

Dentons Flashpoint

Global Situation Report

September 12, 2022

Global Situation Update: September 12, 2022

KEY TAKEAWAYS

Ukrainian forces broke the Russian front line, making significant advances and potential breakthrough in the six-month war.

China ends cooperation with the UN human rights office following report on alleged human rights abuses in Xinjiang.

Sweden's right bloc has the narrowest of leads with around 90 percent of votes counted.

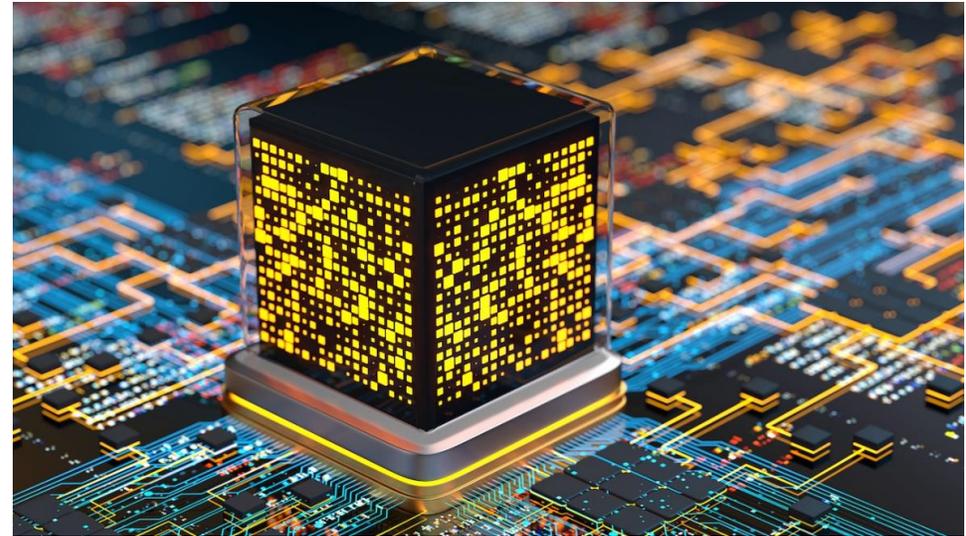
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WHAT WE'RE WATCHING

There are increasing concerns about the threats from quantum computing to critical national infrastructure, government organizations and business after China's Baidu revealed its first quantum computer last month. Although quantum computers are not yet able to break current encryption standards, the US government is expecting breakthroughs in the short to medium term.

It is unlikely that quantum technology will be made available for commercial users in the next five to ten years. However, threat actors are reportedly already exfiltrating encrypted data with the intent to decrypt it later with quantum technology. Organizations may have to take on additional costs to enhance cyber security to eventually defend against quantum computing.



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Global

The IMF is looking for ways to provide emergency funding to countries facing war-induced food price shocks and will discuss measures at an executive board meeting today.

- **Ukrainian** forces continued to make significant advances in its counteroffensive, pushing north in the Kharkiv region and advancing to its south and east, with the Russian front-line crumbling and forces making a disorganized retreat, abandoning ammunition stockpiles and equipment, so as to not be encircled.
- President Zelenskiy hailed **Ukraine's** offensive as a potential breakthrough in the six-month-old war, saying this winter could bring more rapid gains of territory if Kyiv can get more powerful weapons.
- Britain dismissed as untrue on Sunday Russian President Putin's assertion that only a fraction of **grain exported from Ukraine** under an international deal was going to poor countries. Per UN figures, around 30 percent of grains exported under the deal have been supplied to low and middle-income countries in Africa, the Middle East and Asia.
- According to a new report on **modern slavery** by the UN's International Labor Organization, the number of people forced to work or in a marriage against their will has surged in recent years to around 50 million on any given day.

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Markets & Business

The US plans next month to broaden curbs on US shipments to China of semiconductors used for artificial intelligence and chipmaking tools to include three additional US companies, KLA Corp, Lam Research Corp and Applied Materials Inc.

