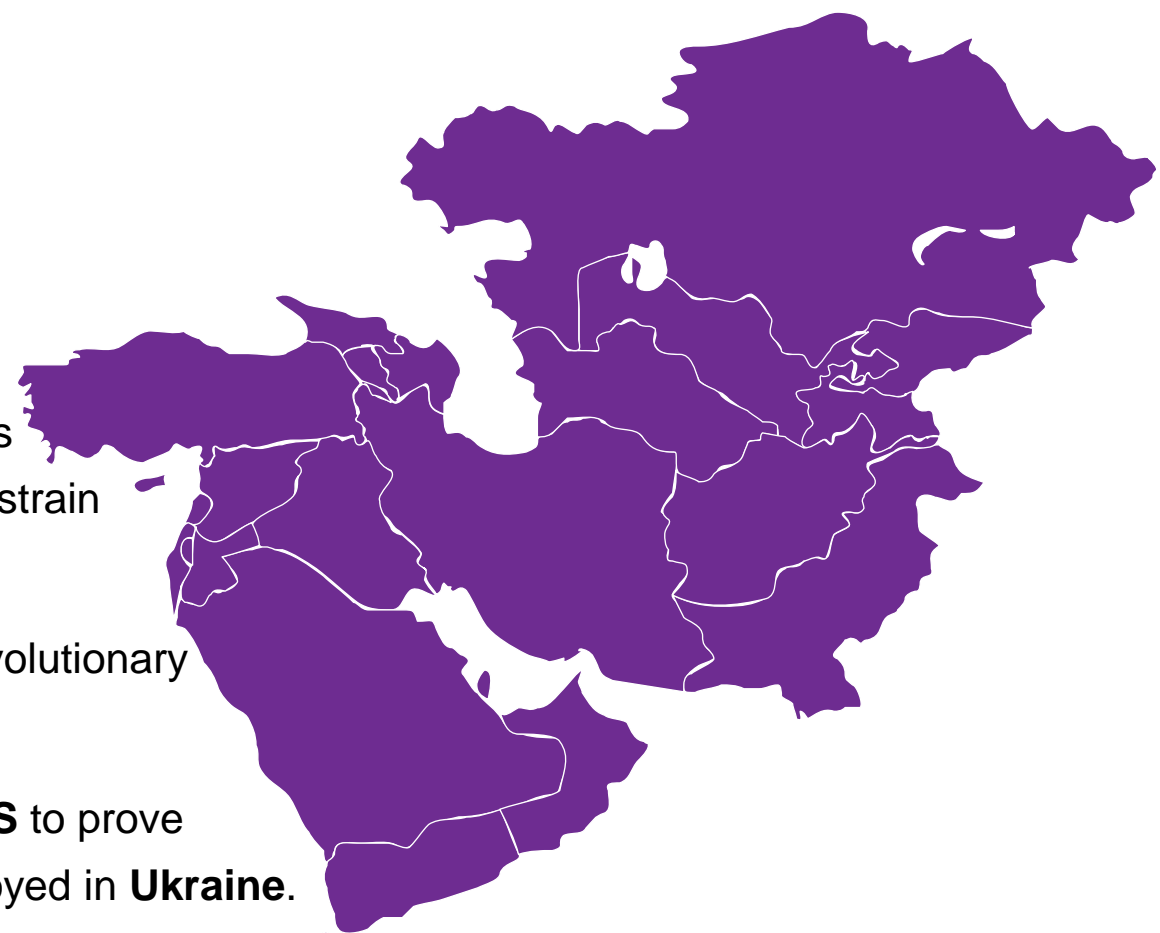
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

*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

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- The sixth **Saudi Arabian** global business summit, the Future Investment Initiative, opened in Riyadh; the **US** denied reports that it had dissuaded US companies from attending amid the strain on bilateral ties.
- Unknown gunmen shot dead two members of the Islamic Revolutionary Guard Corps in **Iran**, per state media.
- **Israel's** president said he was sharing intelligence with the **US** to prove **Iran** supplied **Russian**-operated drones that have been deployed in **Ukraine**. President Zelenskyy called on Israel to directly support Ukraine and said that **Russia** had ordered 2,000 of the drones.
- **Israel** carried out a rare daytime airstrike on military posts in the suburbs of the **Syrian** capital Damascus.
- Former **Pakistani** Prime Minister Khan plans a protest march with his supporters from the eastern city of Lahore to Pakistan's capital Islamabad on Friday to call for early elections.

