

Dentons Flashpoint

Daily Global Situation Report

June 16, 2022

Global Situation Update: June 16, 2022

KEY TAKEAWAYS

US Federal Reserve raises interest rates by three-quarters of a percentage point, roiling markets.

Gazprom cuts gas flows to Europe by 40 percent, driving energy prices higher.

The US pledges another \$1 billion in weapons to Ukraine.

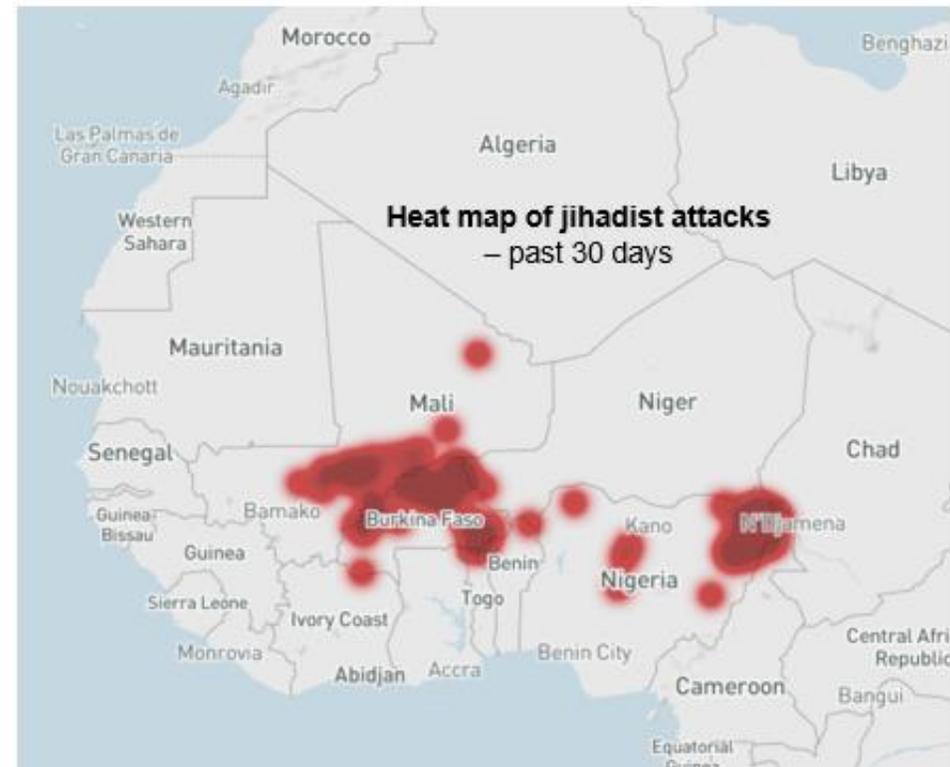
Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

Global Situation Update: June 16, 2022

WHAT WE'RE WATCHING

Terror attacks by Al-Qaeda and Islamic State-linked jihadists based in the Sahel are reaching further south. This week, Togo declared a state of security emergency in its northern border region to give the armed forces more flexibility to deal with them. The coastal West African states of Ivory Coast, Ghana, and Benin are also dealing with an uptick in jihadist attacks.

Burkina Faso, which has dealt with the problem for years, is finishing three days of national mourning after the worst attack in six months killed at least 100 civilians near the border with Niger this week. The jihadists are increasingly attacking mining sites and trucking convoys that haul goods from them.



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Global

All-night negotiations at the WTO aimed at reaching new trade rules on food security, fishing and vaccines paused around dawn on Thursday with no immediate sign that efforts to overcome Indian opposition had succeeded.

- **A food security crisis** acerbated by the Ukraine war is set to push more people to flee their homes in poorer countries, driving record levels of global displacement even higher, per the head of the U.N. refugee agency.
- **Air pollution** now takes more than two years off the global average life expectancy, more than cigarettes, alcohol, or conflict and terrorism, according to the findings of the Energy Policy Institute at the University of Chicago.

Markets & Business

Russia, backed by Belarus, Central African Republic, Kyrgyzstan and Mali, have blocked a Western-backed proposal to discuss whether Russian diamonds should be designated as “*conflict diamonds*,” for funding war, ahead of Kimberley Process meeting in Botswana.

- **Revlon Inc** filed for Chapter 11 bankruptcy protection yesterday after struggling to compete with online-focused upstart brands in recent years.
- **European shares and US stock futures** turned lower on Thursday as investors weighed up the Federal Reserve’s move to stamp out scorching inflation with extra sharp interest rate rises.
- Electric-vehicle maker **Tesla Inc.** reported the most vehicle crashes suspected of involving advanced driver-assistance technology in the US government’s first-ever survey of such incidents.
- **BHP Group** reversed plans to exit from thermal coal, after surging prices made the assets more valuable and a shift in investor attitudes has reduced pressure on the company to stop mining the dirtiest fuel.
- Foreign investors reduced their holdings of **Chinese government bonds** for the fourth consecutive month in May amid growing monetary policy divergence between the Chinese central bank and the US Federal Reserve that could further weaken the yuan.

