

Dentons Flashpoint

Daily Global Situation Report

May 3, 2022

Global Situation Update: May 3, 2022

KEY TAKEAWAYS

Russia imposed retaliatory trade sanctions forbidding exports to “*unfriendly*” countries.

German fighter planes scrambled to intercept a Russian reconnaissance aircraft over the Baltic Sea.

The WHO is investigating mysterious increase in severe cases of child hepatitis.

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WHAT WE'RE WATCHING

At last week's Boao Asia Forum, Chinese President Xi Jinping proposed a vision for international order which would uphold the principle of "indivisible security." The idea that the security of a state is inseparable from that of others in the region is oft cited by Russia, and this is the first time a Chinese official has argued for this concept outside of the Russia-Ukraine context, in which China blamed the war on the eastern expansion of NATO.

President Xi's comments have implications for US strategy towards Taiwan and the South China Sea. If China views actions by the US or its allies in the region as disregarding Beijing's security concerns, China could invoke "indivisible security" and retaliate, leading to potential armed conflict. This could also mean possible preemptive military action on the part of China in the name of guarding its own security interests.



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

Global

Russian President Putin has signed a decree on retaliatory economic sanctions in response to the "*unfriendly actions of certain foreign states and international organizations.*" According to the decree, Russia will forbid the export of products and raw materials to people and entities that it has sanctioned.

- The US assesses that Russia is intensifying forced transfers of local populations in the areas it controls in **Ukraine's** south and east to Russia or to Russia-controlled parts of the Donbas via so-called "*filtration camps.*"
- As the Ukraine war fuels inflation, central banks are increasing **interest rates**. Australia's central bank increased interest rates for the first time in more than 11 years. The US Federal Reserve is expected to raise its key interest rate by 0.5 percentage points after meeting on Wednesday, as is the Bank of England.
- The WHO has received reports of at least 228 probable cases of **child hepatitis** with dozens more under investigation. Health authorities around the world are probing a mysterious increase in severe cases of hepatitis - inflammation of the liver – in young children that has resulted in at least one death.

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Markets & Business

Shares in Alibaba dropped sharply today following a state media report that an individual surnamed “Ma” had been put under compulsory criminal controls.

- Spirit Airlines rejected a \$3.6bn takeover offer from rival **JetBlue** and said it would merge instead with budget carrier **Frontier Airlines**.
- **BP PLC** took a \$25.5 billion pretax accounting charge related to its decision to exit its Russia holdings, including its stake in government-controlled oil producer **Rosneft**.
- Major aircraft lessor **Avolon** recorded a Q1 impairment of \$304 million to cover the full financial impact of having 10 jets stuck in Russia following EU sanctions that forced the termination of all Russian leases.
- Workers for **CNH Industrial NV** went on strike yesterday for the first time in nearly 20 years after their union and the farm- and construction-equipment manufacturer failed to reach an agreement on a new contract.

Environment, Sustainability & Governance

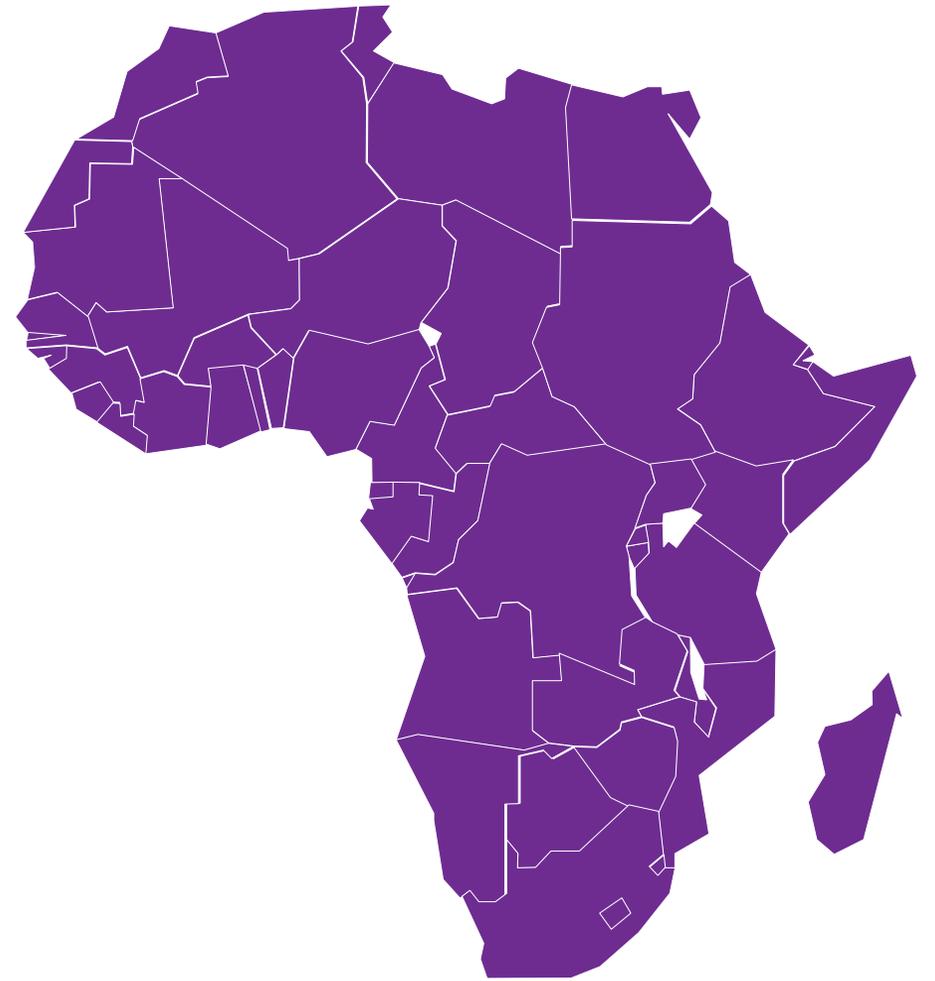
Amazon workers voted against unionizing a second warehouse in New York City, representing a defeat for labor organizers just weeks after they celebrated their first US win.