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# Americas

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- **Brazilian** Economy Minister Guedes said the government of President Jair Bolsonaro could, if re-elected, raise the minimum wage above inflation now that the pandemic is over.
- Top officials from the **US** are reportedly discussing proposals for a fund that could release over \$3 billion to provide humanitarian aid to **Venezuelans** through the UN.
- The Bank of **Canada** is expected to raise rates by another three-quarters of a percentage point to a 14-year high, as persistent inflation outweighs worries that the rapid pace of tightening will trigger a recession.



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# Americas: US

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- The US Fish and Wildlife Service placed Antarctica's emperor penguins on the list of protected animals under the **Endangered Species Act**, saying climate change threatens the emperor penguin with extinction, as melting sea ice upends the habitat it needs to breed, feed and protect itself from predators.
- US **home price growth** declined for the second consecutive month in August for the first time in more than a decade, as 20-year high mortgage rates threaten housing affordability. US **consumer confidence** worsened in October, reversing gains in September as concerns around food and petrol price inflation picked up again.
- The Department of Justice unveiled charges accusing two **Chinese** intelligence officers of attempting to subvert a criminal investigation into a China-based telecommunications company — one of three new cases of China using espionage to create a competitive advantage in technology.
- A group of liberal Democrats withdrew a letter calling on the White House to pursue direct talks with **Russia**, saying it created the mistaken impression that they had aligned themselves with Republicans who have called sustained support for **Ukraine** into question.



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# Assessing the Lebanon-Israel Maritime Boundary Agreement

By Dan Arbell, Special Advisor to Dentons

***On October 27, representatives of the US, Lebanon and Israel are reportedly scheduled to convene in the border town of Naqoura, Lebanon for the official signing ceremony of the historic US-brokered Lebanese-Israeli maritime boundary agreement.***

Lebanon's President, Michel Aoun, confirmed last week Lebanon's approval of the agreement and, after the Israeli High Court of Justice rejected several appeals against the agreement, the Israeli government is set to give its final approval later this week.

As Lebanon and Israel still consider one another as an enemy state, the agreement is formally an exchange of letters between each side and the US. The Israeli and Lebanese delegations will reportedly sign the agreement in separate rooms, with Lebanon's representatives signing only after the Israeli delegates sign it. US Special Envoy for Energy, Amos Hochstein, who was the go-between for the last 18 months, will represent the US at the

ceremony. Once the agreement is inked, the governments in Beirut and Jerusalem will send letters to the UN laying out the terms of the agreement.

## ***Context of the Agreement***

The dispute between Lebanon and Israel over the delineation of their maritime boundary arose as a result of the offshore natural gas discoveries in the Eastern Mediterranean during the first decade of the 21st century. The gas discoveries off the northern Israeli coastline, in close proximity to the Lebanese coast, led Lebanon to officially file a petition with the UN, challenging Israel's Exclusive Economic Zone (EEZ) line.

The UN began the process of trying to reach a compromise between Israel and Lebanon on the delineation of the Israeli-Lebanese maritime boundary, including the demarcation of the Lebanon and Israel's EEZ's - a disputed area of 860 square kilometers (sq. km). During the Obama presidency, the US took control of the process, attempting to resolve the dispute via backchannels. The Trump Administration continued with efforts to advance an agreement, managing to convene several rounds of

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# Assessing the Lebanon-Israel Maritime Boundary Agreement

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negotiations between the parties at Naqoura but did not succeed. When the Biden Administration took over in early 2021 and appointed Special Envoy Hochstein, negotiations intensified, paving the way to an agreement despite many ups and downs.

In addition to the US's deep involvement, what made the difference this time around was that both sides saw a narrow window of opportunity in reaching a deal before the end of Lebanese President Aoun's term in office on October 31st and Israel's parliamentary elections on November 1st. Also, there was a significant change in the Lebanese attitude beginning in June this year when Israel placed a rig at the Karish natural gas field in proximity to the area in dispute. Lebanese leadership realized that Israel may start pumping gas from Karish before a deal is reached, leaving Lebanon empty-handed. Lebanon's leadership invited Hochstein for a visit in which he was presented with a new, more compromising Lebanese position.

