

Dentons Flashpoint

Daily Global Situation Report

June 7, 2022

Global Situation Update: June 7, 2022

KEY TAKEAWAYS

China is secretly building a naval facility in Cambodia for the exclusive use of its military.

Iranian pensioners protested against rising living costs in Tehran on Monday, amid rising anti-government sentiment.

European countries have welcomed nearly four times as many international travelers in Q1.

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WHAT WE'RE WATCHING

Election campaigns in Papua New Guinea are intensifying ahead of July parliamentary races. Hostilities between the current ruling party Pangu Pati and the overthrown People's National Congress over defections from the latter to the former in 2019, mean that polls this year will likely be as violent as the 2017 elections that left 204 killed.

Papua New Guinea also made clear its political orientation yesterday after it became the first Pacific Island country to sign a memorandum of understanding and cooperation plan with China on belt and road projects. China is a major investor in Papua New Guinea and buys much of the country's gas, minerals, timber and other resources.



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

Global

Russia's UN Ambassador Nebenzia stormed out of a UN Security Council meeting yesterday as European Council President Charles Michel addressed the 15-member body and accused Moscow of fueling a global food crisis with its invasion of Ukraine.

- Ukrainian President Zelensky stressed the importance of his **country joining the EU** in his nightly address. *"I believe that this will be a decision not only about Ukraine, but also about the entire European project. About whether it has a future as a really strong union,"* Zelensky said.
- US Secretary of State Blinken backed claims that Russia has stolen grain from Ukraine in order to sell it on. *"There are credible reports... that Russia is pilfering Ukraine's grain exports to sell for its own profit,"* Blinken said at a State Department conference on **food security** issues.
- Italian police have seized **4.3 tons of cocaine** with a street value of 240 million euros (\$257 million), dealing a heavy blow to the Colombian Clan del Golfo drugs gang. The international investigation that resulted in arrest warrants being issued for 38 people in six countries: Italy, Slovenia, Croatia, Bulgaria, the Netherlands and Colombia.

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Markets & Business

Apple is joining into the “buy now pay later” market. With Apple Pay Later, iPhone and Mac users in the US can pay for purchases in four instalments over six weeks without being charged interest or other fees.

- Elon Musk warned **Twitter Inc** that he might walk away from his \$44 billion deal to acquire the social media company if it fails to provide the data on spam and fake accounts that he seeks.
- Chinese regulators are concluding probes into ride-hailing giant **Didi Global Inc** and two other firms and are preparing to allow their apps back on domestic app stores as early as this week.
- Spain's High Court called the CEO of the **NSO Group** to testify as a witness in a case opened on the spying of Spanish politicians with software called Pegasus that was developed by the firm.
- **Caisse de dépôt et placement du Québec (CDPQ)**, one of Canada's largest pension funds, will invest \$2.5 billion in Dubai port operator **DP World**, marking the first direct foreign investment in the Gulf emirate's state-owned logistics giant.
- European countries have welcomed nearly four times as many **international travelers**, an increase of 280 percent in the first quarter of this year compared to the same period in 2021 figures, according to the World Tourism Organization. Airports across the continent have been struggling to keep up with the sudden influx of passengers, with long lines and cancelled flights.

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Environment, Sustainability & Governance

The European Parliament will vote this week on a raft of EU climate change policies designed to cut Europe's emissions over the next decade, with proposals facing multiple amendments and the outcome uncertain for some of the most ambitious plans.

- The **pay gap between workers and CEOs** at 300 publicly listed US companies with the lowest median wage jumped in 2021, per a study from the Institute for Policy Studies. The average gap was 670 to 1, up from 604 to 1 in the prior year, while 49 companies had ratios above 1,000 to 1, the study showed.
- The US has asked Mexico to probe **alleged worker rights violations** at an auto-parts plant owned by Italian-French carmaker Stellantis, the fourth such complaint under a revised trade deal, the 2020 United States-Mexico-Canada Agreement.
- The world's biggest trial of the **four-day workweek** starts this week in the UK, as the global movement toward fewer workdays gathers momentum in the wake of the coronavirus pandemic. From fish-and-chip shops to big corporations, more than 3,300 workers from 70 companies will work 80 percent of their hours for 100 percent of their pay — provided they commit to maintaining 100 percent productivity for the six-month trial period.