- The US EPA sent a rule on US **biofuel blending** mandates to the White House for final review; the review likely lowers the mandate for blending in light of high oil prices.
- The Biden administration will allocate more than \$3 billion in infrastructure funding to finance **electric vehicle (EV) battery manufacturing**.
- The European Financial Reporting Advisory Group announced the release of its initial draft of **European Sustainability Reporting Standards**, setting out the proposed rules and requirements for companies to report on sustainability-related impacts, opportunities and risks under the EU's upcoming Corporate Sustainable Reporting Directive.
- Sales of **Green, Social and Sustainability (GSS) bonds** in Europe could total 1.6 trillion euros (\$1.68 trillion) by 2026, making up almost half of all new bond issuance in the region, according to a new report by PwC Luxembourg.

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Africa

- There were scenes of chaos in the **Ethiopian** capital of Addis Ababa after police threw tear gas canisters at Muslims praying, a move that the security forces called accidental and followed several worshippers throwing stones.
- The military junta in **Chad** indefinitely postponed a national dialogue proposed for May 10; meanwhile, reconciliation talks between the military and rebel groups are ongoing in Qatar.
- **Somalia's** al Shabaab group attacked an African Union mission troop camp in the Shabelle region in the center of the country.



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Asia

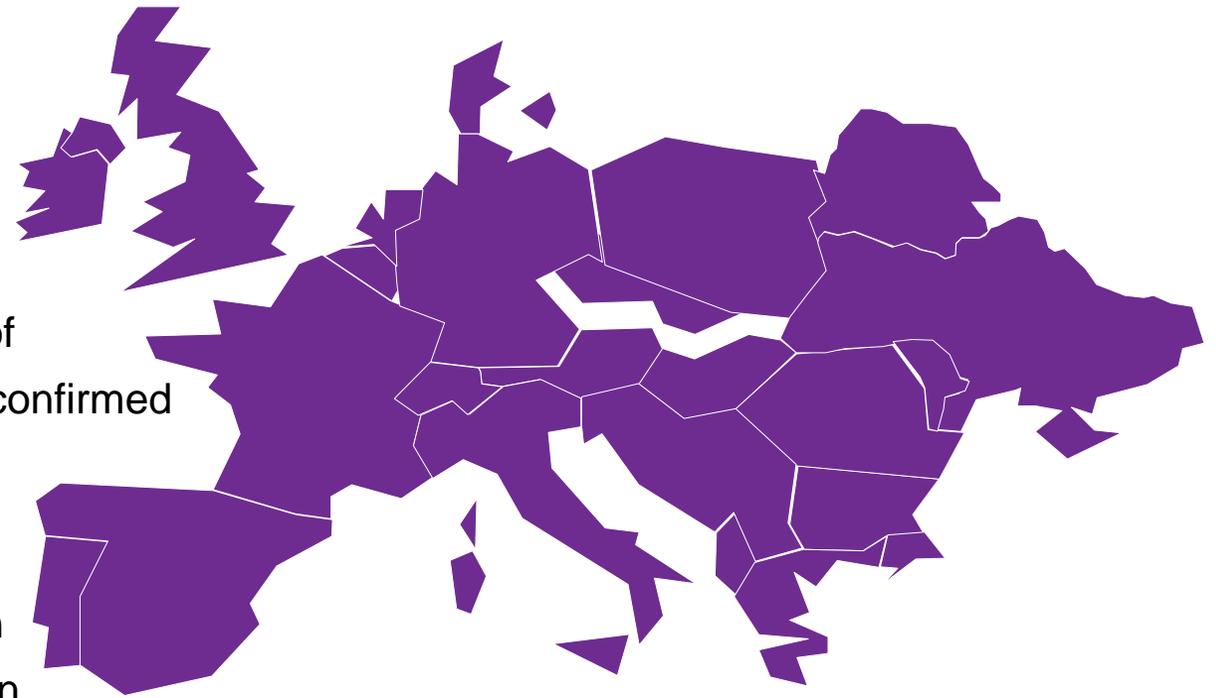
- **South Korea's** consumer prices rose at their fastest pace in more than 13 years last month, heaping pressure on the Bank of Korea to continue raising interest rates to tame inflation.
- **Taiwan's** Defense Ministry are pressing the **US** to deliver on schedule shoulder-fired Stinger anti-aircraft missiles after the US advised delays associated with the war in Ukraine pressures supplies.
- **Philippine** presidential candidates will hold final election rallies this week as the campaign enters the final days before the May 9 poll, in a contest that has shaped into a two-way race between frontrunner Ferdinand Marcos Jr. and his main rival Leni Robredo.
- **Hong Kong** will further ease COVID-19 restrictions, allowing bars to open until 2 a.m. and raising the number of diners permitted at a table to eight from four, as cases in the global financial hub continue to ease.