Environment, Sustainability & Governance

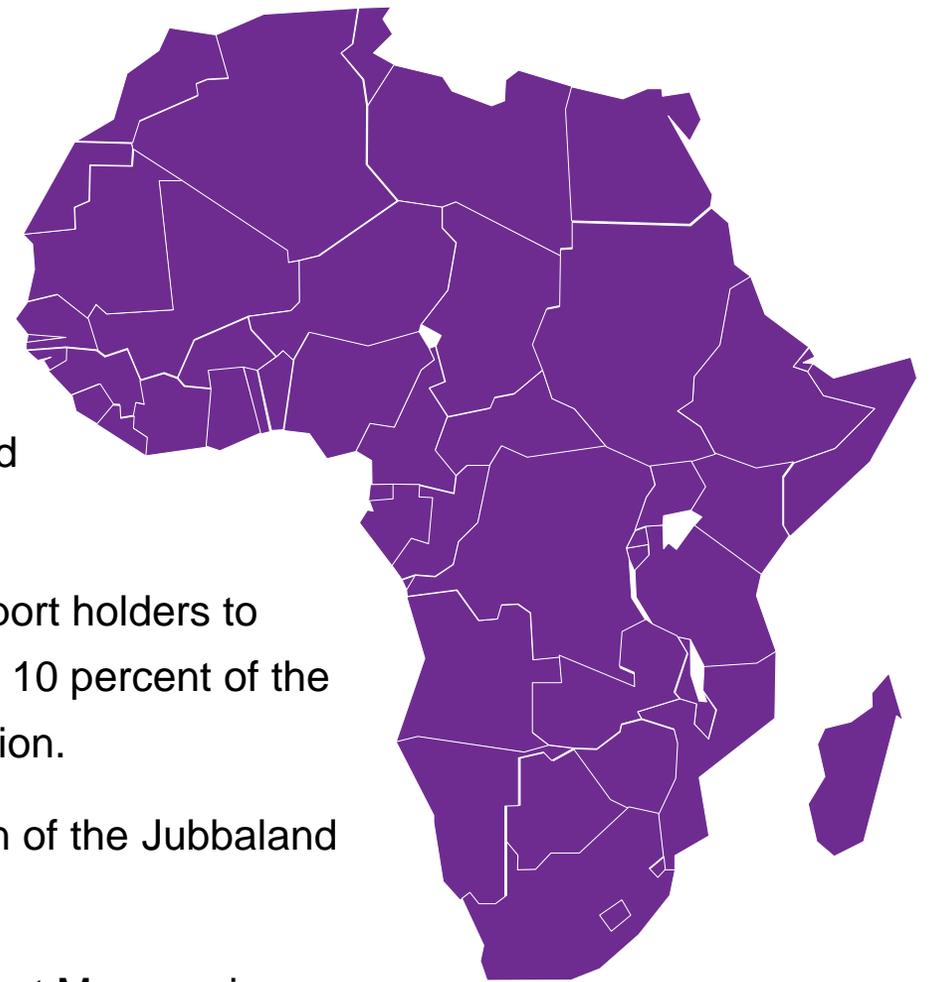
Groups representing a majority of lawmakers in the European Parliament have struck a deal on climate change policies that they hope will pass a vote next week and avoid delays to Europe's green agenda.

- The UN-backed **Race to Zero campaign** is toughening the minimum standards for companies pledging to cut greenhouse gas emissions, including a requirement for businesses and banks to curb new fossil fuel projects.
- Unilever was **sued by a US shareholder** who said the company mishandled the decision by its Ben & Jerry's unit to stop selling ice cream in Israeli-occupied Palestinian territories.
- Global technology, engineering, and industrial software company Emerson announced the launch of a new climate goal to achieve **net zero greenhouse gas emissions** across its value chain by 2045.