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Africa

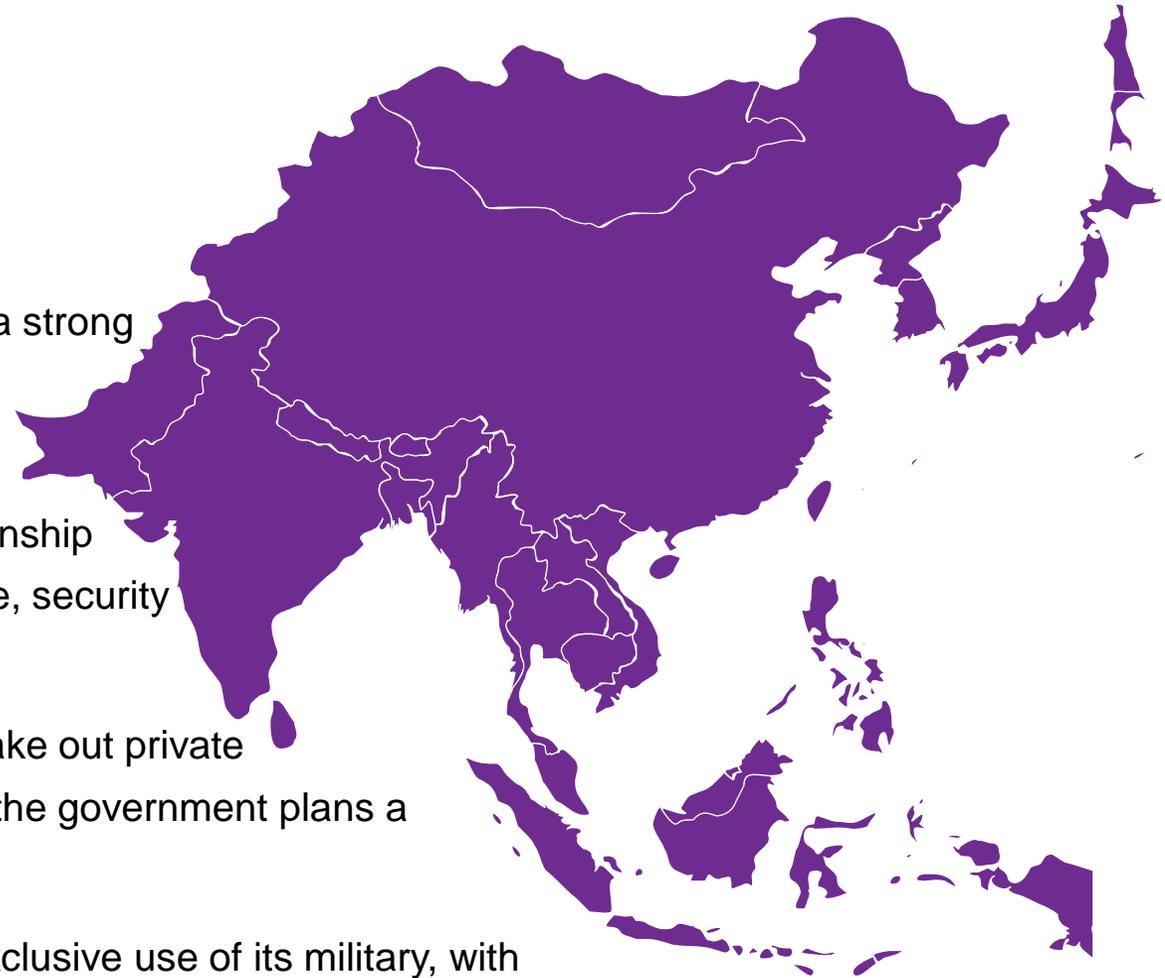
- **South African** President Ramaphosa strongly denied allegations of bribery, theft and kidnapping by a former spy chief; this was the first time Ramaphosa had acknowledged the case, filed last week.
- **Mali's** foreign minister expressed hope that ECOWAS sanctions on the country would be lifted “soon,” citing the disproportionate impact amid Ukraine-related price spikes; Mali's military junta hold elections in March 2024 to restore civilian rule after an August 2020 coup.
- A former **Nigerien** president was appointed ECOWAS mediator for **Burkina Faso**, where a military junta has resisted calls for dialogue or for creating a shorter timeline for democratic transition.
- Six **Chadian** opposition politicians arrested during anti-French protests were sentenced to one-year sentences for disturbing the public order. Several opposition politicians have been jailed since the military coup last year.
- Law enforcement authorities in the **UAE** arrested Atul and Rajesh Gupta who are accused of looting the **South African** state in the last decade with the aid of Jacob Zuma, the former president.



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Asia

- **US** Deputy Secretary of State Sherman warned there would be a strong and clear response from the US, **South Korea** and the world if **North Korea** conducts a nuclear test.
- **Australian** Prime Minister Albanese praised a deepening relationship with neighbor **Indonesia**, pledging stronger cooperation on trade, security and climate change during his first bilateral foreign visit.
- Foreign tourists visiting **Japan** will be required to wear masks, take out private medical insurance and be chaperoned throughout their stay, as the government plans a gradual opening from two years of COVID-19 restrictions.
- **China** is secretly building a naval facility in **Cambodia** for the exclusive use of its military, with both countries denying that is the case and taking extraordinary measures to conceal the operation, according to Western officials. The military presence will be on the northern portion of Cambodia's Ream Naval Base on the Gulf of Thailand, which is slated to be the site of a groundbreaking ceremony this week.



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:

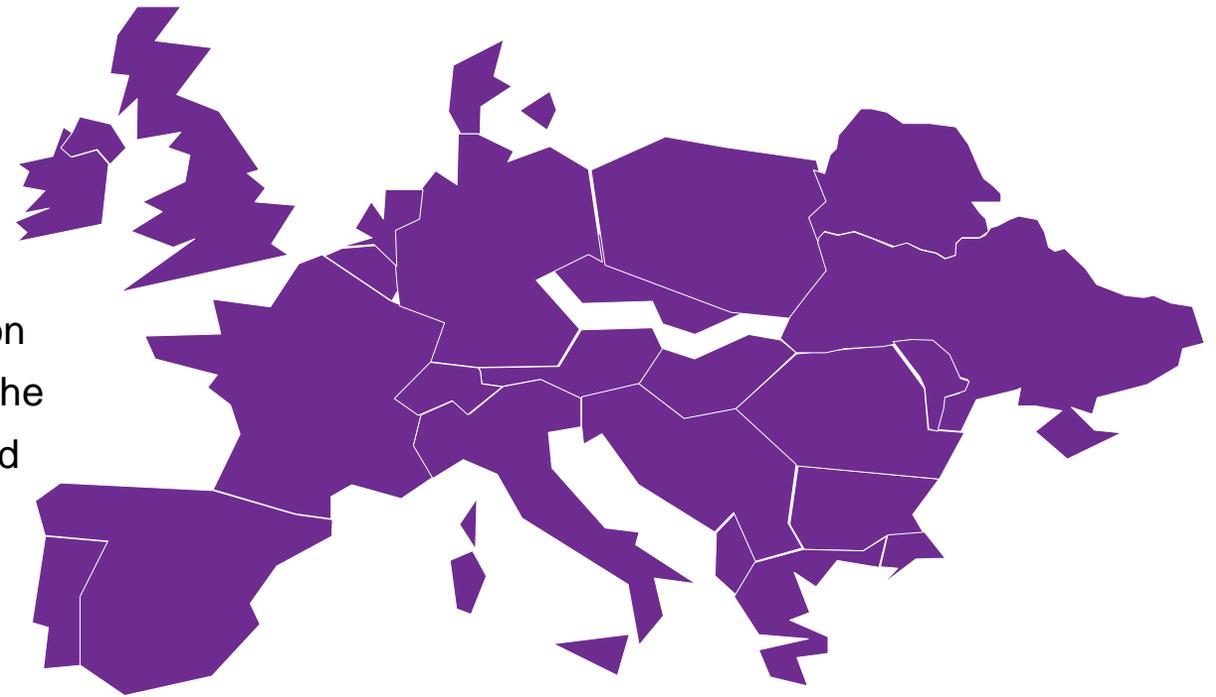
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