- **Visa Inc** will implement a new merchant category code for US gun retailers, which will identify transactions at firearms stores. The **International Organization for Standardization (ISO)** approved creation of the merchant code on Friday following pressure from gun-control activists who say it will help track suspicious weapons purchases.
- Japanese automaker **Nissan** will extend its suspension of an assembly plant in Saint Petersburg, Russia, for three months until late December.
- London-based crypto firm **Blockchain.com** has won a provisional approval to operate in Dubai, becoming the latest in a series of digital asset companies expanding in the Gulf as the region looks to become a hub for blockchain technology.
- EU antitrust regulators have broadened the scope of their investigation into Alphabet unit **Google's** digital advertising business by taking over the Portuguese competition agency's probe into the same issue.

Environment, Sustainability & Governance

With climate change raising Arctic temperatures faster than the global average, wildfires are shifting poleward where the summer flames blazed through boreal forest and tundra and released vast amounts of greenhouse gases from the carbon-rich organic soil.

- Saudi Arabia's \$620 billion sovereign wealth fund, the Public Investment Fund, is expected to tap international debt markets for a debut **green bonds** issue as soon as next week.
- The governments of the EU's five biggest economies plan to implement a **global minimum corporate tax** next year by "*any possible legal means*," if Hungary does not lift its opposition at the EU level.

Africa

- Flooding caused by the collapse of a mine dam wall in **South Africa** sweeping away houses and cars in the diamond mining town of Jagersfontein on Sunday.
- Members of an Islamic State affiliate in **Mali** claimed responsibility for killing about 30 civilians in an attack on a town in the border area of **Burkina Faso and Niger**. The militants also looted shops and burned food stocks.
- **African** ministers meeting in Cairo called for a sharp expansion of climate financing for their continent while pushing back against an abrupt move away from fossil fuels.
- Forces in northern **Ethiopia's** Tigray region announced they are ready for a ceasefire and would accept an African Union-led peace process, after nearly two years of fighting against the central government.



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Asia

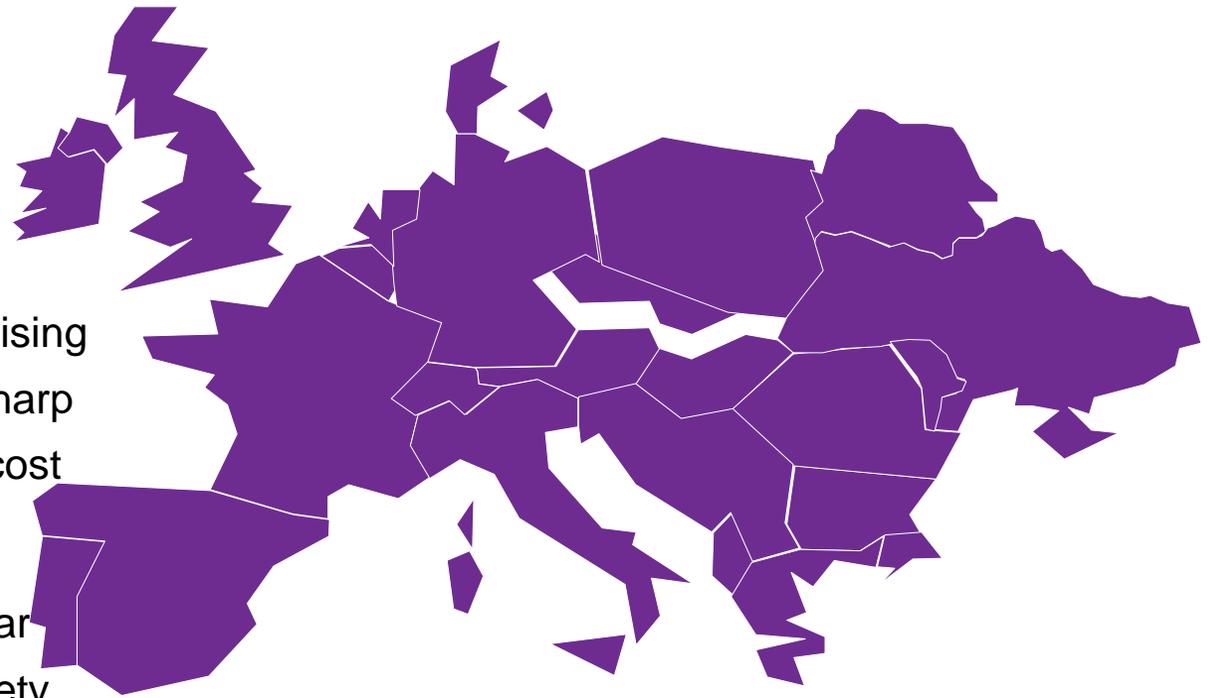
- **Lithuania** is expected to open its first-ever representative office in **Taiwan** this week amid growing tensions with Beijing.
- The Bank of **Japan** is expected to end as scheduled a pandemic-relief funding scheme this month, but the central bank is expected to maintain ultra-low rates at next week's meeting.
- **Chinese** President Xi Jinping will travel outside of China for the first time in more than two years, heading to **Kazakhstan** for state visit. He will then travel to **Uzbekistan** to attend the Shanghai Cooperation Organization summit where he will also meet with also meet **Russia** President Putin amid increased cooperation between the two countries.
- **China's** ambassador to the **UN** in Geneva said that Beijing will not cooperate with the UN human rights office following the release of the report on alleged human rights abuses in Xinjiang. Western diplomats said a group of democracies is considering a resolution on China at the UN Human Rights Council for the first time in the council's 16-year-history, which could include an investigative mechanism.



