

Dentons Flashpoint

Global Situation Report

September 28, 2022

Global Situation Update: September 28, 2022

KEY TAKEAWAYS

The West double downs on support to Ukraine in response to Russian annexation plans.

China's renminbi fell to the lowest level against the rallying dollar since 2008.

Sabotage of underwater pipelines causes major leaks of Russian gas into the Baltic Sea.

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

Today, President Biden will host the first ever US-Pacific Islands Summit to discuss climate, trade, investment and “a free and open Indo-Pacific.” The meeting will further heighten geopolitical competition in the Pacific Islands region and comes on the heels of several US engagements amid China’s increasing presence in the region.

In addition to politics and security, Pacific Islands leaders will likely raise calls to ramp up the US commitment on climate change. At the bilateral level, another issue that is likely to be discussed is the Compact of Free Association between the US and the Federated States of Micronesia. The island participants have made clear they want to be partners with the US rather than pawns in a wider effort to counter China.



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Global

The US, EU, UK, Turkey and Kazakhstan among others have stated that they will not recognize the results of Russian referenda in occupied Ukraine.

- The US is preparing a new \$1.1 billion arms package for **Ukraine's** battle with Russia that will be announced soon. The EU is also preparing a new sanctions package in retaliation against Russian annexation plans.
- Dmitry Medvedev, deputy chairman of Russia's Security Council, again issued a stark new **nuclear warning** to Ukraine and the West as Russia began releasing results of referendums as a prelude to it annexing four Ukrainian regions. In response, NATO stated that any use of nuclear weapons by Russia is unacceptable and would have severe consequences.
- China's **renminbi** fell to the lowest level since 2008 as the country's central bank holds back from intervening to prop up the currency in response to the rallying dollar. The British **sterling** also spiraled to a record low.

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Markets & Business

Meta Platforms disrupted the first known China-based influence operation focused on targeting users in the US with political content ahead of the midterm elections in November.

- The US Securities and Exchange Commission on Tuesday fined 16 financial firms, including **Barclays, Bank of America, Citigroup, Credit Suisse, Goldman Sachs, Morgan Stanley and UBS**, a combined \$1.1 billion over failing to maintain and preserve electronic communications.
- **Ford Motor Co** will invest \$700 million and add 500 jobs at its Kentucky plant to support production of its new 2023 model year F-Series Super Duty truck.
- The Russian military may be coordinating with hackers and online activists in **cyberattacks**, according to a new report from **Google** researchers.
- US Vice President Harris told South Korea's prime minister that Washington will work to address Seoul's concerns over recently enacted **electric vehicle subsidies** that could disadvantage Asian automakers.
- Car-rental company **Hertz Global Holdings Inc.** and energy firm **BP PLC** signed a deal to develop and manage a network of electric-vehicle charging stations across North America.

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Environment, Sustainability & Governance

Forty-three percent of asset managers were unable to provide an example of a sell decision driven by a view on environmental, social and governance issues in the last 12 months, per a study by Reddington.

- The EU considering an option to delay by a year a levy on the **windfall profits** of fossil fuel companies in an effort to bring down energy costs. France suggested the EU cap the price of gas used to produce electricity.
- US **rideshare workers** predicted a new rule making it easier to classify them as employees after months of lobbying.
- Eli Lilly was sued by the US Equal Employment Opportunity Commission, which accused the drugmaker of illegally refusing to hire **older workers**.
- UK postal workers are set to strike for a further 19 days over the next two months in an escalating dispute with Royal Mail over **labor terms and conditions**.

Africa

- **Sao Tome's** rightwing opposition won legislative elections. Protests are possible in the coming days across the country as well as clashes between supporters of rival political groupings.
- **Uganda** confirmed that its Ebola outbreak is on the rise, with 23 confirmed or suspected deaths. The **DRC** announced the end of its outbreak in North Kivu.
- **Nigeria's** central bank hiked its main lending rate to 15.50 percent, its highest ever. Nigeria faces worsening malnutrition in the northwest due to insecurity, high food prices and the impact of climate change, per Medicines Sans Frontiers.
- **Niger** temporarily stopped issuing authorizations for oil deliveries to neighboring Mali, except to the UN mission there. Niger did not specify a reason, but relations have been tense since Mali's coup.