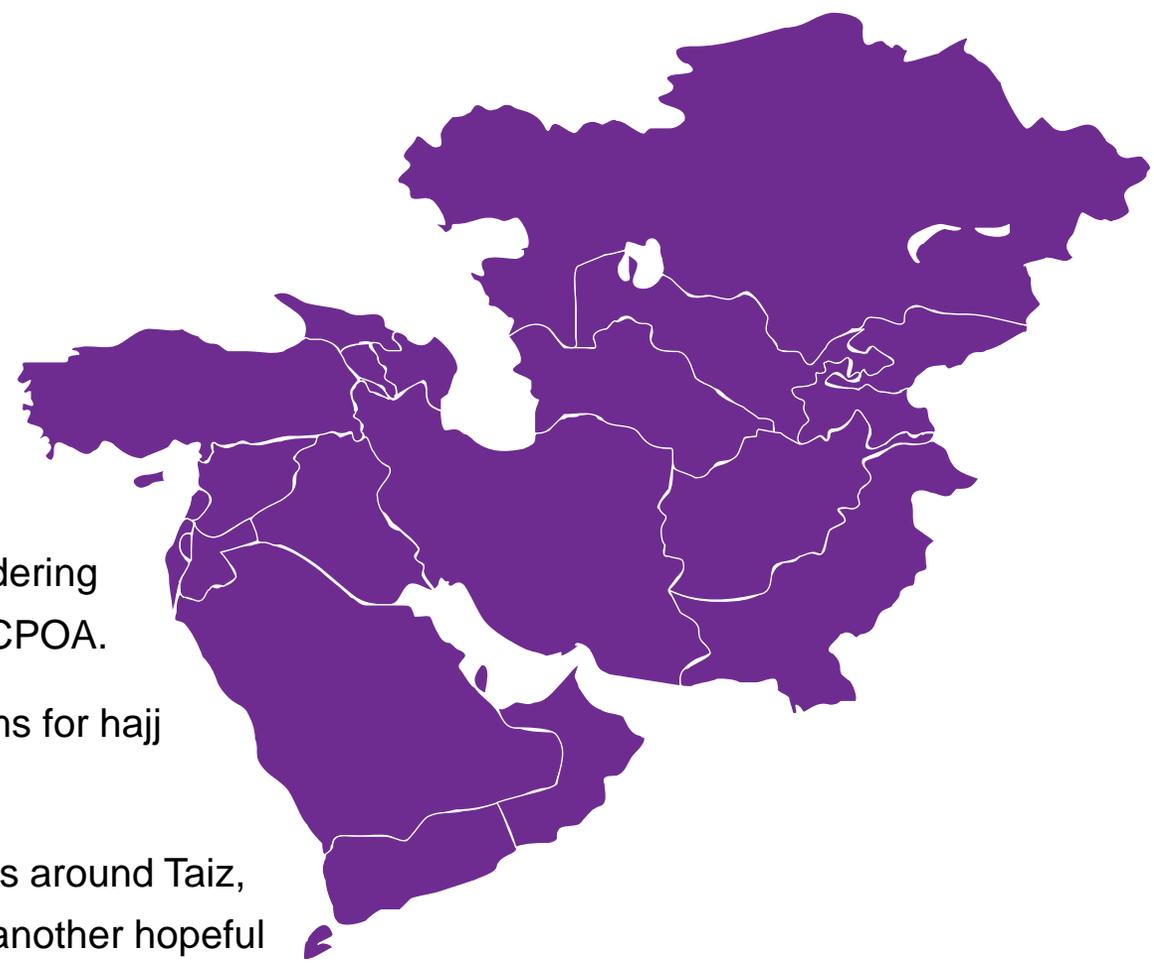
To learn more about the bespoke intelligence and risk services from Dentons, contact [Karl Hopkins](#).

Europe

- **British** Prime Minister Johnson survived a confidence vote on Monday but a large rebellion in his Conservative Party over the so-called "*partygate*" scandal dealt a blow to his authority and leaves him with a struggle to win back support.
- **Kosovo** police used pepper spray yesterday to disperse about 2,000 war veterans who tried to enter parliament to protest against a draft law on a minimum public sector wages that excludes them. The IMF has warned that financially strapped Kosovo cannot afford to extend higher benefits to nearly 50,000 registered war veterans.
- **Kazakh** President Tokayev pledged on Monday to make good on plans to push through democratic reforms in Kazakhstan, after a clear majority of voters approved constitutional amendments he had laid out in a referendum.
- The war in **Ukraine** and its knock-on effects have forced **Bosnian** Serb nationalists to delay plans to pull their region out of Bosnia's national institutions, according to their leader Milorad Dodik.



Middle East



- **Iranian** pensioners protested against rising living costs in Tehran on Monday, continuing the trend of rising anti-government sentiment.
- One of the world's largest oil traders claimed that the **US** is considering allowing **Iran** to trade some oil even without fully reentering the JCPOA.
- Over the weekend, **Saudi Arabia** welcomed its first foreign pilgrims for hajj since the onset of the pandemic.
- **Yemen's** warring parties resumed talks on reopening closed roads around Taiz, a major roadblock to humanitarian access throughout country, in another hopeful sign following the renewal of the truce.
- **Tunisian** President Saied ordered judges' salaries cut on the first day of a planned strike to protest Saied's move to purge dozens of judges, deepening the country's political crisis.

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Americas



- The **Dominican Republic's** environmental minister was killed in his office; authorities arrested a suspect but did not propose a motive.
- **Brazil** initiated discussions with the IAEA aimed at clearing the way for it to use nuclear fuel in a submarine for the first time.
- Several thousand migrants, many from **Venezuela**, set off from southern **Mexico** on Monday aiming to reach the **US**, timing their journey to coincide with the Summit of the Americas.
- **US** President Biden will announce this week at the Summit of the **Americas** an economic partnership for the Western hemisphere focusing on promoting economic recovery by building on existing trade agreements. The Americas Partnership for Economic Prosperity will cover five areas including mobilizing investments, reinvigorating institutions, clean energy jobs, resilient supply chains and sustainable trade.

