

Dentons Flashpoint

Daily Global Situation Report

August 10, 2022

Global Situation Update: August 10, 2022

KEY TAKEAWAYS

China vows zero tolerance for “*separatist activities*” in Taiwan and reaffirms that it would take the self-ruled island by force if necessary.

The US ratifies Finland and Sweden's accession to NATO.

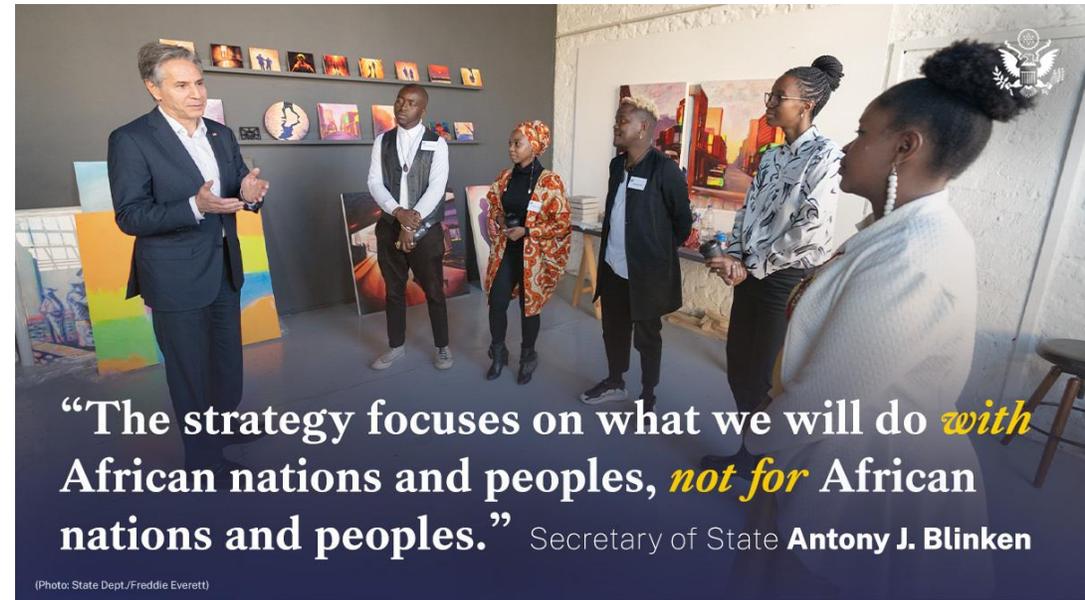
Russian Transneft stops oil deliveries through the Druzhba pipeline to Slovakia, Hungary and the Czech Republic.

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WHAT WE'RE WATCHING

A new US strategy for sub-Saharan Africa unveiled this week includes many new opportunities for business, such as \$300 million towards developing, building and operating data centers via the US Development Finance Corporation. The US is also looking to partner with African businesses and entrepreneurs to build and adapt high-tech infrastructure.

Today, the Democratic Republic of Congo plays host to US Secretary of State Blinken who will explain America's new strategy. On this tour, Blinken is making clear the US will not dictate Africa's choices but cooperate as partners. The new strategy comes amid growing scrutiny of Russian and Chinese activities on the continent.



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

Global

US President Biden signed documents endorsing Finland and Sweden's accession to NATO, the most significant expansion of the military alliance since the 1990s, following ratification by Canada, Germany and Italy.

- Chinese navy ships remained active off both **Taiwan's** east and west coasts on Wednesday morning, as Beijing kept up military drills in protest against last week's visit to the island by US House Speaker Pelosi.
- China released a white paper on Wednesday vowing zero tolerance for “**separatist activities**” in **Taiwan** and reaffirming that it would take the self-ruled island by force if necessary. China has also withdrawn a promise not to send troops or administrators to Taiwan after taking it back, signaling a decision by President Xi Jinping to grant less autonomy than previously suggested.
- Henipavirus (also called Langya henipavirus), a **newly discovered virus**, has infected 35 people in the Chinese provinces of Shandong and Henan. The virus can be transmitted to humans from animals, but so far, there is no evidence of human-to-human transmission, according to a study published in the *New England Journal of Medicine*.