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Asia

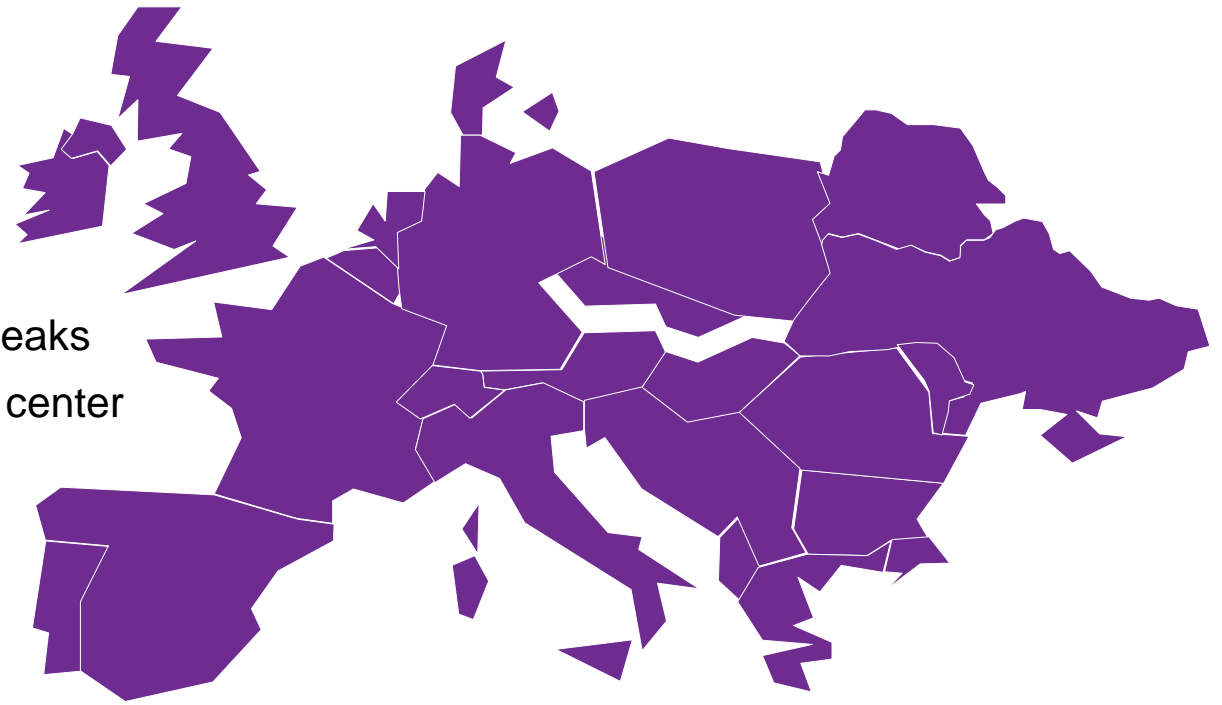
- The World Bank has slashed its economic outlook for the **Asia-Pacific**, pointing to **China's** ultra-strict “zero-COVID” policy as a drag on regional growth.
- Profits at **China's** industrial firms shrank at a faster pace in January-August, as strict COVID restrictions and a deepening property slump weighed on domestic demand.
- The Asian Development Bank plans to provide at least \$14 billion over 2022-2025 in a comprehensive program of support to ease a food crisis in **Asia** and the **Pacific**.
- **Vietnam** closed airports, announced curfews and urged thousands more people evacuate on Tuesday as intensifying Typhoon Noru barreled towards the country. Noru is one of the most powerful storms to hit the country in 20 years.
- **India's** prime minister Narendra Modi outlawed a leading Muslim group and its affiliates for five years, accusing it of links to terrorist organizations, in a move that is likely to add to the country's deepening communal tensions.