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Europe

- Pegasus spyware was used to hack the mobile phones of **Spain's** prime minister and defense minister, in the first confirmed use of the espionage software against a serving head of government.
- **German** fighter planes scrambled to intercept a **Russian** reconnaissance aircraft near Rügen over the Baltic Sea in recent days. NATO has nearly doubled the number of military aircraft on alert across Europe to monitor and intercept Russian planes.
- **Italy** has unveiled a €14 billion economic support package to help vulnerable families, businesses and investment projects cope with surging commodity prices and will increase a new windfall tax on energy company profits to fund the measures.
- Momentum is building for **French** left-wing parties to form a united front against President Macron in next month's parliamentary elections, after radical Jean-Luc Melenchon closed a deal with the Greens.



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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.

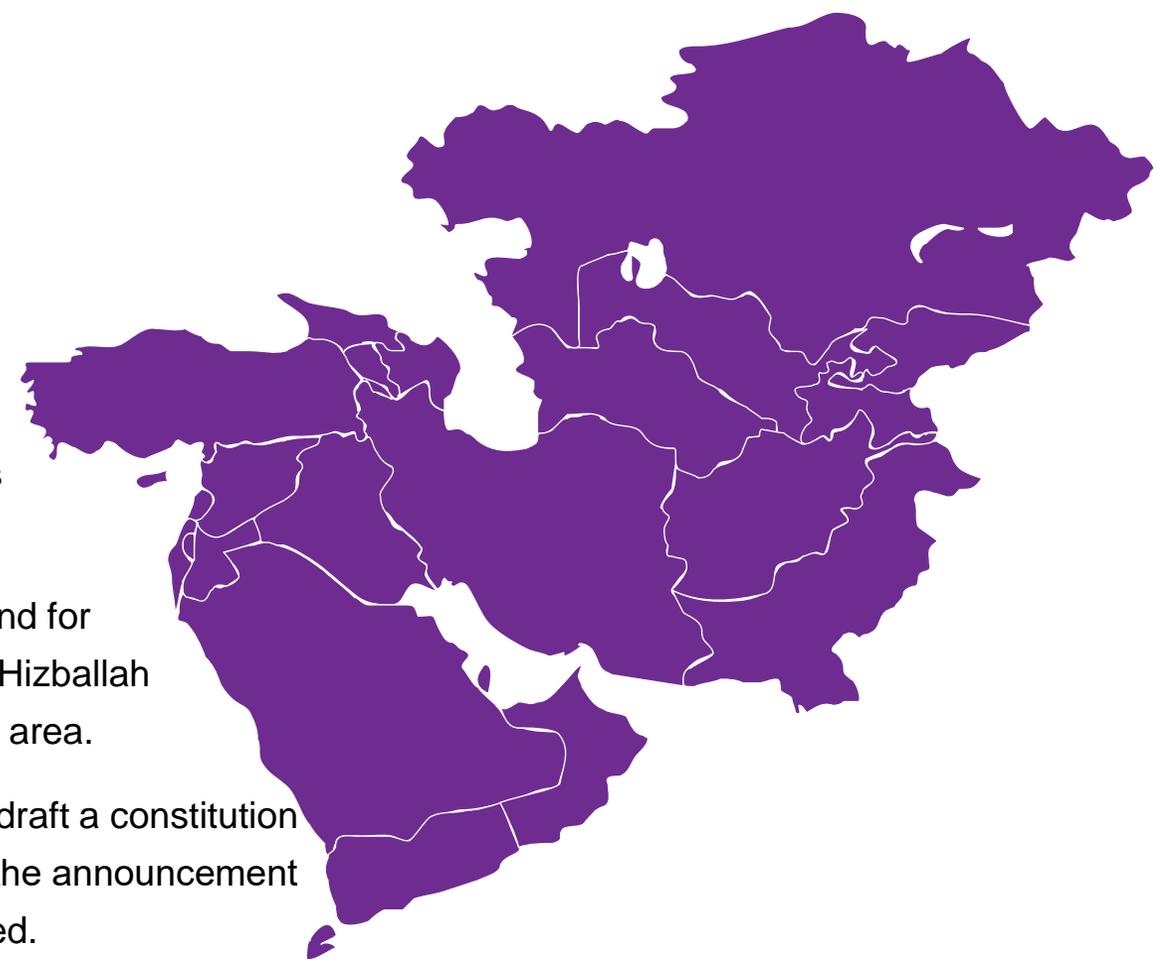
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

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

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



- A missile attack on an oil refinery in **Iraq's** Kurdistan region caused a fire. Iraq's defense ministry reported that a soldier had been killed in clashes with Yazidi fighters in the country's north. Iraq grounded flights over the weekend due to recurring dust storms.
- **Lebanon's** Maronite patriarch called for calm at the southern border and for border negotiations with Israel to resume immediately, just a day after Hizballah leader Nasrallah vowed to respond in kind to any **Israeli** strikes on the area.
- **Tunisian** President Saied announced the formation of a committee to draft a constitution for a "*new republic*," saying that work will conclude in just a few days; the announcement is seen as the latest in a series of steps to consolidate power with Saied.
- **Iran** said that it was ready to resume decade-old talks on a gas field that is disputed between **Kuwait, Saudi Arabia** and Iran, responding to an invitation by Kuwait and Saudi Arabia. Iran's announcement made no mention of Saudi participation.
- **Israeli** intelligence agency Mossad reported that it had foiled **Iranian** assassination plots against three western and Israeli figures in **Turkey, Germany and France**.