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Americas: US

- The FDA's independent experts will review the safety and effectiveness of Novavax's **COVID vaccine** today. Novavax's shots are based on protein technology used for decades in hepatitis B and HPV vaccines -- Pfizer's and Moderna's shots use messenger RNA technology – and the company believes it can reach people who have not got vaccinated yet, because they would prefer to receive a shot based on technology that has a longer track record.
- President Biden is likely to decide later this summer whether to partially forgive **student-loan debt** for millions of borrowers. The Biden administration earlier this year extended the pause on repayment, which has been in effect since March 2020, until Sept. 1. Roughly 40 million people owe about \$1.6 trillion in federal student debt.
- US Commerce Secretary Raimondo said that President Joe Biden has asked his team to look at the option of lifting some **tariffs on China** that were put into place by former President Donald Trump, to combat the current high inflation.



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Drone Delivery Takes Off

By Matthew Gardell

Walmart's announcement that the company will expand drone delivery and add same-day drone deliveries in select states has sparked renewed interest in this emerging technology. Long held back by regulatory restrictions and confined to only a few, mainly rural, geographic locations, drone delivery is now set to expand. Businesses such as Amazon and Alphabet see growth potential, while the regulatory environment, safety and logistics still poses risks.

Delivery service has become a ubiquitous part of modern life after accelerating during the COVID-19 pandemic. Businesses, especially e-commerce retailers and food delivery companies, have sought to take advantage of drone technology but have been held back by regulatory burdens. Delivery drones are unmanned aerial vehicles (UAVs) that can operate either autonomously using artificial intelligence (AI) or remotely with a degree of human control. Initially designed for military use, drones (usually smaller models) have

become commercially available and have evolved to become stronger, more versatile and cheaper to manufacture. Most commercial drones are classified as rotary drones, meaning they have rotary propellers that sit horizontally above or below the payload which allows for increased navigation.

Most commercial drone delivery today is focusing on “last-mile” delivery, or the final leg of the journey from a fulfillment center to a customer. Long the most inefficient and expensive part of the delivery supply chain, companies are eager to introduce drone service to that particular leg of the process. In terms of geographic reach, most of the early drone deliveries took place in rural areas. For example, Walmart started its service in northwest Arkansas. Although the government loosened drone restrictions in highly populated areas last year, urban drone delivery remains a logistical challenge. Other autonomous methods of delivery, such as robot delivery (Chick-Fil-A announced a pilot robot delivery program in downtown Austin, TX on Thursday), could gain more of a foothold.

Another vexing problem is landing spots. Here too, companies are pouring resources into developing innovations, such as Worldpay's

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Drone Delivery Takes Off

drone landing pad that doubles as a doormat and uses EMV contactless payment card technology to verify consumer identity. In terms of payload, or the amount of weight a drone can hold, the average drone can carry up to 1-4 pounds. Although this is convenient for loading smaller items such as grocery items, the challenge for commercial businesses and manufacturers is to build sturdier and stronger drones that mirror the carrying ability of professional drones.

Benefits and Market Outlook

Companies are bullish on drone delivery because they see distinct benefits in terms of efficiency, automation, profit margins and a reduced environmental footprint. Drones could save time for companies by enabling shorter and more direct routes with low operational costs. As the technology develops, it could also become easier for companies to reach remote areas. One potential benefit, as companies strive to meet ESG and climate benchmarks, is the reduced carbon footprint of a delivery drone. Outside of commercial uses, there could also be real humanitarian benefits from delivery drones as it would allow NGOs to deliver critical aid in conflict zones or food in areas facing shortages or for governments to make health-

related deliveries. At a time of growing food insecurity, the Ukraine War, and the COVID-19 pandemic, this is a promising development. Consumers see benefits too, as surveys show they would welcome a faster, efficient and more convenient service. Overall, the drone delivery market is expected to reach \$5.6 billion by 2026 with a compound annual growth rate of 14 percent between now and 2027. The Asia-Pacific region is expected to be the fastest-growing market due to increasing demand for online shopping. North America will still retain a large market share and will feature an interesting race for dominance amongst leading US companies such as Walmart, Amazon, UPS and Alphabet.

Regulatory Process

As drone technology has evolved and companies have made the business decision to ramp up drone delivery, a major stumbling block to widespread use and adoption has been the regulatory process. Commercial drone delivery advocates argue that key regulators, such as the Federal Aviation Administration (FAA), have slow-walked regulatory approvals - but there are real safety issues at play. The key issue is autonomous drones. Businesses need permission from the government to operate their drones completely autonomously,

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and the FAA requires that drones meet the same safety standards as passenger aircraft, an inherently a high standard for companies to meet. Part of this slow-crawl in the regulatory process is that the FAA is creating standards for how autonomous flight operation systems work, which involves the development of these standards by a consortium of drone companies and traditional aerospace firms. Real-world testing is also an important part of the regulatory process as companies must demonstrate that they can make deliveries without accidents. In March, the FAA's Beyond Visual Line of Sight (BVLOS) rulemaking committee delivered a set of recommendations, and the agency is currently in the process of field testing an air traffic control system for unmanned platforms that fly under 400 feet. After years of waiting by companies, momentum on the regulatory side is finally building.

Business Risk

Although drone delivery holds promise, there are distinct business risks for companies considering adding this service to their operations. There is a high cost to acquire drone technology, build out a drone delivery network and train staff. Once in flight, there is a

risk of collisions with other UAVs, commercial planes or even potential on-the-ground collisions if a drone (or payload) accidentally falls and hits a person or damages property. Another major business risk are cyber vulnerabilities as the majority of commercial drones interact with their base using unencrypted communication channels. Cyber criminals can hack into delivery drones and steal valuable information such as consumer data and flight paths. Finally, in an era of heightened great power competition, businesses may have to navigate geopolitical risks. Chinese drone manufacturers dominate the market, which spurred the US government to ban the use of drone operating systems designed in China. While on the one hand, competition with China could accelerate US government-led efforts to support the drone delivery industry, it could also lead to more scrutiny of US business practices.

Ukraine War Update: Battle for Severodonetsk, Censoring of Media, Assault on Cultural Identity

Ukrainian President Zelensky stressed the importance of his country joining the EU in his nightly address. "I believe that this will be a decision not only about Ukraine, but also about the entire European project. About whether it has a future as a really strong union," Zelensky said.

Political Developments

Estonia's Prime Minister Kallas criticized "premature calls for a ceasefire" in Ukraine issued by other EU leaders, saying the bloc has to be "prepared for a long war."