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Europe

- **Britain's** economy grew by less than expected in July, raising the risk that it is already in a recession, buffeted by the sharp climb in energy tariffs hurting demand for electricity and cost of materials hitting the construction sector.
- Operations at the **Russian**-occupied Zaporizhzhia Nuclear Power Plant in **Ukraine** have been fully stopped as a safety measure, per Energoatom, the state agency in charge of the plant.
- The nationalist **Sweden** Democrats took their biggest-ever share of votes in a general election Sunday, with preliminary results giving the center-right bloc of parties a slim majority over the incumbent center-left government. Overseas and postal votes are still to be counted, and the outcome could change, with a definitive result not expected for several days.
- **Poland**, which relies on coal for around 70 percent of its electricity generation, has introduced measures that will subsidize coal for households using fuel for heating purposes to mitigate surging prices. **Ukraine** is exploring whether it can urgently supply Poland with 100,000 tons of thermal coal to help it get through the coming winter.



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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.

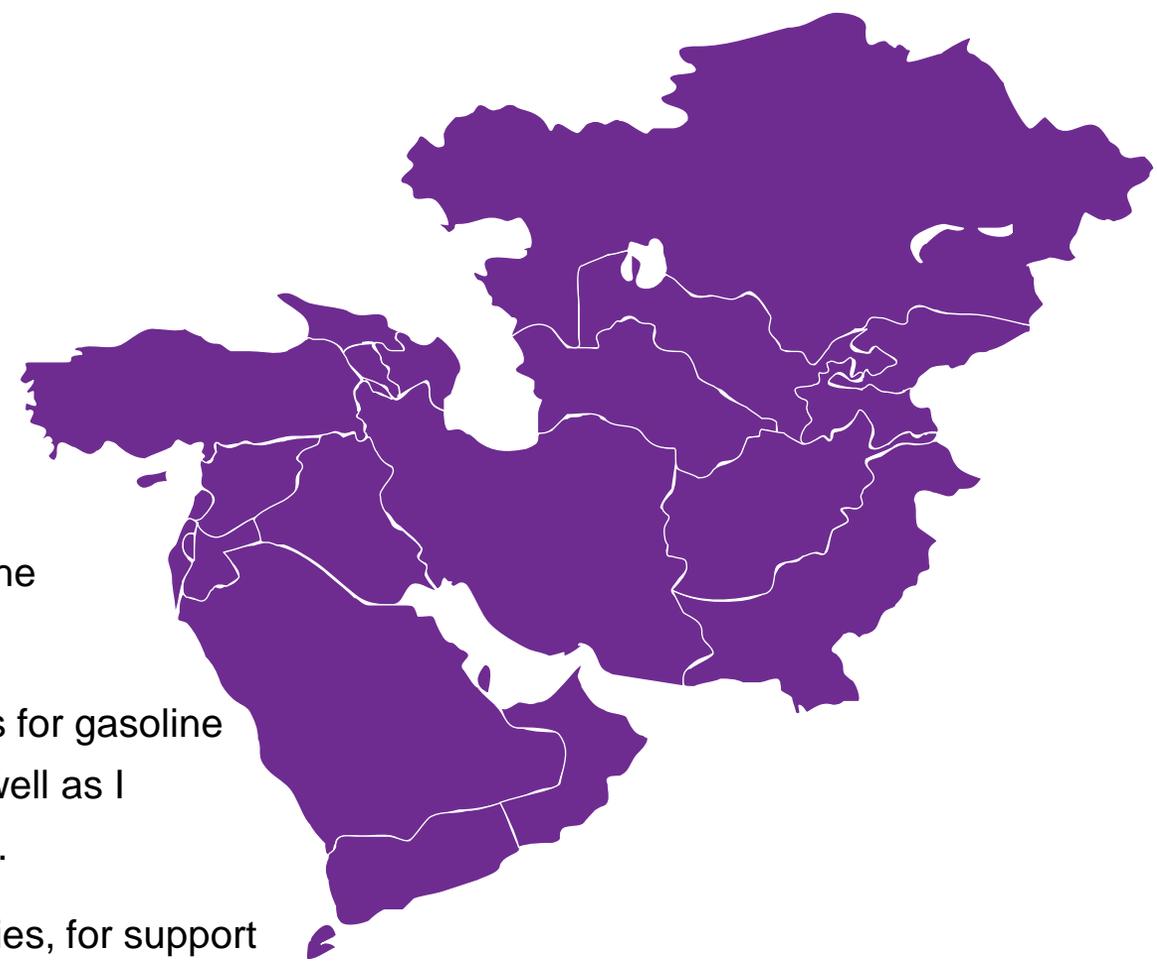
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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