## **Contents of the Agreement**

The agreement as we know it (noting that there is a secret annex which has not been published) addresses two main issues: the

delineation of the maritime boundary between Israel and Lebanon and the production of natural gas. The delineation represents a major compromise by Israel, as most of the disputed area stretching over 860 sq. km will be on the Lebanese side. Moreover, the agreement states that the parties have agreed to demarcate "a permanent and equitable boundary" (aka "Line 23"). For its part, Israel got what it regarded as important from a security standpoint: the maintaining of control of the 5 km line (aka "the buoy line") adjacent to the Israeli coastline, also recognized in the agreement as a "permanent boundary."

The agreement on the delineation of the maritime boundary sets the stage for Lebanon's continued quest to produce natural gas. Beirut will receive all the rights for the Qana gas field, most of it in the Lebanon's newly-delineated EEZ. In the future, if gas is produced in this field, Israel will receive a compensation from the proceeds, around 17 percent. The exact amount will be agreed directly between Israel and Total, without any involvement by Lebanon. Israel's Karish natural gas field is not mentioned in the agreement as it is all inside Israel's recognized EEZ. In case of disputes between Lebanon and Israel, the US will be the mediator.

# Assessing the Lebanon-Israel Maritime Boundary Agreement

## *The Hizballah Factor*

Hizballah was not directly involved in the negotiations, yet its dominance of the Lebanese political scene means that it has tacitly consented to the deal's terms for now. On the way to an agreement, leader Nasrallah had to swallow the bitter pills of active US involvement and the fact that it is a deal with Israel. Nevertheless, the deal enables Nasrallah to score points in the organization's cognitive campaign vis-a-vis the Lebanese population, while maintaining an equilibrium of deterrence vis-a-vis Israel.

Over the summer, Hizballah launched unarmed drones at the direction of the Karish gas rig. This kinetic action complemented and supported Hizballah's cognitive campaign. The organization did not intend for an escalation with Israel, but rather saw the drones' launch as an opportunity to show it is patriotic, supporting a cause which enjoys consensus among the Lebanese population, contributing to efforts to improve Lebanon's dire economic situation and using its exclusive weapons systems to the benefit of Lebanon. Through its actions, Hizballah made some tactical gains and remains a key player in the Lebanese domestic arena. Nevertheless, its backers in Tehran are certainly unhappy over the agreement with Israel ("little

Satan") brought about by the US ("big Satan"), bringing the Lebanese state closer to the US.

As for the future of Israel-Lebanon relations, nothing is mentioned in the agreement. The agreement does prevent an escalation between Israel and Hizballah in the short to medium term. Although there is no reason for Hizballah to provoke Israel over the maritime boundary issue, a future confrontation between Israel and Hizballah further down the road is not entirely out of the question. The agreement is expected to strengthen the sense of empowerment among the members of the regional "axis of resistance" (which also includes Hamas, Palestinian Islamic Jihad and Shia militias in Syria and Iraq). Israel's willingness to make compromises provided Nasarallah the space he needed to make tactical gains inside Lebanon, yet Israel seems to be the party that made strategic gains.

## *Steps Forward*

Critics of the agreement in the US and Israel (among them former Trump Administration senior officials, members of the Netanyahu-led parliamentary opposition, and conservative think-tanks) have accused the Biden Administration and the Lapid government of

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# Assessing the Lebanon-Israel Maritime Boundary Agreement

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giving into Lebanese demands, capitulating to Hizballah and allowing Iran a footprint in the Eastern Mediterranean. Nevertheless, most of this criticism is politically-driven and has very little, if any, to do with the actual details of the agreement, which seems like a win-win situation.