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Europe

- **Europe** is investigating sabotage attacks causing major leaks into the Baltic Sea from two Russian gas pipelines at the center of an energy standoff, with the EU vowing “*a robust and united response.*”
- **Slovakia's** parliament on Tuesday ratified the entry of **Finland and Sweden** to NATO. With Slovakia's vote, only **Hungary** and **Turkey** remain to approve the expansion.
- **Kazakhstan** is struggling to accommodate tens of thousands of **Russians** who have fled their homeland since Moscow announced a military mobilization last week. The Almaty government has no plans to close its border.
- Three **Turkish** state banks have halted the use of a Russian payment system after heavy pressure from Washington not to act as a conduit for evading **US** sanctions on Moscow.



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.

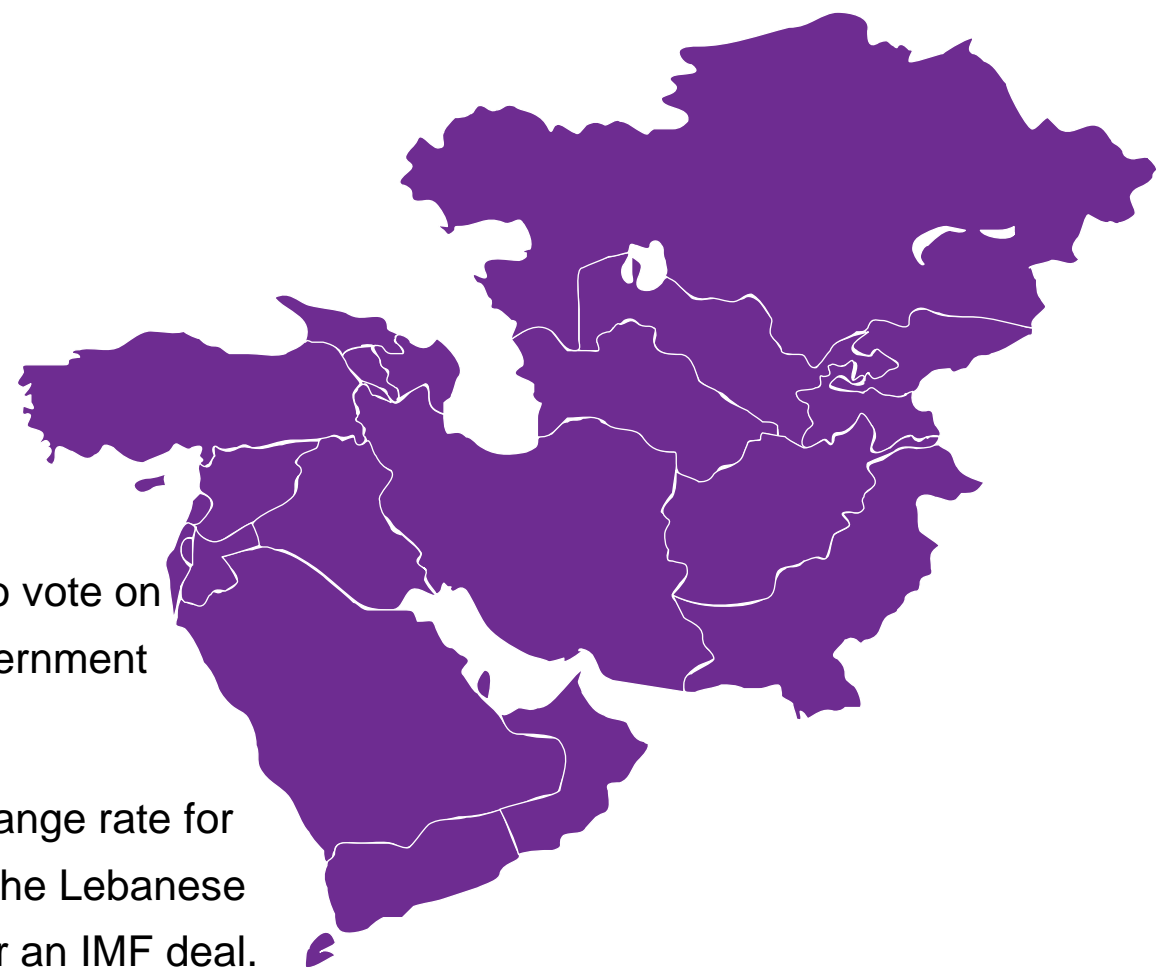
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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