- **France, Britain and Germany** on Saturday said they had "*serious doubts*" about **Iran's** intentions to revive a nuclear deal.
- **Iran's** elite Revolutionary Guards have seized a foreign vessel in the Gulf for allegedly smuggling 757,000 liters of diesel out of the country, per the Iranian state news agency.
- **Lebanon's** central bank has completely stopped providing dollars for gasoline imports, a move likely lead to higher and more volatile prices as well as I ncreased pressure on the local currency which is already in crisis.
- The Kurdish administration in **Syria** called on international agencies, for support to limit the spread of cholera. the disease had spread in western parts of Deir Ezzor province after local authorities stopped distributing chlorine to water pumping stations.
- Authorities in **Pakistan** are scrambling to protect a vital power station supplying electricity to millions of people against a growing threat of flooding. Record flooding has affected 33 million people and killed almost 1,400, washing away homes, roads, railways, livestock and crops, in damages estimated at \$30 billion.

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Americas

- **Antigua and Barbuda** plans to hold a referendum on becoming a republic within the next three years, the Caribbean nation's prime minister told British media.
- **Peru's** foreign minister, Miguel Rodriguez, resigned after just one month in office, after public clashes between the official and leftist president Pedro Castillo.
- **Brazil's** President Jair Bolsonaro slightly narrowed his deficit to opponent Luiz Inacio Lula da Silva ahead of an October election, per a new poll.
- **Canada** shed jobs for a third straight month in August, in a sign higher interest rates may be starting to slow the economy, official data showed. However, continuing upward pressure on wages, which can fuel inflation, will likely keep the Bank of Canada on track for another rate-hike, per economists.



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Americas: US

- Illness caused by **COVID-19** shrank the US labor force by around 500,000 people, pressure that is likely to continue if the virus continues to sicken workers at current rates, according to a new study.
- On Sunday, the US marked the 21st anniversary of the **9/11 attacks** by al-Qa'ida. The anniversary comes a year after Biden ended the US-led war in Afghanistan to root out the militant group that carried out the attacks after plotting them from Afghanistan. President Biden Biden vowed that the fight against terrorism would continue. *"We will not rest. We'll never forget. We'll never give up."*
- **Wildfires** burning throughout Oregon and Washington state prompted officials to order evacuations in some areas and electric utilities to shut off power to thousands of customers for safety reasons. There are 19 large fires in the two states, encompassing more than 295,000 acres.
- President Biden will sign orders today to channel more government funds to the **biotechnology industry**, aimed at reducing dependence on China for materials to generate clean energy, weave new fabrics and inoculate populations against the COVID-19 pandemic.
- The US and 13 Indo-Pacific countries agreed on parameters for negotiating closer trade, environment and economic ties as part of **Indo Pacific Economic Framework's** (IPEF) trade negotiations, which the US is championing to boost investment and jobs in the partner countries.