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Markets & Business

The US Commerce Department accused Far East Cable, China's largest wire and cable manufacturer, of violating US export controls related to shipments of telecommunications equipment to Iran.

- **Tata Motors Ltd** signed an agreement to buy **Ford Motor's** manufacturing plant in the western state of Gujarat for 7.26 billion rupees (\$91.5 million).
- **Unity Software Inc**, the U.S. developer whose software is used in video games like Tencent Holdings' "Honor of Kings," announced a Chinese joint venture deal with multiple partners, valued at \$1 billion, to expand its business.
- **China's** top auditor is conducting a review of the \$3 trillion **trust industry**, which has been a key part of the country's shadow banking business that helps channel deposits into risky investments via products often designed to dodge capital or investment regulations.
- China and Britain have agreed to resume direct **passenger flights** between them. Flight were suspended in 2020 due to the pandemic.

Environment, Sustainability & Governance

Former workers at Malaysian rubber glove maker Brightway Holdings filed a lawsuit in the United States against Kimberly-Clark Corp and Ansell Ltd, accusing them of "*knowingly profiting*" from the alleged use of forced labor at the supplier.

- British postal workers will hold four days of **strikes** in August and September in **protest over pay**. Hundreds of thousands of nurses in England and Wales will vote next month on whether to strike in a row over pay, the trade union representing them said.
- FedEx Office will pilot Ford' electric vans to pick up and deliver parcels in some regions as part of the delivery giant's move to cut its fleet's **tailpipe emissions**.
- Estée Lauder announced a new commitment to transition its global **corporate fleet of vehicles** to 100 percent **electric** by 2030.
- Starbucks announced that it has installed **electric vehicle charging stations** at a Provo, Utah store, marking the beginning of its planned deployment of its planned EV charging route from Denver to the Starbucks Seattle headquarters.

Africa

- The **Ivorian** government reached an agreement with trade unions for a five-year “social truce,” or break from strikes, in the public sector in exchange for increased bonuses and payment of salary arrears to civil servants.
- **Nigeria** arrested five suspects in an Islamist militant attack in a Catholic church that killed 40 people in early June and prompted national outrage.
- The former head of the presidential party in the **Democratic Republic of Congo**, who recently switched to the opposition, was arrested in Kinshasa for defaming the head of state. The arrest coincides with a visit by US Secretary of State Blinken.
- **Ghana** announced that it is expecting to receive \$3 billion dollars over three years from the IMF, double the previous request, if an agreement on a program is reached.
- Preliminary results from **Kenya's** presidential election showed a tight race between the two main candidates vying to replace outgoing President Uhuru Kenyatta. The Tuesday election is an important test for stability in East Africa's biggest economy.



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Asia

- Prime Minister Narendra Modi's party lost power in Bihar, the third most populous state in **India**, after its regional ally broke ranks to join an opposition alliance that now has the majority to form the next government.
- **Hong Kong** police arrested two civil servants for speech crimes under its national security law, as authorities expand their crackdown on dissent to government workers.
- **Solomon Islands'** pro-Beijing prime minister has proposed changing the Constitution to delay scheduled elections, fueling concerns for the future of democracy in the Pacific nation.
- The United Nations' Independent Investigative Mechanism for **Myanmar** (IIMM) said it had gathered swaths of evidence of human rights violations across Myanmar in the past 18 months.



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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:

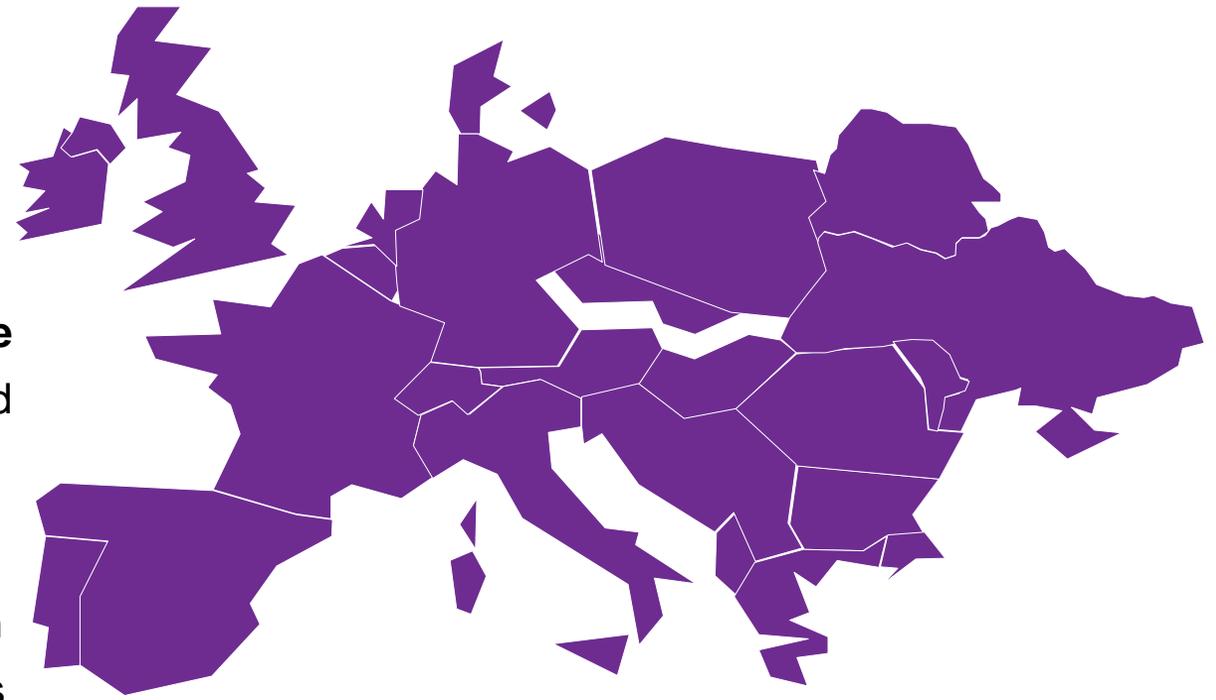
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