- **Saudi** King Salman shuffled his cabinet, moving day-to-day ruler Crown Prince Mohammed bin Salman to the prime minister position from defense.
- **Iraq's** parliament will meet for the first time in months today to vote on an interim head of government following widespread anti-government protest and the Sadrists withdrawal from parliament.
- **Lebanon's** parliament passed its 2022 budget using an exchange rate for customs tax revenues that lies far below the market value of the Lebanese pound, falling short of economic reform measures required for an IMF deal.
- **Iranian** NGOs reported that at least 76 protesters had died amid ongoing anti-regime demonstrations.
- **Qatar** called up hundreds of civilians, including diplomats summoned back from overseas, for mandatory military service operating security checkpoints at World Cup stadiums.

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Americas

- The number of asylum-seekers entering **Canada** between formal border crossings has surged to the highest point since the government started tracking them in 2017.
- Looting in **Haiti** this month led to the loss of at least \$6 million of relief assistance, a World Food Program official said. Hospitals in Haiti are preparing to close as gang blockades of oil infrastructure reaches several weeks.
- Government crews in **Cuba** are working to restore electricity after Hurricane Ian knocked out power to the entire island.
- The prosecutor leading the investigation into the high-profile abduction and suspected murder of 43 **Mexican** student teachers in 2014 has resigned over disagreements about the process.
- **Colombia's** government agreed to modify a tax reform proposal to ease the tax burden on mining and oil companies following industry outcry.



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Americas: US

- **US consumer confidence** improved for a second straight month as inflation anxieties eased alongside falling petrol prices. **Sales of new homes** in the US increased in August, breaking a six-month consecutive decline in sales, even as mortgage rates hit their highest level in more than a decade.
- President Biden's plan to forgive thousands of dollars of **student loan debt** for millions of Americans will cost more than \$400 billion over three decades, the non-partisan Congressional Budget Office has estimated. A conservative group filed a federal lawsuit against the Department of Education with the intent of stopping the student loan cancellation plan.
- Residents of Florida's Gulf Coast boarded up their homes, packed up their vehicles and headed for higher ground as **Hurricane Ian** threatens a deadly storm surge and more than a foot of rain to some areas.
- A group of lawmakers including House Speaker Nancy Pelosi, Senate Majority Leader Chuck Schumer and Republican Senator John Cornyn called on President Biden to issue an executive order to block billions in US investments in **China** based on national security.

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The Ukraine War, European Security and the Future Europe-Russian Relations

The assumption that Europe was stronger and more secure with Russia as a partner was shattered by Russia's invasion of Ukraine in February 2022. The Kremlin, too, has changed views on Europe as a security partner.

Since the end of the Cold War, European security institutions have pursued the strategy of a “Europe whole and free,” in which security is indivisible, with the security of each state linked to the security of every other, comprehensive, covering political, military, economic and human dimensions, and cooperative. Russia's aggression against Georgia in 2008 and Ukraine in 2014 did not induce European leaders to formally review the strategy, despite the urging of some members of NATO, namely the Baltic states. The further invasion of Ukraine, however, has transformed views, with European leaders believing that Russia, under President Putin, can no longer be viewed as a security partner, and by extension, a political or economic partner.

The Kremlin, too, has changed views on Europe as a security partner. Russian Foreign Minister Lavrov, in a speech at the UN

General Assembly on September 24, accused the West of seeking to destroy Russia and wipe it off the map. Justifying its invasion of Ukraine as defending Russians, Lavrov characterized Russia as the victim of western aggression. He called the response of Europe and the US of economic sanctions illegal and unjust, indicating that Moscow believed Russia should still benefit from economic security and cooperation with Europe, despite the war. Indeed, the Kremlin is surprised by western unity, opposing Russia's military aggression, in both the extent to which Europe and the US have been willing to financially back Ukraine and supply military equipment. Russia had misplaced confidence that the European leaders would seek to negotiate with the Kremlin and welcome a restored partnership once Moscow forced Europe to accept redrawing of borders and new security arrangements – with Russia in the driver seat. Instead, there is an ingathering, with Sweden and Finland reversing decades of security policy, opting to join NATO, which adopted a new strategic concept that identifies Russia as “*the most significant and direct*” threat.