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Future of Cities: Aging Infrastructure: Risks and Challenges

By Matthew Gardell

The water crisis in Jackson, Mississippi has put a spotlight on the US' aging infrastructure. President Biden signed an infrastructure bill last November, but it may take years to reap the benefits. Aging infrastructure is a global competitiveness issue and risk for both companies and their personnel. One of the key business risks is that inadequate infrastructure leads to a catastrophic event—effecting business continuity and the safety of employees.

Last month, pumps at the main water plant in Jackson, MS failed, leaving the residents of the city without reliable drinking water indefinitely. The proximate cause of the water plant failure may have been flooding from the Pearl River, but for years, Jackson's water system was faltering due to inadequate infrastructure. Many US cities face a similar prospect as they have aging pipes, pumps and treatment plants. It is not just water infrastructure that is aging, but other types of infrastructure that can lead to other risks, such as fires. In 2018, an old and worn electrical transmission line caused the Camp Fire in Paradise, CA, one of the deadliest wildfires in US history. Bridges, roads and tunnels across the country are often in need of repair. Aging IT and infrastructure can create security vulnerabilities, threaten data integrity and be a roadblock to growth and innovation.

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Government Actions and Challenges

In recent weeks, the Biden Administration has been ramping up efforts to tout the bipartisan infrastructure bill that was signed last year. The Infrastructure Investment and Jobs Act (IIJA) provides for investments in broadband, energy and water systems. Most of the allocated money is therefore going to physical infrastructure projects such as repairing roads, improving public transit, building transmission lines and modernizing airports. Outside of federal intervention, many states have begun to step up investments in infrastructure as well.

As the country faces record heat waves, droughts and other extreme weather events, increasing attention is being paid to the effect of

Future of Cities: Aging Infrastructure: Risks and Challenges

climate change on infrastructure. The warming climate stresses existing infrastructure and increases the probability that an accident can occur. In Jackson MS, the Pearl River flooded not because of an ordinary storm but an historic rainfall event that rendered the water treatment plant ineffective. Metrological experts sometimes term these weather events “once-a-century storms” but the reality is that these types of storms are happening more frequently and in greater intensity. Cities are trying to prepare for this challenge by building climate resilience, but they often face budget constraints, and it can be hard to exactly pinpoint when these weather events will strike.

Aging infrastructure is also a global competitiveness issue. International organizations, such as the World Economic Forum (WEF), often factor a country’s infrastructure into global competitiveness rankings. The US has generally ranked high in the WEF’s Global Competitiveness Report but has slipped in recent years. Airport and road connectivity is one of the stronger categories, but the US has fallen behind on transportation and utility infrastructure. Some analysts attribute this weaker performance in transportation and utility infrastructure to discrepancies in funding levels; according to the OECD, the US trails in transportation

infrastructure spending as a percentage of GDP compared to other countries such as Japan, Germany, the UK and France. The US’ main geostrategic competitor, China, is investing heavily in transportation and major infrastructure projects.

Business Risks

Aging infrastructure presents businesses with a variety of risks. It may not be apparent to a chief security manager or safety officer that aging pipes or a crumbling water plant is a business risk but should a major event like the Jackson water crisis happen, the scale of business interruption will be significant. This could come in the form of productivity loss and taking a financial hit as a company. Highways, bridges and airports (physical infrastructure) allow companies to carry out their essential business functions. Moreover, a catastrophic event caused by infrastructure failure could jeopardize employee lives.