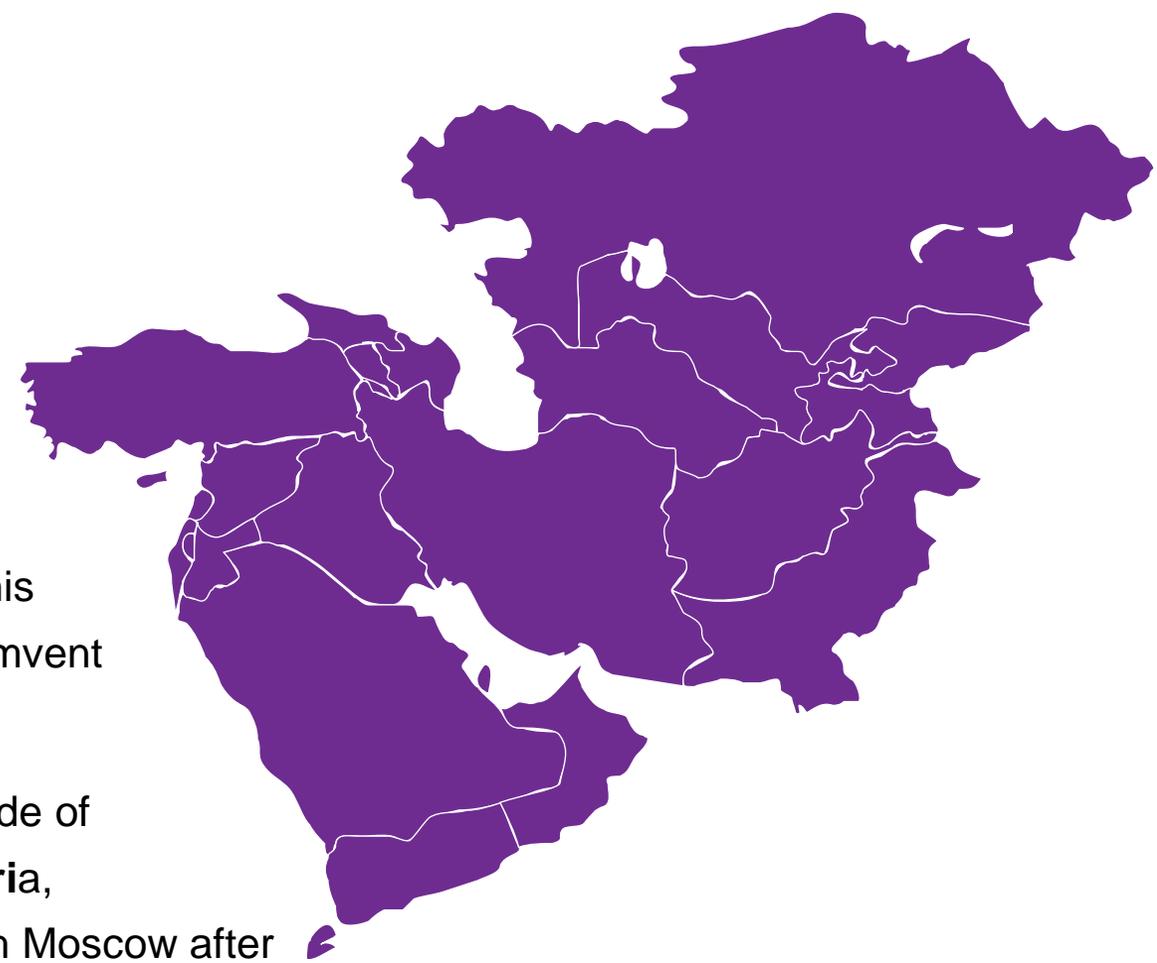
Europe

- The **US** announced a grant of \$89 million to help **Ukraine** equip and train teams to clear landmines and unexploded ordnance for one year.
- **Russian** oil deliveries through the Druzhba pipeline to **Slovakia, Hungary and the Czech Republic** have been halted since early this month because Western sanctions prevented Russian pipeline company Transneft from receiving transit fees.
- The leaders of **Estonia and Finland** have called for European nations to stop issuing tourist visas to **Russians**. Both nations are being used as a route for Russian tourists seeking to skirt an **EU** ban on air travel.
- **Turkish** President Erdogan inaugurated the country's newest drilling ship that he said would be sent to an area northwest of **Cyprus** in the eastern Mediterranean, triggering concerns that Turkey plans on drilling in disputed waters.