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Americas

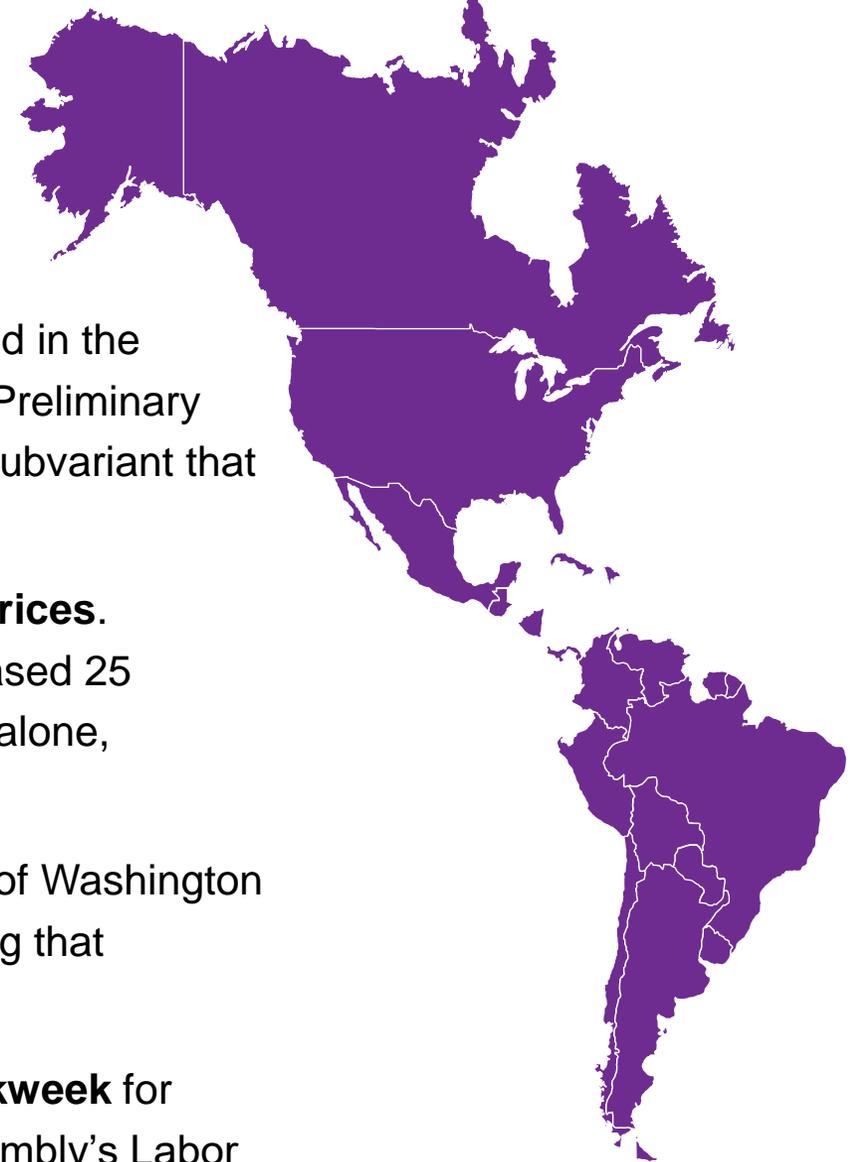
- A US appeals court declined to rule on whether Alexander Saab, an ally of **Venezuelan** President Maduro who is facing money laundering charges in the **US**, should receive diplomatic immunity.
- **Colombian** leftist presidential candidate Petro canceled a week of events due to what his office claimed was a plot by gangs to attack him.
- **Mexico's** manufacturing sector contracted for the 26th month in a row in April.
- The **Dominican Republic** is pressing **Haiti** to launch an “*immediate investigation*” into the “*apparent*” kidnapping of one of its diplomats in a neighborhood east of Port-au-Prince that has been wrecked by violent armed gangs.



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Americas: US

- The CDC said the **Omicron subvariant** named BA.2.12.1 has rapidly spread in the Northeast in particular, where it accounts for the majority of new infections. Preliminary research suggests it is about 25 percent more transmissible than the BA.2 subvariant that is currently dominant nationally.
- Food banks are straining to meet growing demand caused by **rising food prices**. Forgotten Harvest, which serves the metro Detroit area, said demand increased 25 percent to 45 percent since December in different areas it serves. In March alone, demand rose 30 percent compared with the previous month.
- Anti-abortion activists and pro-abortion rights supporters took to the streets of Washington after news that the Supreme Court may overturn the 1973 Roe v Wade ruling that legalized **abortion**.
- A proposal from California Democrats to institute a statewide **four-day workweek** for hourly employees has been shelved, for now, after the California State Assembly's Labor and Employment Committee declined to set it for a policy hearing.



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Ukraine War Impact: Growing Policy Convergence between the US and EU on China

The impact of the Ukraine war on the global geopolitical landscape is accelerating trends and creating new ones as democratic leaders reassesses the risks associated with doing business with authoritarian governments using coercive instruments of power. The April virtual summit between the EU and China demonstrated a hardening of the EU position and an understanding that expanding trade relations can no longer be the central priority, with political concessions a necessary byproduct to achieve progress.

At the summit, the EU put the Ukraine war front and center, pressing China on its move as a member of the UN Security Council not to criticize Russian aggression against Ukraine's sovereignty. China's response that the EU should have an independent policy from that of the US, while declining to discuss the EU's concerns, has had the opposite impact, driving closer alignment between the US and EU on the view that China should be seen as a strategic competitor or rival, not just a trade partner.