Future Relations

With the old European security strategy in tatters, the question is what will Russia's relationship with Europe look like in the future?

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Can the status quo be restored? Or will the breach become enduring?

Economic war, like kinetic conflict, harms not only combatants but also causes collateral damage. According to estimates by the Organization for Economic Cooperation and Development (OECD), Russia's invasion of Ukraine will cost the global economy \$2.8 trillion in lost output by the end of 2023.

The West warned Moscow that should Russia further invade Ukraine, it would face crippling sanctions, but the threat of sanctions failed to deter President Putin. The sanctions now are designed to punish. Russia has weathered the initial shocks of western sanction, and President Putin is showing no signs of reversing policy – indeed, Putin has doubled down with the mobilization of 300,000 new conscripts to enable Russian forces to continue fighting. Economic forecasts are bleak, with the impact of sanctions increasing over time as Russia is unable to grow and modernize its economy, and denied access to western technology, investment and markets.

Russia's use of energy as a weapon is causing Europeans immediate pain, but the punishment has not resulted in a European

change of policy either. The cut off of Russian gas supplies to Europe will make this winter miserable for many. European capitals are responding with focused efforts to identify alternative supplies, conservation efforts and socio-economic supports to vulnerable populations. Russia's actions have also accelerated Europe's transition away from dependency on Russian fossil fuels and speeded the transition to greener alternatives. For Europe, there will be no going back to the former energy relationship. The proposed price cap on Russian oil exports has the potential of even greater impact, initially disrupting and permanently changing the market, as Russia resists curbs by redirecting exports to Asia, while Asia exploits downward pressure on pricing. Unlike gas flows which can literally be turned on and off at the spigot, disruptions forcing cuts in oil production due to loss of market access cannot be easily reversed.

The global economic slowdown is already impacting demand for Russian oil. Russian crude exports have fallen to about 4.5 million barrels a day in September, down from over 4.8 million a day in August, because of a drop in flows to Turkey, China and India. Capital Economics estimates that Russia's total oil-and-gas export

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revenues will halve from around \$340 billion this year to \$170 billion in 2023, a loss equivalent to more than twice Russia's defense budget last year.

Beyond Energy

EU trade bans also include restrictions on the import of Russian steel, iron, wood, cement, gold, caviar and liquor. The bloc is currently considering a new round of sanctions in response to Russian “sham” elections in the Donbas to include expanding current sectoral sanctions and a ban on Russian diamonds. The EU also has prohibitions on the export of cutting-edge technology (quantum computers, advanced semiconductors, high-end electronics and software), certain types of machinery and transportation equipment, energy industry equipment and technology, aviation and space industry goods and technology (aircraft, spare parts, aviation fuel), maritime navigation goods and radio communications technology, dual-use goods and luxury goods. Food and consumer products are purposely exempted from sanctions. However, the longer the war goes on, reputational risks will mount and discourage “trading with the enemy.” Russian imports have already dropped 35 percent; this downward trend is likely to continue.

Outlook

The war shows no signs of being ripe for a negotiated settlement, with the Ukrainian military not only showing resiliency but incremental success in pushing back Russian forces towards the internationally recognized border. The political context, however, could change, compelling the parties to reassess. The Russian mass mobilization will not have any immediate impact on the battlefield, but popular Russian opposition to forced conscription could render President Putin vulnerable to internal opposition within the ruling elite and create an opening for negotiations. Alternatively, European unity, which has surprised Europeans, could fracture over the economic costs of war. Rightwing parties could gain influence, challenging current governments to adopt positions to press Ukraine to sue for peace. Or the conflict could see a significant escalation, with one party dictating an outcome. A worst-case scenario is not out of the realm of possibilities, with Russia resorting to tactical nuclear weapons, drawing in NATO as a direct combatant.

In any of these scenarios, it is difficult to imagine a European pathway back to partnership with Russia, with or without Putin.

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Other options include an isolated and weakened Russia, a new cold war between democracies and autocracies or a new era of spheres of influence and competing politico-military blocs.