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Middle East

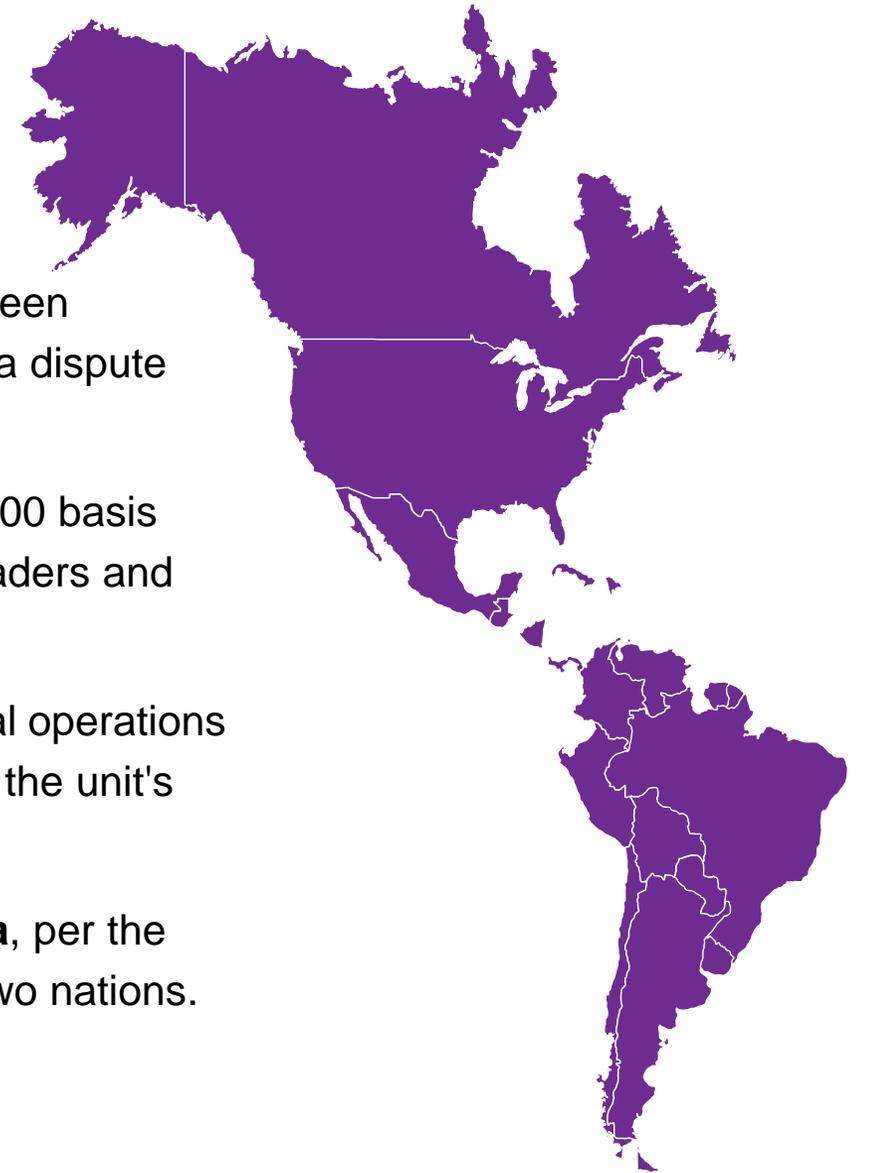


- **Qatari** landlords are raising rents as much as much 40 percent amid increased demand for lodging in the run up to the World Cup.
- **Iran** made its first official import order using cryptocurrency this week, a move that could enable the Islamic Republic to circumvent **US** sanctions.
- **Turkish** forces evacuated two bases in the western countryside of Tal Abyad, in the northern countryside of Raqqa, northern **Syria**, according to Syrian war monitors, apparently coordinated with Moscow after **Russian** advances.
- The Palestinian Islamic Jihad threatened to resume fighting if **Israel** does not abide by the ceasefire, including an agreement to release several Palestinian prisoners.

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Americas

- **Ecuador** said that its capacity to meet external debt obligations had not been affected by a **Luxembourg** court's decision last month to its assets amid a dispute with Anglo-French oil company Perenco.
- **Argentina's** central bank is likely to raise its benchmark interest rate by 600 basis points this week to tackle the country's high inflation, according to local traders and analysts.
- **Colombia's** financial crimes unit has detected some \$20 billion in financial operations suspected to be linked to money laundering over the last 3-1/2 years, per the unit's director.
- **Venezuela** will seek to reestablish its military ties with neighbor **Colombia**, per the country's defense minister, after years of strained relations between the two nations.



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Americas: US

- The FDA authorized Bavarian Nordic's Jynneos vaccine for emergency use through intradermal injection for adults at high risk of **monkeypox** infection to increase supply up to five-fold per dose to combat the outbreak.
- Average hourly earnings grew 5.2 percent in July from y/y, and **annual wage gains** have exceeded 5 percent each month this year, per the Labor Department. The rapid earnings growth adds to other evidence that employers are continuing to increase pay as they try to find and keep workers in a **tight job market**.
- **US power consumption** will rise to a record high in 2022 as the economy grows, the US Energy Information Administration (EIA) said in its Short-Term Energy Outlook.
- Yesterday, President Biden signed the CHIPS and Science Act of 2022 which provides \$52.7 billion in subsidies for **US semiconductor production and research** and to boost efforts to make the US more competitive with China's science and technology efforts.