As Ukraine pleads for more rocket launchers, Ukrainian President Zelensky said that, although Russian forces have a numerical advantage in the battle for the eastern city of Severodonetsk, Ukraine's forces were still capable of fighting back.

Russia's UN Ambassador Nebenzia stormed out of a UN Security Council meeting yesterday as European Council President Michel addressed the 15-member body and accused Moscow of fueling a global food crisis with its invasion of Ukraine.

On a visit to Odesa, Germany's Minister of State for Culture Roth said that Russia's war on Ukraine was threatening the country's

cultural identity. Nearly 375 cultural institutions have been destroyed or damaged since the start of the war in Ukraine in February. Some 137 churches have also been affected.

The information war continues, as the Kremlin seeks to control the message inside Russia. Russia warned US news organizations yesterday they risked being stripped of their accreditation unless the treatment of Russian journalists in the US improves. The US pushed back, accusing Russia of censorship and saying that the US continues to issue visas to qualified Russian journalists, and has not revoked the Foreign Press Center credentials of any Russian journalists working in the US. The Treasury Department designated Russia-1, Channel One, and NTV, all of which are directly or indirectly state-owned and state-controlled media within Russia, and the revenues from which support President Putin's war. Many other both independent and state-linked entities remained unsanctioned,

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Ukraine War Update: Battle for Severodonetsk, Censoring of Media, Assault on Cultural Identity

and the US continues to engage with Russian media outlets as it is vital for the people of Russia to have access to information.

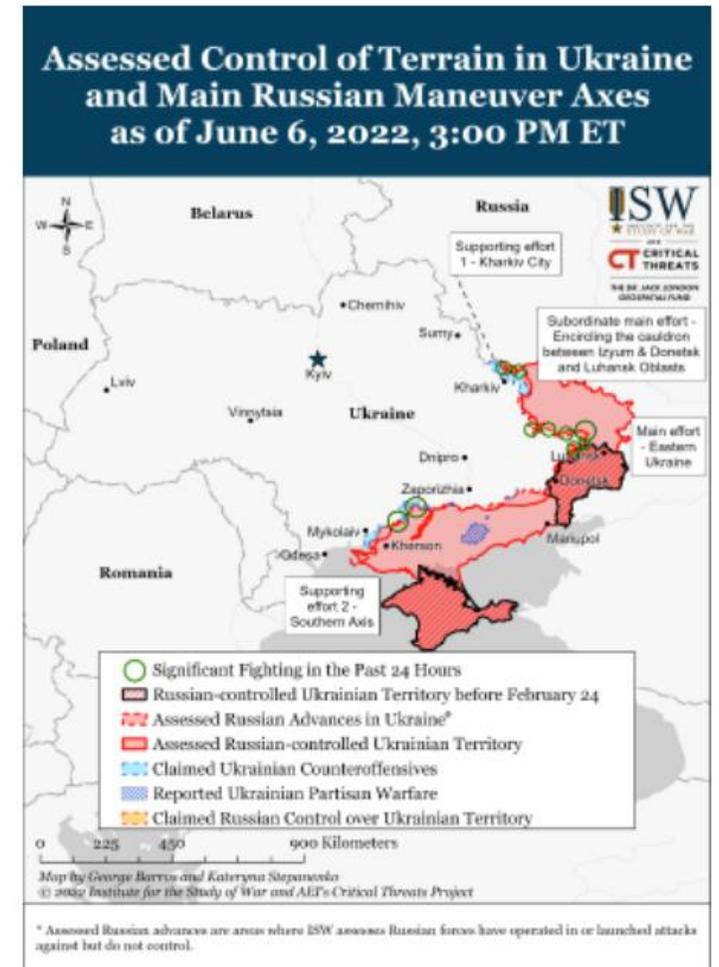
Investigative journalist Andrei Soldatov, known for his coverage of Russian security agencies, said on Monday that Russian authorities had placed him on a wanted list and frozen his bank accounts.

Battlefield Developments

Ukrainian and Russian troops fought street by street for control of the industrial city of Severodonetsk on Monday in a pivotal battle of the Kremlin offensive in Ukraine's eastern Donbas region. Ukraine's defense ministry said Russia was also throwing troops and equipment into its drive to capture the largest remaining Ukrainian-held city in Luhansk.