The April 1 summit was meant to put the signing of the Comprehensive Agreement on Investment back on track. The signing of the agreement has been delayed due to the pandemic and growing discomfort in European capitals over a range of Chinese

behavior, including reported human rights violations in Xinjiang, Chinese sanctions on EU parliamentarians, EU uneasiness over China's efforts to dominate key strategic technologies, China's actions in the South China Seas and military pressure on Taiwan, and trade pressure against Lithuania. Prior to the Ukraine war, there was some optimism that the parties could work through these issues, with a goal of an investment agreement designed to expand bilateral trade well beyond the current 2 billion euros a day. However, the Ukraine war gave immediate political weight to the risks of expanding ties to China in terms of economic overdependence, erosion of the rule of law and respect for state sovereignty and the potential for the use of coercive diplomacy against EU countries over Taiwan. EU leaders, rather than seeking a trade agreement during

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the talks, decided to send a political message warning China against providing military or economic assistance Russia. Unsurprisingly, the summit ended with no deliverables and no joint statement in what is being called a “*dialogue of the deaf*.”

Western analysts assess that China has misjudged the significance of deciding to provide Russia with political cover for invading Ukraine and may yet adjust course. According to China expert Jacques deLisle, “[c]ontinuing commitments to limitless cooperation with Russia, suggesting blame for the war lay with NATO expansion, insisting Europe adopt an “independent” China policy, and inflated—and hedged—self-presentation as a neutral peace-broker will not help China’s relations with the EU or the US.” In a press conference after the summit, European Commission President Ursula von der Leyen suggested that China cannot afford to sacrifice its commercial relationship with the EU, with daily trade between the EU and China amounting to two billion euros, while Sino-Russian trade comes to just 330 million.

In a nod to the urgency of addressing China’s support for Russia, the US and EU moved up the third high-level meeting of the US-EU Dialogue on China to late April. Readouts of that meeting further

suggest an alignment of views on China and agreement that, should China undermine sanctions on Russia or provide any form of support for Russia’s aggression against Ukraine, the US and EU would coordinate on “consequences” in their respective relationships with China. The US and EU also agreed to continue to focus on upholding international law and principles, the centrality of the UN Charter, and respect for human rights. The readouts expressed particular concern over recent incidents of economic coercion by China and pledged cooperation in addressing growing instances of economic coercion.

Increased cooperation between the EU and US will likely be on display at the upcoming second ministerial level meeting of the transatlantic Trade and Technology Council (TTC) on May 15-16 in France. While Russia will be the primary focus, the TTC will also discuss further controls on emerging technologies, including work done by a TTC subgroup dedicated to sharing expertise on artificial intelligence – technology China is seeking to dominate. The agenda includes a “strategic standardization information” mechanism to allow Washington and Brussels to coordinate their approaches to global standard-setting, pushing back against Chinese efforts to

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write the rules of the road in Beijing's favor. According to Noah Barkin, a China expert with the German Marshall Fund of the United States, outbound investment screening may be on the agenda, a tool designed to address the risk that companies, which face controls on the export of certain technologies to China, could decide to set up shop in the country to evade controls by producing them there. When investment screening was first discussed, it was considered an extreme American idea; now it is being considered by the TTC.

How far the US and EU will go in the effort to sway China to play a constructive role in convincing Russia to end its aggression against Ukraine is not clear. Current efforts focus on messaging and warning of consequences. Thus far, senior US officials state that they have not detected overt Chinese military and economic support, assessing that warning may be deterring Beijing. However, US officials remain concerned about China's refusal to condemn Russia's actions in Ukraine and Beijing's continued dissemination of Russian disinformation.

The potential consequences have not been aired in public. The US Trade Representative (USTR) has yet to signal its plans to proceed

with a legally required review over the next several months of tariffs that the Trump Administration imposed on \$350 billion worth of Chinese goods. The first batch of 301 tariffs on \$34 billion worth of Chinese goods are set to expire on July 6, the second group on \$16 billion on Aug. 23 and the third group on \$200 billion on Sept. 24. A decision to extend the tariffs would be a clear escalation by the Biden Administration, which has been reviewing and recalibrating US trade policy on China after the hardline Trump approach. Alternatively, the US and EU could coordinate on targeted sanctions against companies assisting Russia evade sanctions, either through enforcement actions or a broader secondary sanctions program. For western businesses, China's position on Ukraine has increased the reputational costs on doing business with and in China, while adding new operational risks to existing challenges of supply chain disruption and resource nationalization.

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Ukraine War Update: Russian Filtration Camps, Russian Retaliatory Sanctions, Indian G-7 Invitation

The US assesses that Russia is intensifying forced transfers of local populations in the areas it controls in Ukraine's south and east to Russia or to Russia-controlled parts of the Donbas via so-called "filtration camps."

Political Developments

Michael Carpenter, US ambassador to the Organization for Security and Cooperation in Europe (OSCE), said, *"We're seeing credible reporting that Russia's forces are rounding up the local civilian populations in these areas, detaining them in these camps, and then brutally interrogating them for any supposed links to the Ukrainian Government or to independent media. There are reports that those suspected of having any connections of this sort are being beaten or tortured before they're transferred to the so-called 'Donetsk People's Republic,' where many are reportedly disappeared or murdered."*

British Prime Minister Johnson plans to announce during a remote address to the Ukrainian parliament, plans to provide an additional £300 million (\$375 million) in military aid for Ukraine.

Pope Francis has asked for a meeting in Moscow with Russian President Putin to try to stop the war in Ukraine but has not received a reply.