One of the most persistent challenges a business faces today is bolstering cybersecurity. Here too, aging IT infrastructure can leave a company vulnerable to hackers and cyber criminals. A company can do all it can to bolster its cyber defenses, but it is somewhat reliant

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Future of Cities: Aging Infrastructure: Risks and Challenges

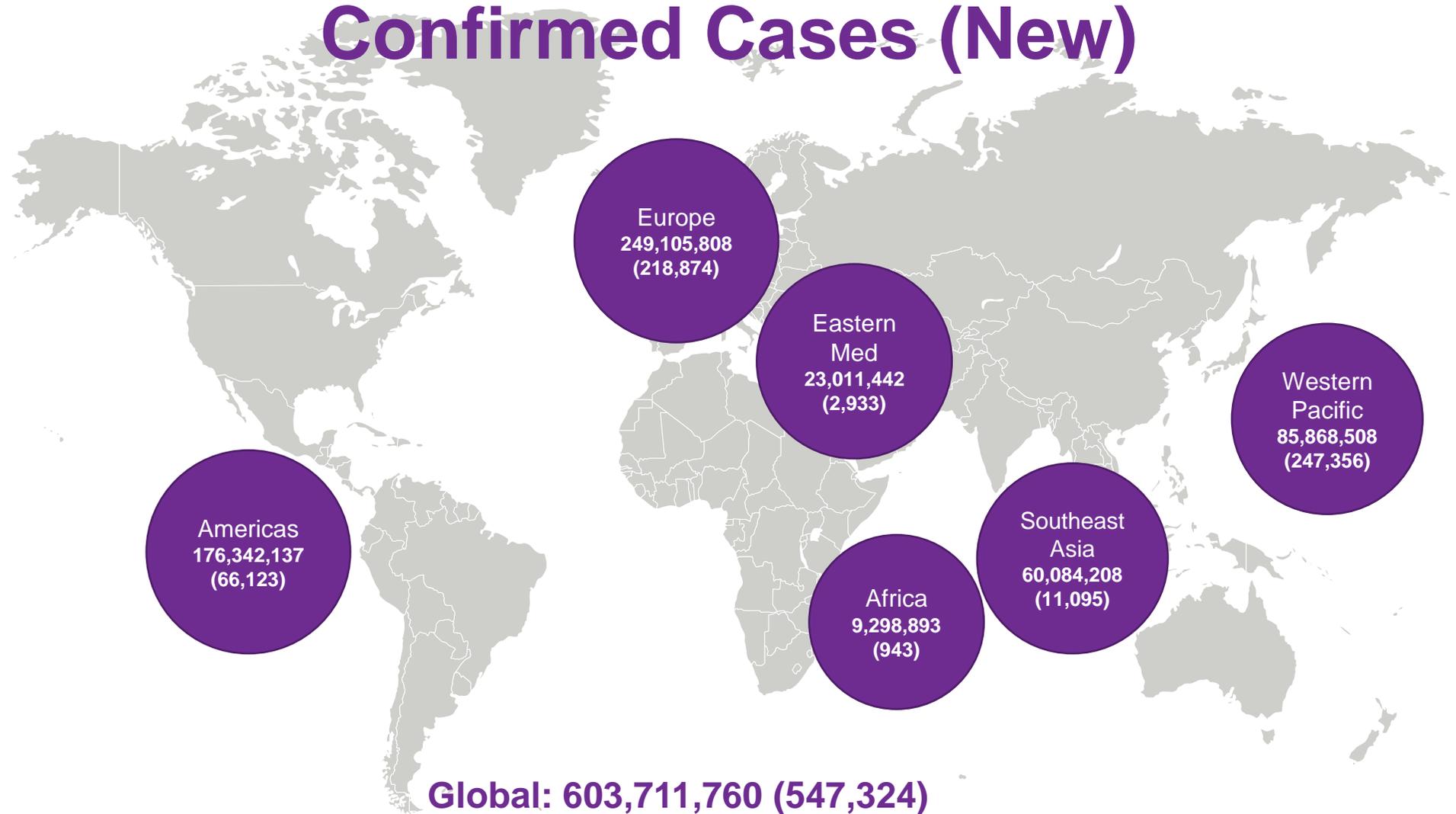
on its home country to provide overall adequate IT or “smart” infrastructure, as plans for a smart grid system illustrate. Since 2010, the US Department of Energy has invested billions of dollars in smart grid infrastructure in anticipation of accommodating renewable power sources onto the smart grid. The safety of the smart grid has been in question as hackers see it an opportunistic target. Private businesses will undoubtedly play a role and connect to the grid, particularly in upcoming partnerships to build out electric vehicle charging infrastructure. Public-private partnerships are an increasingly popular way to finance major infrastructure projects such as new roads; the combination of private sector technology and public sector incentives can work well together, but there are risks such as cost overruns for the private company. Overall, private businesses will continue to have a stake in bolstering the country’s infrastructure, as infrastructure systems are often not in a vacuum.