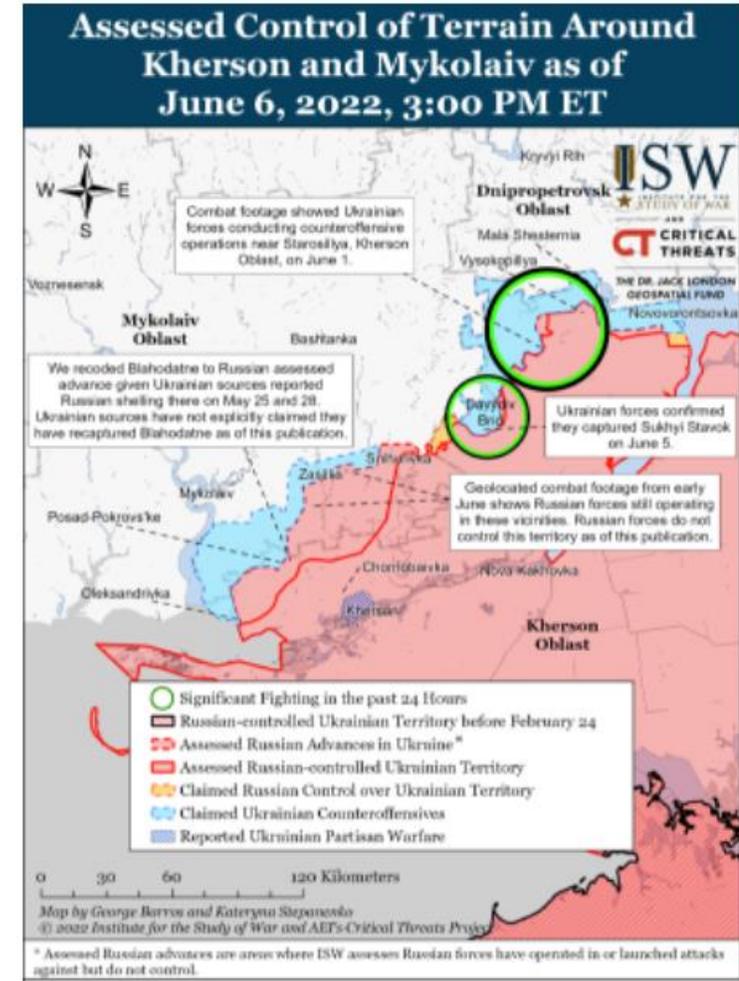
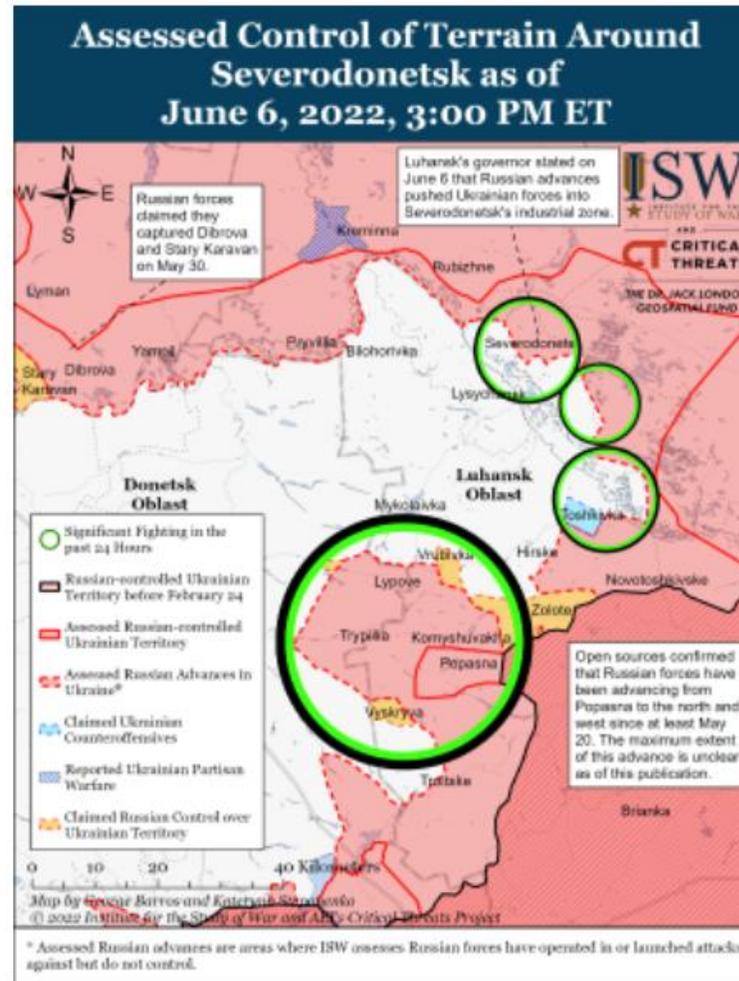
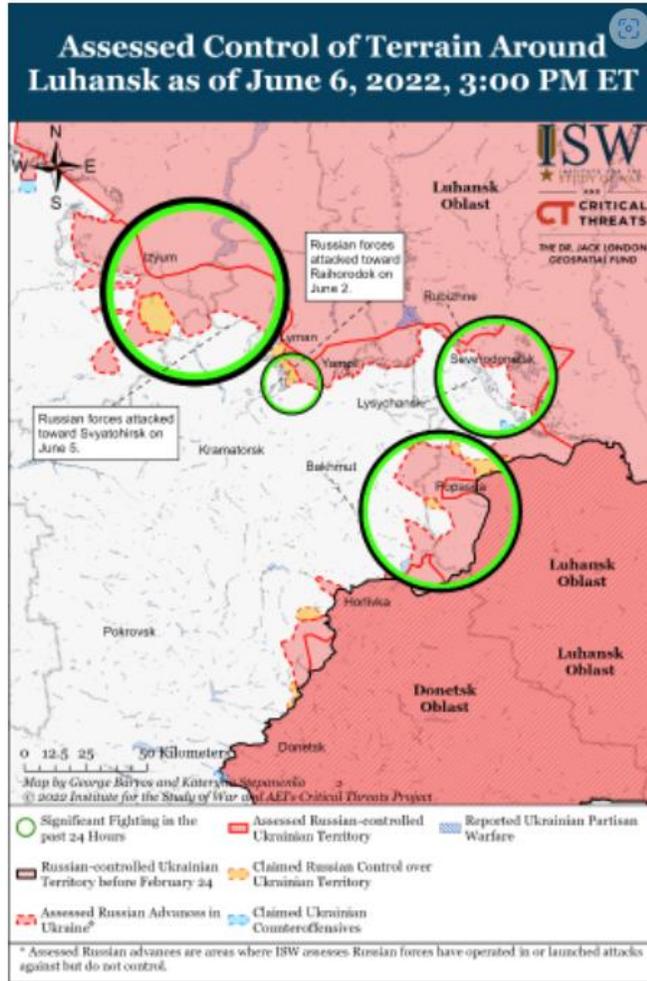
Ukraine's defense ministry said on Monday that Russian forces were also advancing towards Sloviansk, which lies about 85 km (53 miles) to the west of Severodonetsk. "The front line is under constant shelling," according to Donetsk's regional governor. Russia is also shelling near Lyman, attacking Ukrainian defensive positions and advancing on Sloviansk and Kramatorsk. There is also shelling of Svyatohirsk, per the governor.

Britain's defense ministry assessed that Russia's broader plan likely continues to be to cut off the Severodonetsk area from both the north and the south. Russia's progress made through May on the southern Popasna axis has stalled over the last week, while reports of heavy



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Ukraine War Update: Battle for Severodonetsk, Censoring of Media, Assault on Cultural Identity



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

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shelling near Iziurm suggests Russia was preparing to make a renewed effort on the northern axis. *"Russia will almost certainly need to achieve a breakthrough on at least one of these axes to translate tactical gains to operational level success and progress towards its political objective of controlling all of Donetsk Oblast,"* per UK intelligence.

Zelensky said Kyiv was gradually receiving *"specific anti-ship systems,"* and that these would be the best way to end a Russian blockade of Ukrainian Black Sea ports preventing grain exports.