Tensions between Israel and Russia spiked after Russia's foreign minister compared Ukrainian President Zelensky, who is Jewish, to Adolf Hitler and accused Jews of anti-Semitism, remarks Israel strongly condemned.

All Russian soccer clubs have been barred from taking part in the 2022/23 season of the Champions League, European football's governing body UEFA announced yesterday.

Internet service disruption monitor NetBlocks said Russia has rerouted internet traffic in the Ukrainian region of Kherson, through Russia to tighten its grip on information and exert control.

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Ukraine War Update: Russian Filtration Camps, Russian Retaliatory Sanctions, Indian G-7 Invitation

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US Central Intelligence Agency (CIA) is calling on Russians who are opposed to President Putin war on Ukraine and want to aid intelligence efforts to stop it to use its darknet site, accessible only through the Tor browser. The browser has encryption features not available on most browsers and masks users' identities and locations. The CIA's social media channels on Monday started showing instructions in English and Russian on how to access the darknet through Tor.

German chancellor Scholz has invited Indian Prime Minister Modi as a special guest to the G7 leaders' summit next month, as part of efforts to woo New Delhi away from its alliance with Russia.

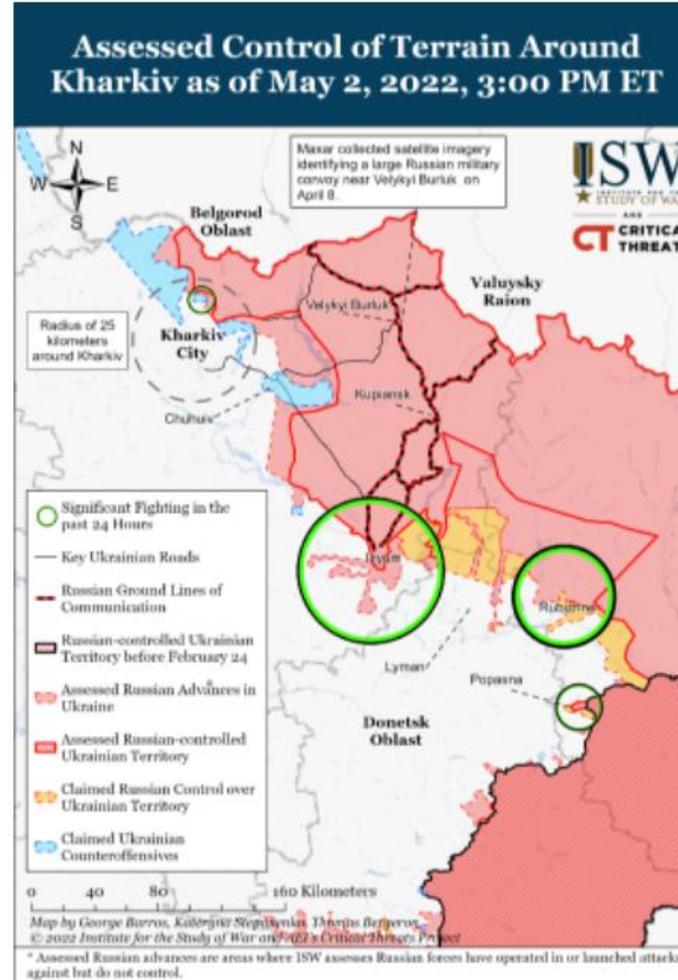
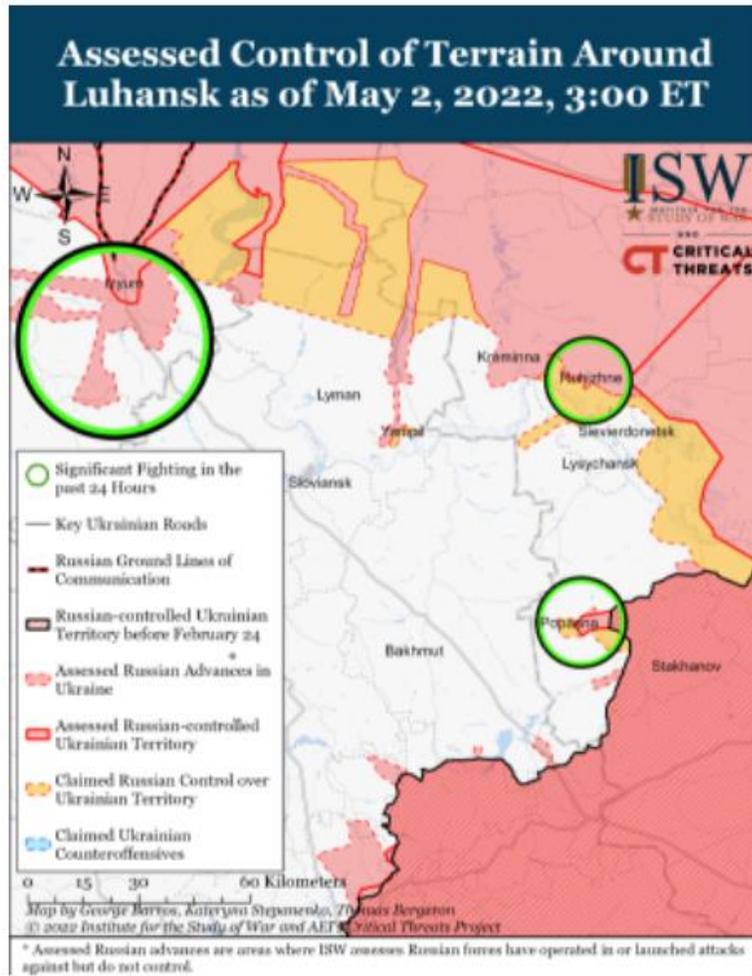
Battlefield Developments

Russia continued airstrikes on the coastal city of Odesa, hitting a strategically key road and rail bridge. The loss of this logistical route would obstruct the supply of weapons and other goods from neighboring Romania.