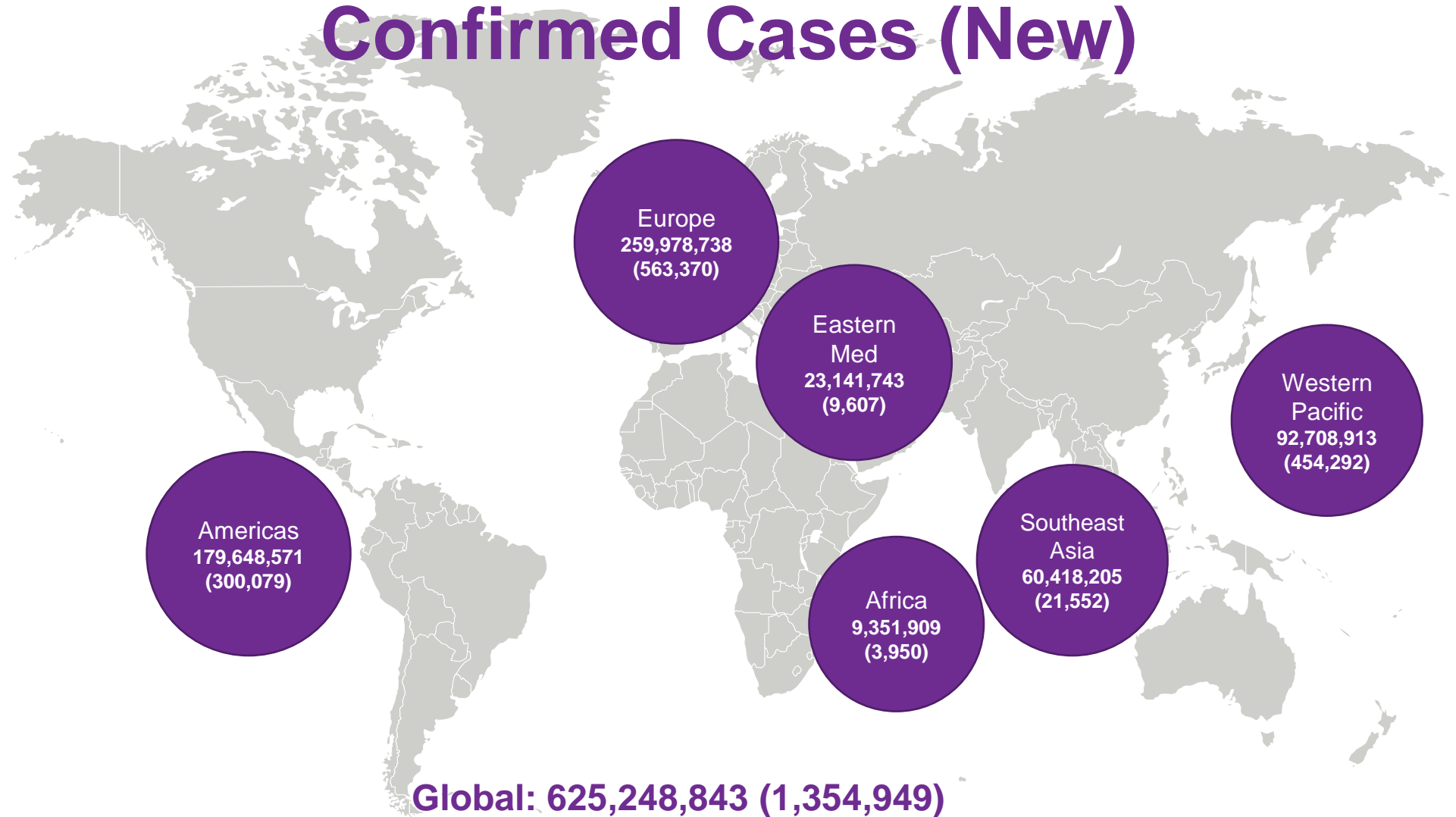
Lebanon gained access to the Qana natural gas field, which potentially can make Lebanon a gas-producing country and in the future a gas-exporting country and part of the Eastern Mediterranean's energy producers club. This development has the potential of helping the ailing Lebanese economy, with less dependence on gas imports, and the possibility of attracting greater foreign investments. Israel gained greater security in its territorial waters, maintained control of the 5 km "buoy line" off its coastline, delayed a wide scale confrontation with Hizballah, created hope for possible progress on the Israeli-Lebanese bilateral front in the future, prevented Iran from getting a stronger foothold in Lebanon, and pushed Lebanon closer to the west. Despite significant positive, the agreement does not alter the mutual deterrence balance between Israel and Hizballah.