The Institute for the Study of War (ISW) assessed Ukrainian naval forces are challenging Russian dominance over the northwestern part of the Black Sea and claimed to be preventing Russian warships from operating close to the shoreline. The Ukrainian Navy reported on June 6 that they had succeeded in pushing a grouping of the Russian Black Sea Fleet more than 100 km away from the Ukrainian coast and that Russian naval forces have subsequently had to change their tactics in the Black Sea, relying more heavily on Bal and Bastion coastal defense systems in occupied Kherson and Crimea rather than seaborne air defenses. ISW assessed that

Ukraine will likely attempt to leverage these successes to alleviate the economic pressure of the Russian blockade on Ukraine's ports and seek additional economic support from the west, including possibly opening up new routes for international aid to Ukraine.

Economic Developments

Russia imposed personal sanctions on 61 US officials including Treasury Secretary Yellen and Energy Secretary Granholm and leading defense and media executives, the Russian foreign ministry said on Monday.

Deutsche Bank has relocated several hundred Russian IT experts to Berlin, offering all employees of its Russian tech center a job in Germany,

US Secretary of State Blinken has backed claims that Russia has stolen grain from Ukraine in order to sell it on. *"There are credible reports... that Russia is pilfering Ukraine's grain exports to sell for its own profit,"* Blinken said at a State Department conference on food security issues.

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Coronavirus Condition Updates

As of 5:15 pm CEST on June 6, 2022

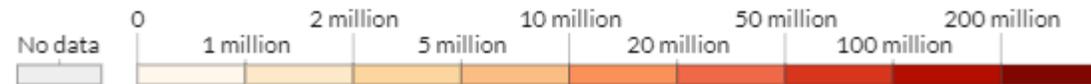
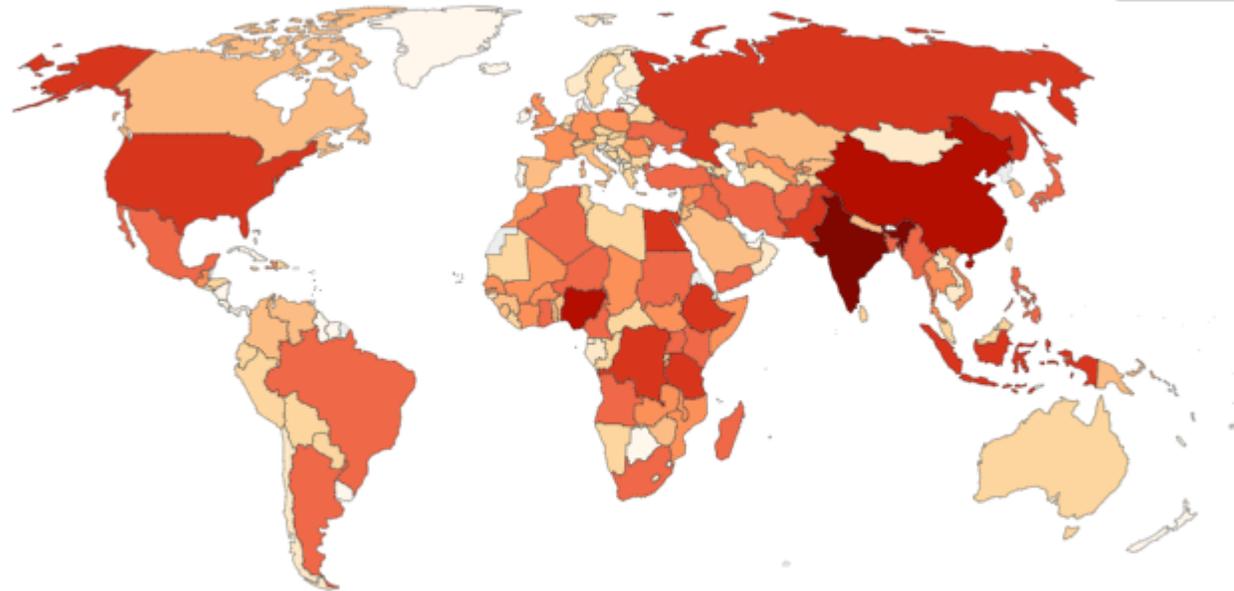
Coronavirus Snapshot

COVID-19: Where are the world's unvaccinated people?, Jun 6, 2022

Total number of people of all ages who have not received any dose of a COVID-19 vaccine.