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The Labor Market Amid the Continuing Great Resignation

By Anni Coonan

Large-scale economic shifts precipitated by uneven recovery from the coronavirus pandemic prompted the historic departure of workers from their jobs, a phenomenon a UK professor dubbed “the Great Resignation.” Starting in early 2021, stagnating wages, the increase in remote work, and COVID-19 safety concerns led to unprecedented quit rates in the US and, since then, persistent labor shortages and rising costs of living have fueled continuing reshuffling in the labor market

The result is a hot labor market with continuous upward pressure on wages (despite a quit rate that is ticking down), a trend benefiting some individual workers but stymying hiring in key sectors and, economists worry, contributing to inflation. Whatever analysts are calling it – the Great Reshuffling, the Great Attrition, the Great Renegotiation, or something else – it is clear that the phenomenon is not quite finished with the US labor market. Individuals and employers must continue to adapt to an ever-changing, and still tight, labor market.

State of the Labor Market

Despite high-profile reports of job cuts and offer rescissions in the tech sector, seen as the canary in the coal mine by some, estimates

that the labor market is cooling at last are wrong. The US economy added 528,000 new jobs in July, more than double than economists had expected, while unemployment ticked further down (to just 3.5 percent) and wage gains accelerated (to a 5.8 percent annual rate, 0.6 percent higher than the yearly estimate). At the same time, labor supply is moving in the wrong direction, with the labor participation rate falling slightly to 62.1 percent, 1.3 percent lower than its pre-pandemic level. On the other hand, the quit rate is ticking down – driven to historic highs by departures from lower-wage sectors like retail and hospitality, the number of workers leaving those sectors is stabilizing, leading to a long-term quit rate that is leveling off. Analysts say the leveling quit rate could be attributed to rising wages across the board, less confidence that job seekers can find a more

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The Labor Market Amid the Continuing Great Resignation

attractive position, and anxiety about a potential economic downturn. In sum, however, the data points to a labor market that is still historically tight, belying rising fears of a recession but likely pointing to further interest rate hikes in the coming months.

Despite the fact that the data shows a completely recovered labor market – with the 528,000 jobs added in July, the US has entirely erased job losses incurred by the pandemic – it is also a fundamentally different one. Labor has shifted, with fewer people working in restaurants and hotels and far more working in logistics and shipping centers. According to a McKinsey Co. survey of workers in six countries who left their jobs between April 2020 and April 2022, 17 percent did not return to the workforce at all – perhaps responding to rising costs of childcare or other demands. Those who participated or are participating in the so-called Great Resignation by switching jobs, on the other hand, often secured significant pay raises: a Pew Research Center report found that individuals who switched jobs from April 2021 to March 2022 saw a 9.7 percent bump in inflation-adjusted earnings, while those who stayed took a 1.7 percent hit. However, some studies also show that many who switched jobs during the Great Resignation regret their decision. A recent poll by

USA Today found that just 26 percent of job switchers enjoyed their new job enough to stay.

The Labor Market's Near Future

Normalizing the American labor market is closely tied to broader economic challenges facing the post-pandemic economy, chief among them bringing down historic levels of unemployment. As such, further interest rate hikes – already previewed by Fed chair Jerome Powell – are all but certain, as the institution seeks to cool inflation and end the wage-price spiral. Economists disagree on whether the level of job openings can be brought down to a cooler level without prompting a significant increase in unemployment, and despite strong job growth, that anxiety seems to be reaching job seekers. A McKinsey Co. study from July found that 40 percent of adults in the US are “somewhat likely” to “almost certainly” seeking to leave their jobs in the next three to six months. However, a Pew Research Center report from the same month found that 37 percent of Americans intending to seek new jobs expect that finding a job will be “very” or “somewhat” difficult, a higher proportion than in previous months.

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The Labor Market Amid the Continuing Great Resignation