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Ukraine War Update: Russian Filtration Camps, Russian Retaliatory Sanctions, Indian G-7 Invitation



Source: [Institute for the Study of War](https://www.instituteforthestudyofwar.org/)

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Ukraine War Update: Russian Filtration Camps, Russian Retaliatory Sanctions, Indian G-7 Invitation

Russian forces on Monday continued pressing into eastern Ukraine's Donbas region, with heavy fighting north of the town of Slovyansk. Ukrainian forces Monday blew up a bridge between Slovyansk and the town of Lyman that is under Russian attack, a move designed to slow down the Russian advance.

The Institute for the Study of War reported that Russian forces did not conduct any confirmed ground attacks in Ukraine on May 2. Russian troops on the Donetsk-Luhansk frontline and Southern Axis continued to regroup, likely in preparation for renewed offensives or to resist or reverse Ukrainian counter-offensives.

UK military intelligence assessed failures both in strategic planning and operational execution have left Russia unable to translate numerical strength into decisive advantage.

Humanitarian Developments

An unknown number of civilians were evacuated from the city of Mariupol on Monday, and evacuation efforts under UN and Red Cross supervision will resume today. According to Mariupol's mayor, more than 200 civilians are still holed up with fighters in the steel plant.

Buses under UN supervision carrying about 100 civilian evacuees from the Azovstal steel plant in Mariupol from Sunday are expected to arrive in Zaporizhzhia on today, after the convoy's journey had been delayed by Russian checkpoints.

Russia's Defense Ministry said more than one million people had been taken to Russia from Ukraine since the war began, claiming humanitarian protection. However, the Ukraine government says its citizens are being taken to Russia against their will.

Economic Developments

The EU expects to release its sixth sanctions package targeting Moscow over its invasion of Ukraine this week. Senior EU diplomats said that the 27-country bloc was likely to propose a phased ending purchases of Russian crude oil before the end of 2022, as well as a ban on purchases of Russian refined oil products by year-end, while noting that Russia may end its supply of gas to member states at any moment. Slovakia and Hungary would get additional time to implement the embargo because of their particularly high dependence on Russian oil. The sanctions package will also include additional Russian banks to be barred from the global SWIFT

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network. The proposals are set to be circulated to EU member states today.

Ukraine's Ambassador to Germany Andriy Melnyk asked Berlin to stop letting Russian ships unload their goods at German ports.

The Finnish consortium Fennovoima has terminated its contract with Russia's state-owned nuclear power supplier Rosatom to build Finland's third nuclear power plant. Finland has five nuclear reactors at two plants supplying 30 percent of the country's electricity.

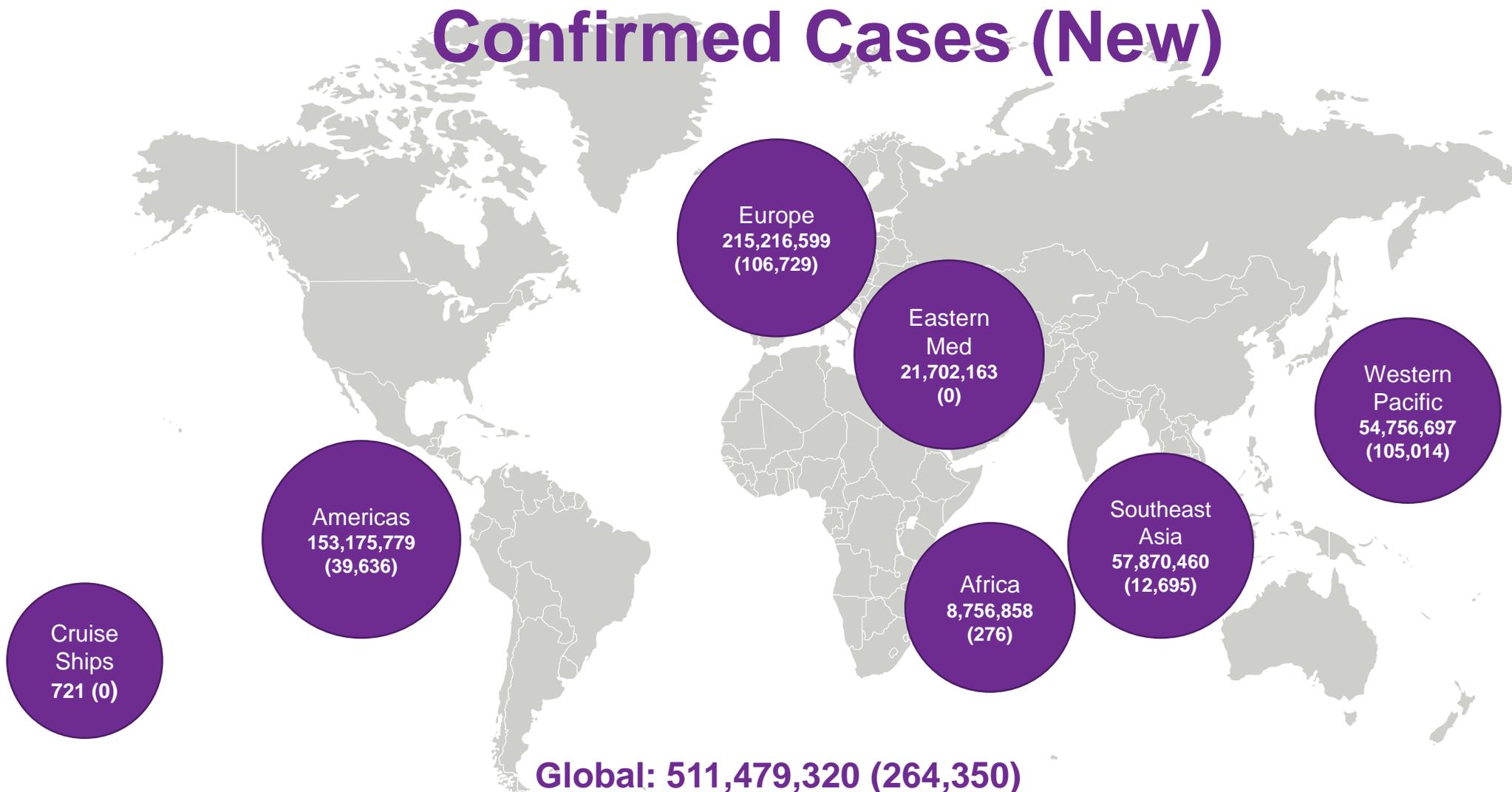
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Coronavirus Condition Updates