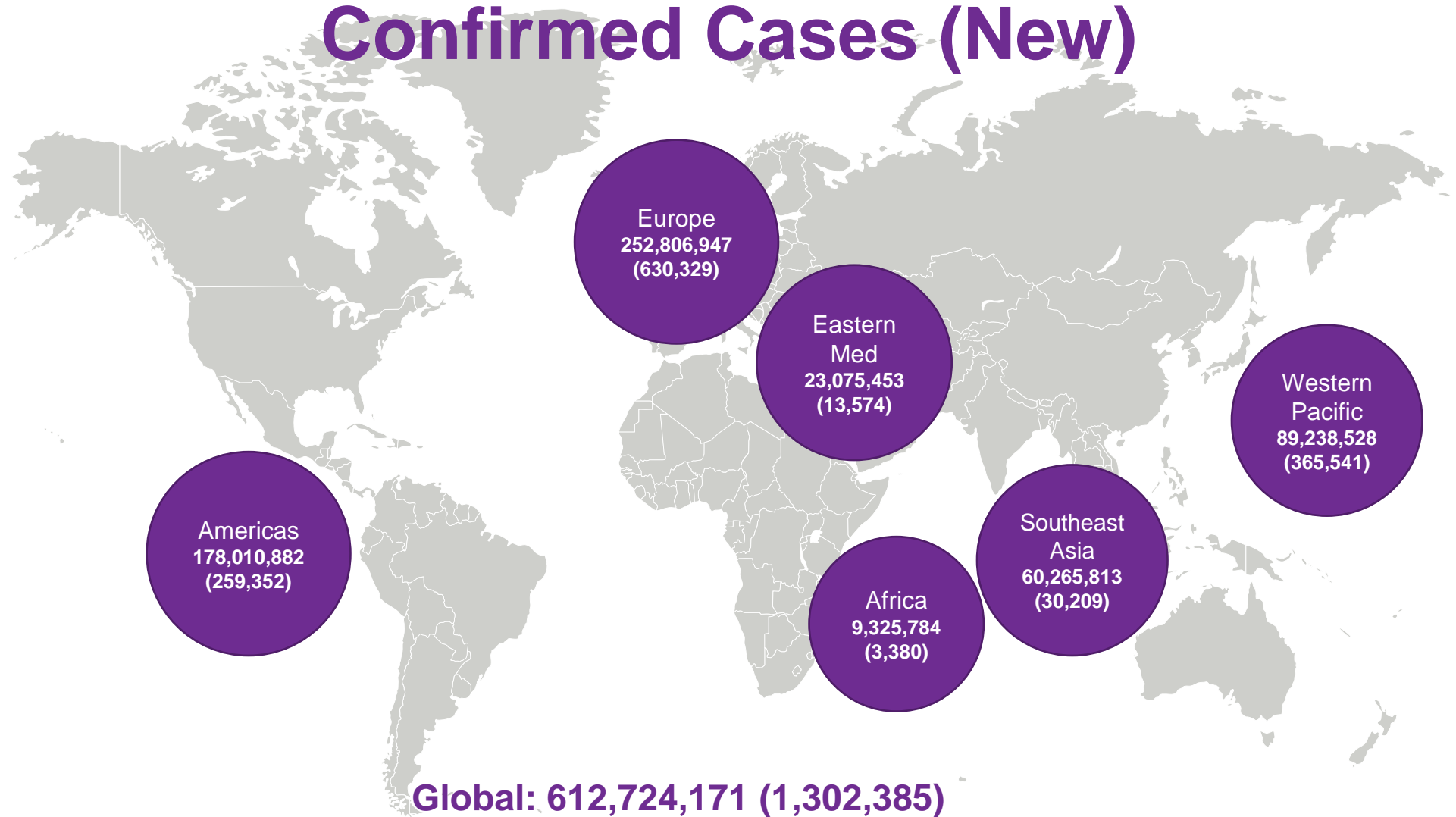
For businesses, operational and reputation risks will remain high as conducting business above the fray will be difficult with supply chains being subjected to divergent compliance regimes as political litmus tests.