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Coronavirus Condition Updates

As of 6:58 pm CEST on September 7, 2022

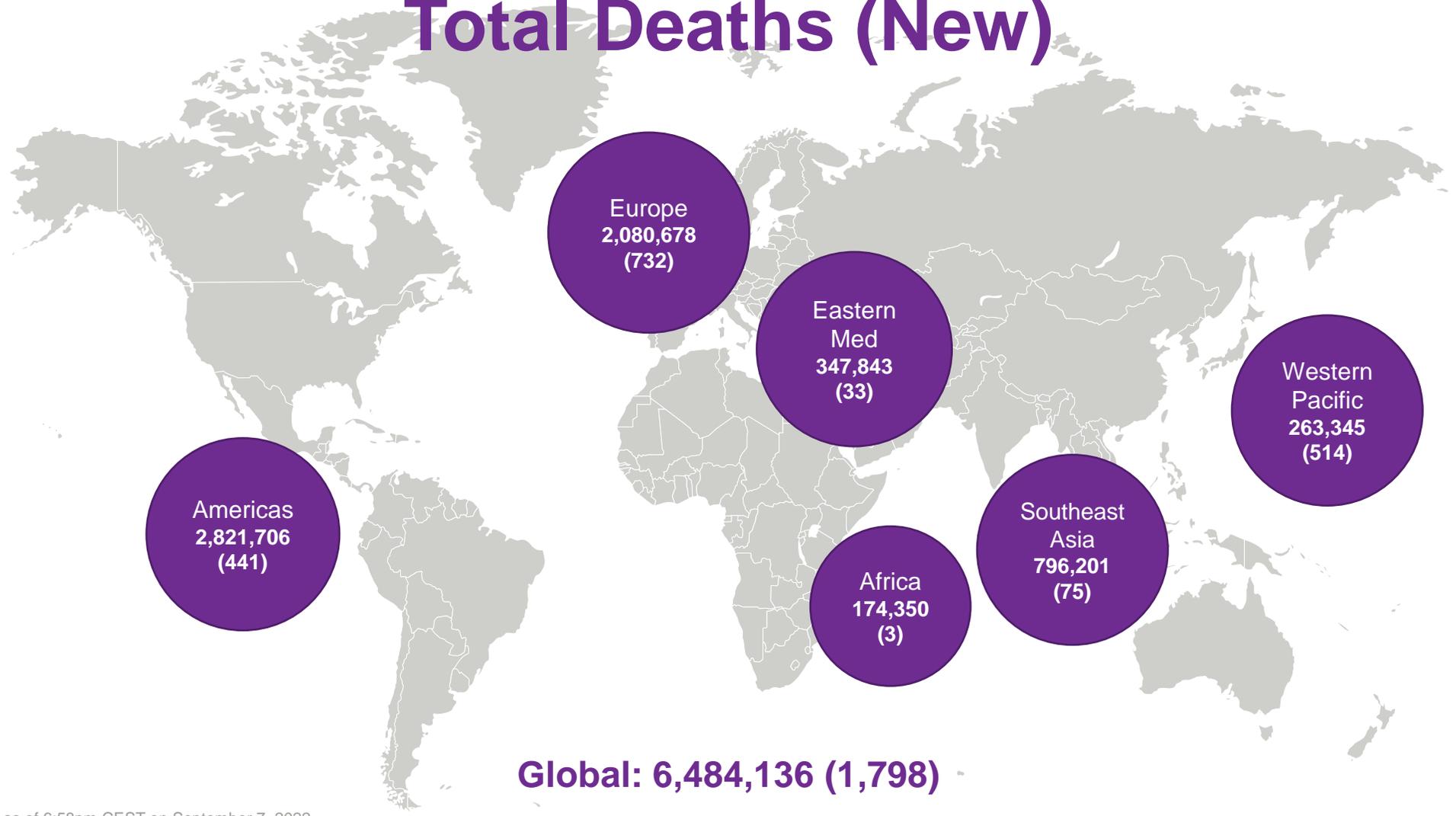
Confirmed Cases (New)



Reflects data as of 6:58pm CEST on September 7, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:58pm CEST on September 7, 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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