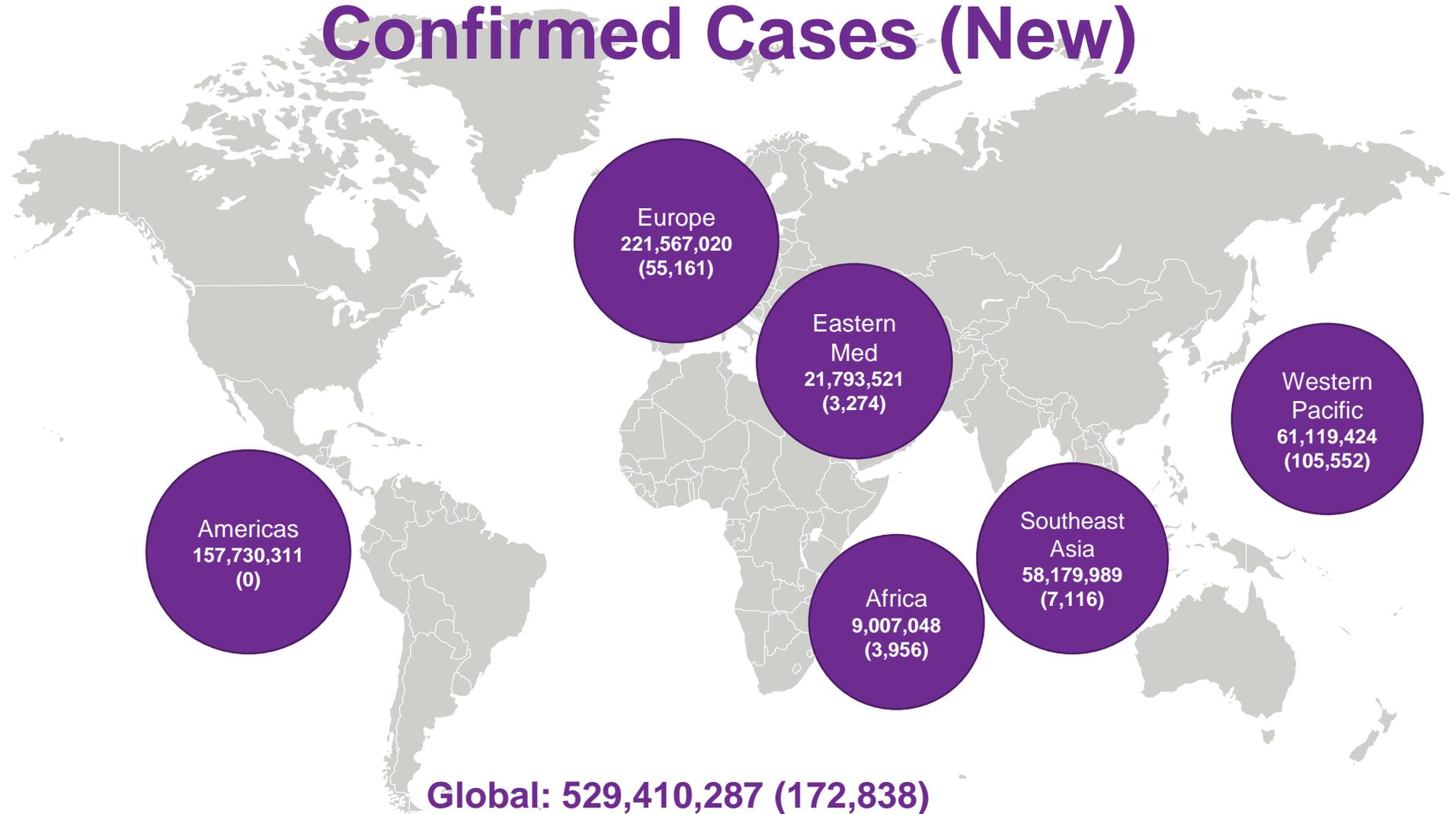
Our World
in Data

World



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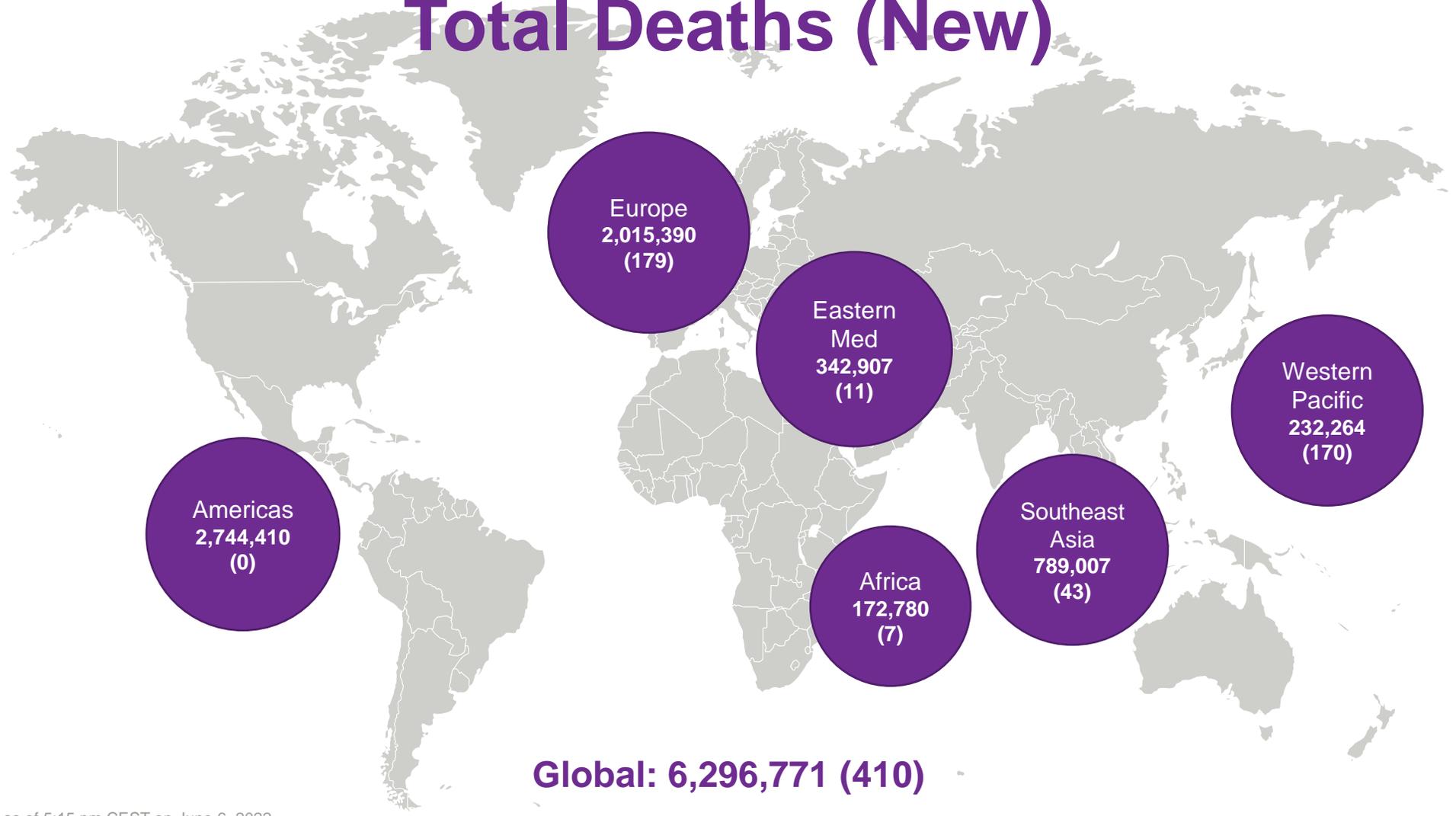
Confirmed Cases (New)



Reflects data as of 5:15 pm CEST on June 6, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:15 pm CEST on June 6, 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.

To read additional analysis, visit the [Dentons Flashpoint portal](#) for insights into geopolitics and governance; industry and markets; cyber and security; science, health and culture; and economic and regulatory issues.

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