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Coronavirus Condition Updates

As of 5:59 pm CEST on September 27, 2022

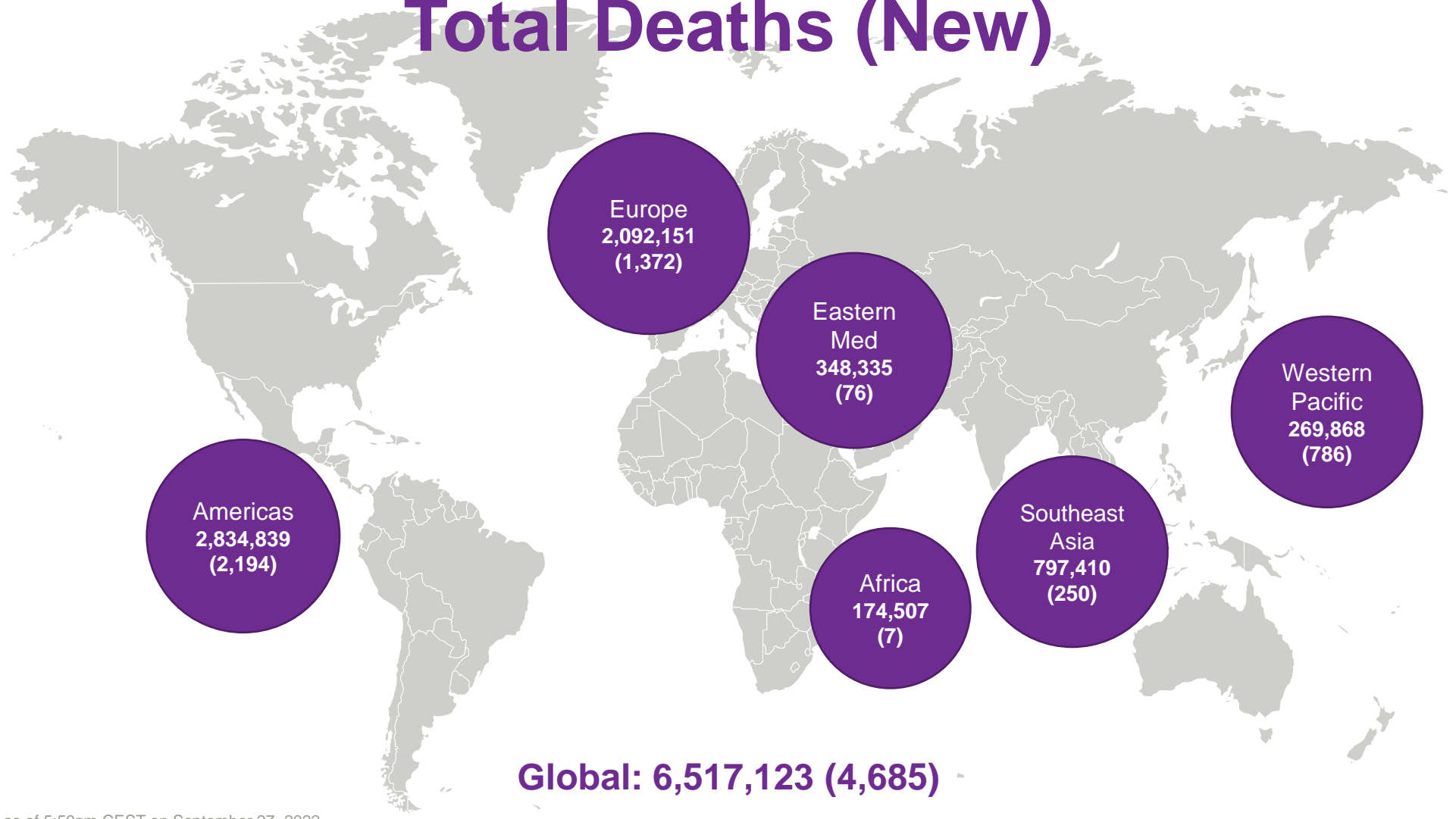
Confirmed Cases (New)



Reflects data as of 5:59pm CEST on September 27, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:59pm CEST on September 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.

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