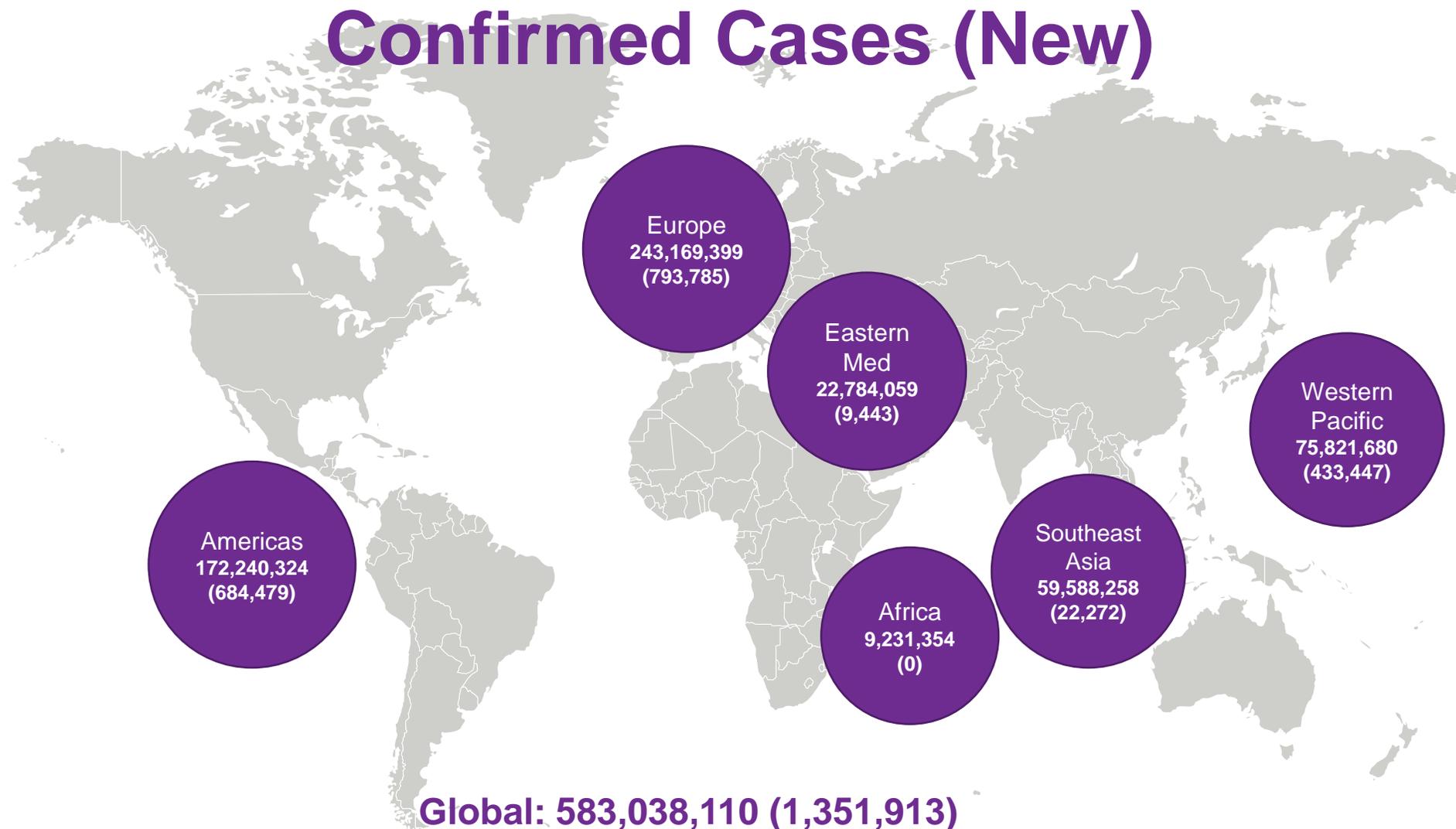
Employers must update their talent attraction and retention strategies in order to adapt to a labor market that seems likely to stay tight for at least the near term. While traditional incentives such as wage increases, title bumps, and expanded benefits continue to work, employers should also expand their toolkits for boosting employee and applicant satisfaction to better address evolving worker concerns. Focusing on nontraditional benefits workplace flexibility, unconventional benefits like mental health support and childcare assistance, and a company's mission and values – and being up-front about these dynamics to potential job seekers – will be key in attracting and retaining changing talent pools. In addition, employers should broaden their scope in seeking new talent – a McKinsey Co. survey of six countries found that the majority of people who quit their jobs (48 percent) moved to a different industry, meaning that employers may be looking at more diverse backgrounds in hiring.