As of 7:46 pm CEST on May 2, 2022

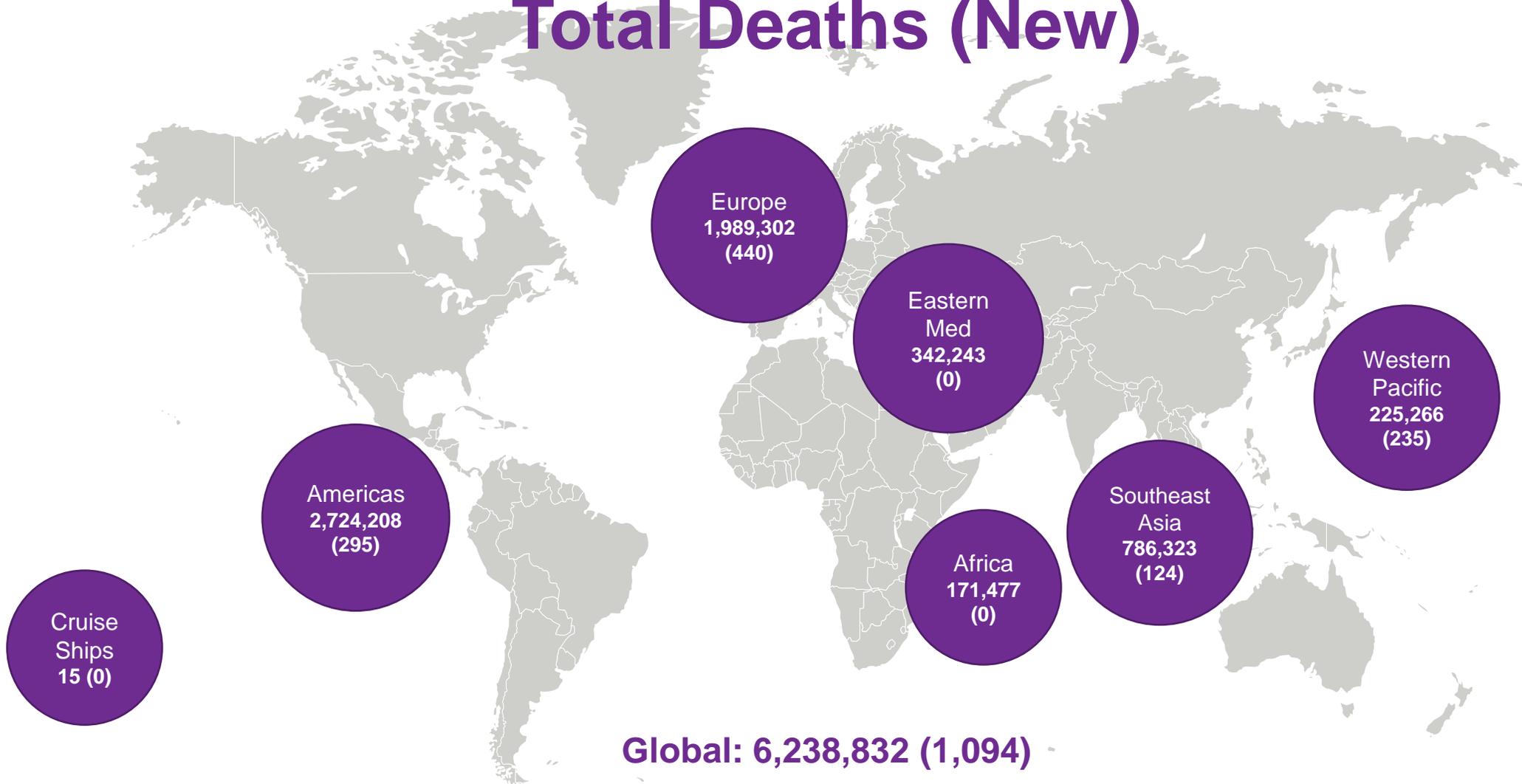
Confirmed Cases (New)



Reflects data as of 7:46 pm CEST on May 2, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 7:46 pm CEST on May 2, 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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