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# Coronavirus Condition Updates

As of 5:56 pm CEST on October 26, 2022

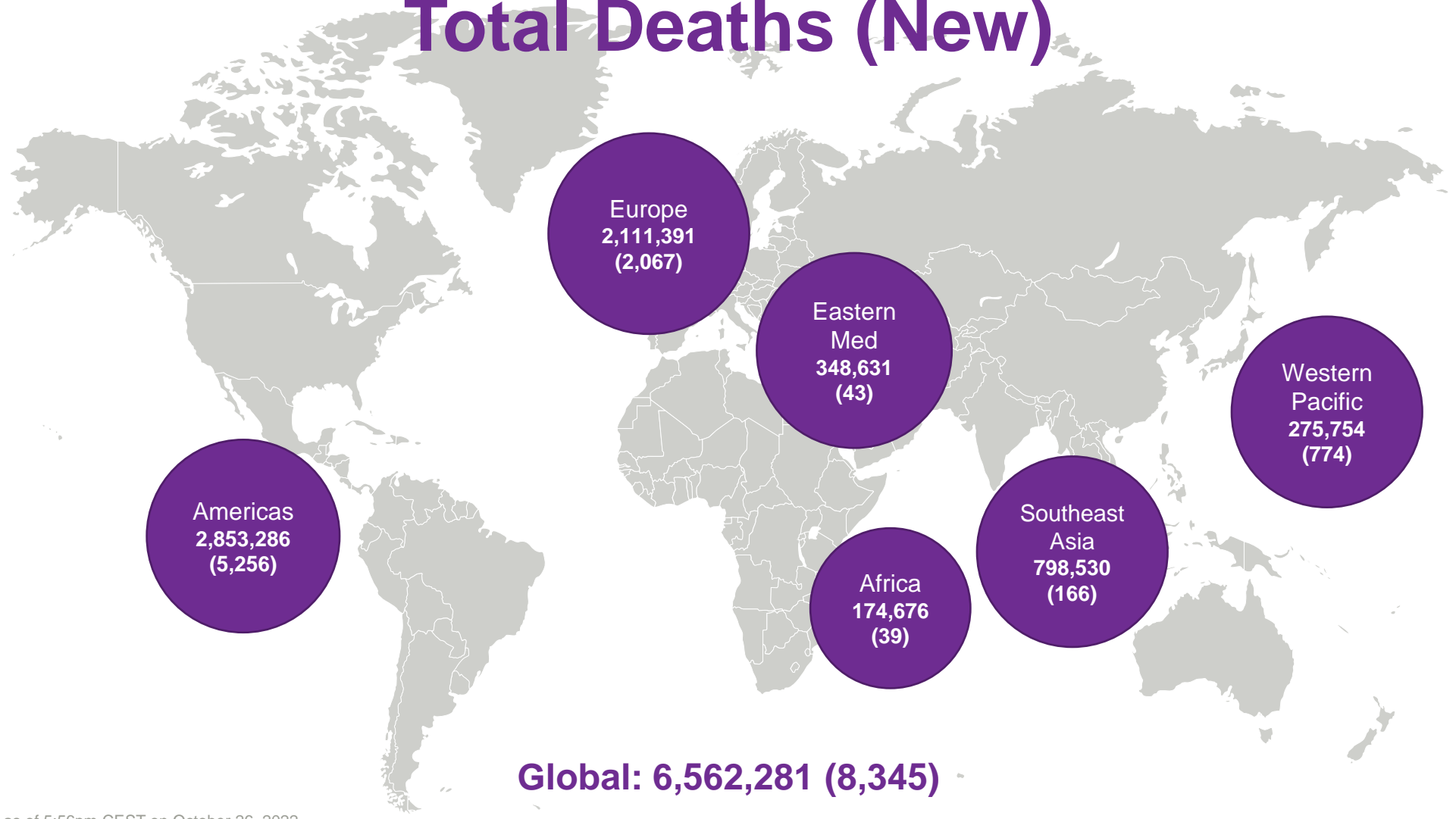
# Confirmed Cases (New)



Reflects data as of 5:56pm CEST on October 26, 2022.  
Data Source: World Health Organization

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# Total Deaths (New)



Reflects data as of 5:56pm CEST on October 26, 2022.  
Data Source: World Health Organization

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# Contacts

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*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.*

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