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Coronavirus Condition Updates

As of 6:24 pm CEST on August 9, 2022

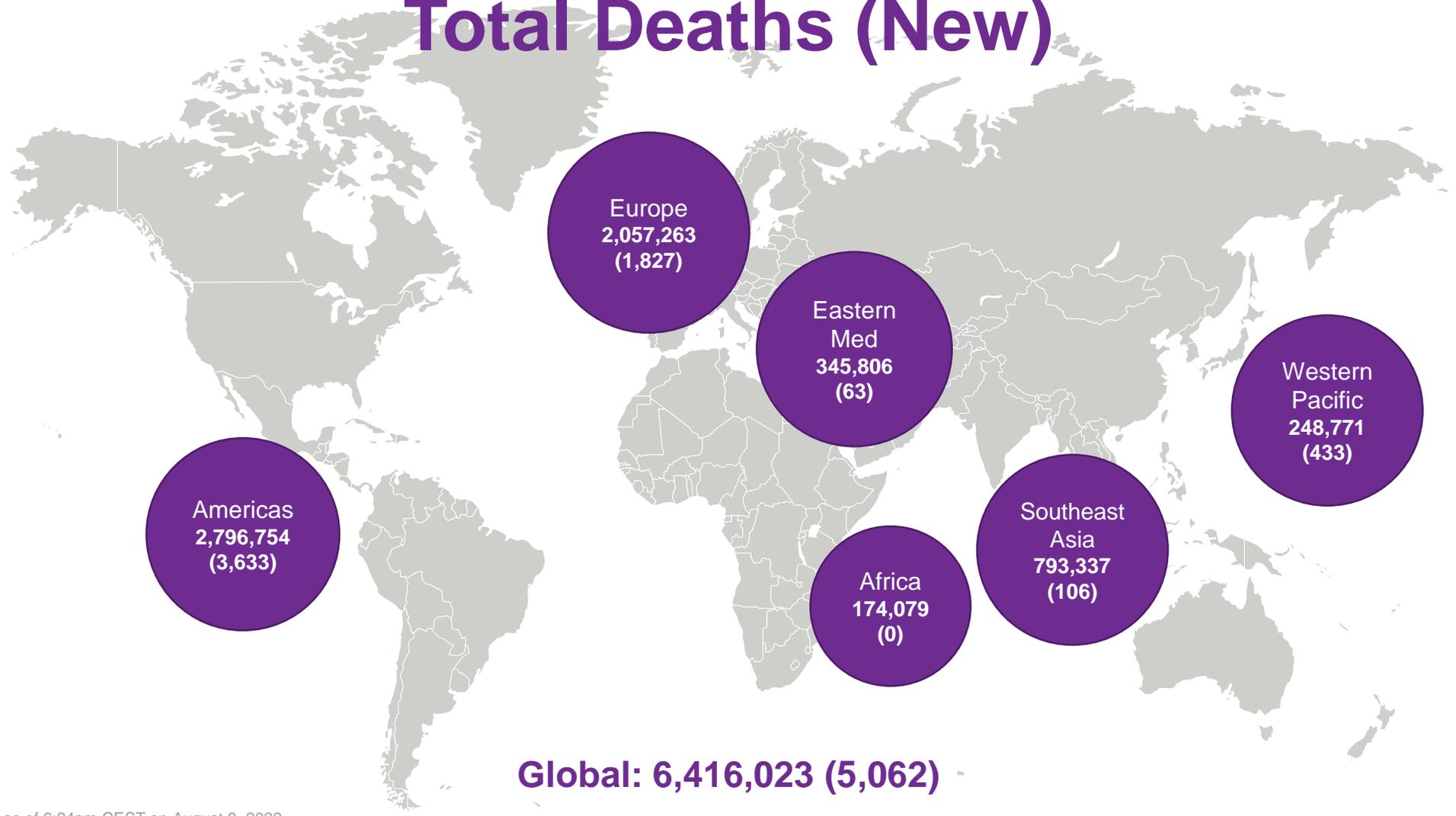
Confirmed Cases (New)



Reflects data as of 6:24pm CEST on August 9, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:24pm CEST on August 9, 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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