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Africa

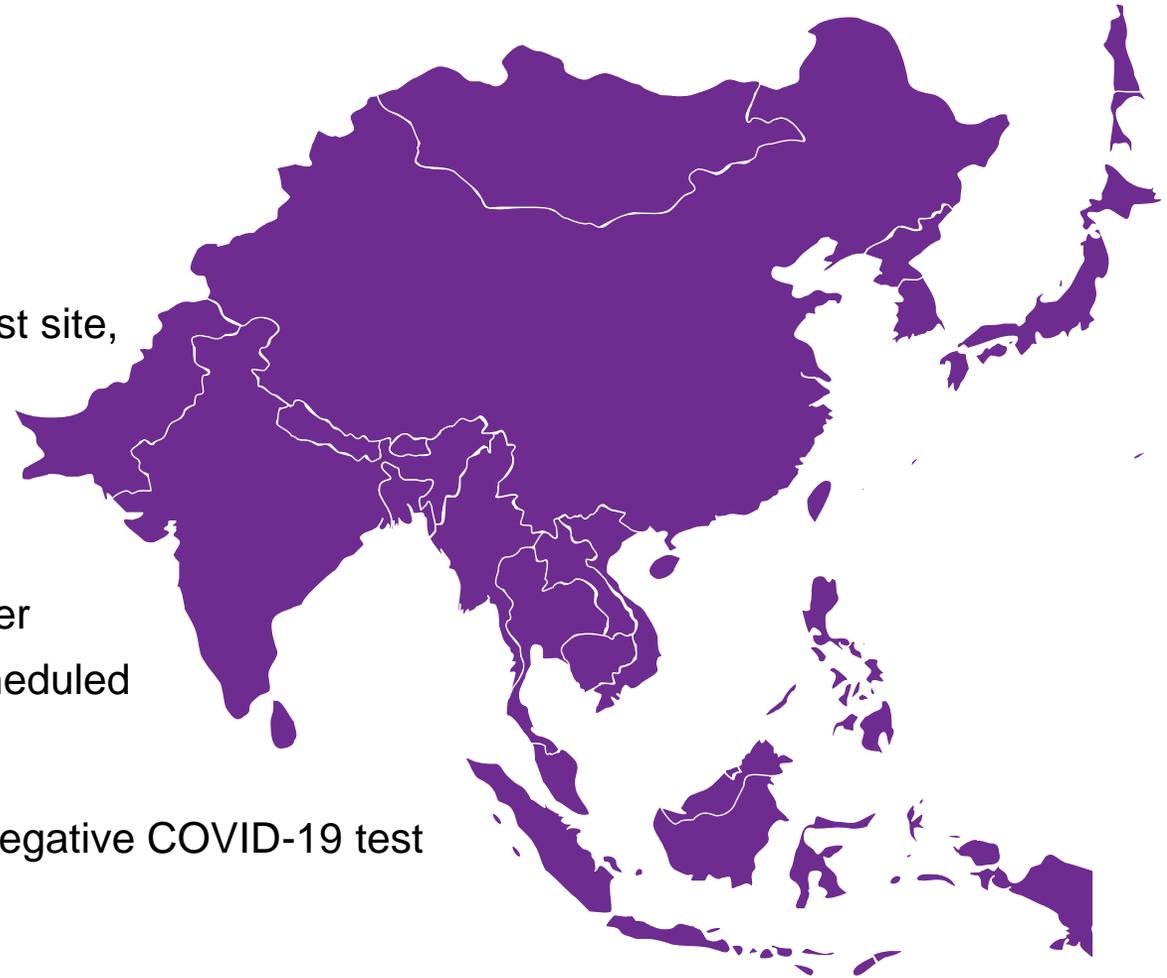
- **Sudan** signed a new agreement with the **UAE** for an agricultural project linked by road to a new port on the Red Sea. Sudan has struggled economically following the coup, while the UAE is concerned about its own food security.
- Budget airline Ryanair dropped a plan to require **South African** passport holders to pass an Afrikaans test in an attempt to curb false passports; less than 10 percent of the country speaks Afrikaans, which is associated for many with colonization.
- **Somalia's** president nominated Hamza Abdi Barre, a former chairman of the Jubbaland state election commission, as prime minister.
- A **Uganda** veteran opposition figure and longtime opponent of President Museveni was remanded to prison without bail after he was charged with offences for leading protests against soaring consumer prices.



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Asia

- **North Korea** appears to be expanding work at its nuclear test site, as South Korean and US officials say North Korea might conduct a nuclear test any day.
- Sydney residents are being urged to conserve power in the evening as much as possible to avert blackouts, one day after **Australia** suspended its spot electricity market due to unscheduled outages at ageing coal-fired utilities.
- Travelers to **New Zealand** will no longer need to provide a negative COVID-19 test before they arrive in the country from next week.
- Hong Kong recorded more than 1,000 coronavirus cases for the second consecutive day, as a new measure requiring patrons to show proof of a negative rapid COVID-19 test result before entering any of the **Chinese** city's nightspots took effect.



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Europe

- The Bank of **England** is poised to raise interest rates again today as it tries to tackle an inflation rate on course for double digits.
- **Switzerland's** central bank has raised interest rates for the first time in 15 years, to counter inflationary pressures on the Swiss economy.
- The **European** Commission launched two new legal proceedings against **Britain** yesterday after London published plans to override some post-Brexit rules governing **Northern Irish** trade.
- **Slovenia** says a 200-kilometre fence on its border with **Croatia** to deter migrants has not fulfilled its purpose and will be taken down. It was put up during Europe's 2015 migration crisis and covers around a third of the frontier between the two countries.
- **Russian** gas supply to **Europe** fell further on Thursday, with flows dropping to just 40 percent of capacity, sparking concerns about refilling storage for winter and igniting a diplomatic tussle as Russian supplier Gazprom blamed Western sanctions for hampering maintenance work. Benchmark futures increased more than 14 percent, adding to the 46 percent rise this week.



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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.

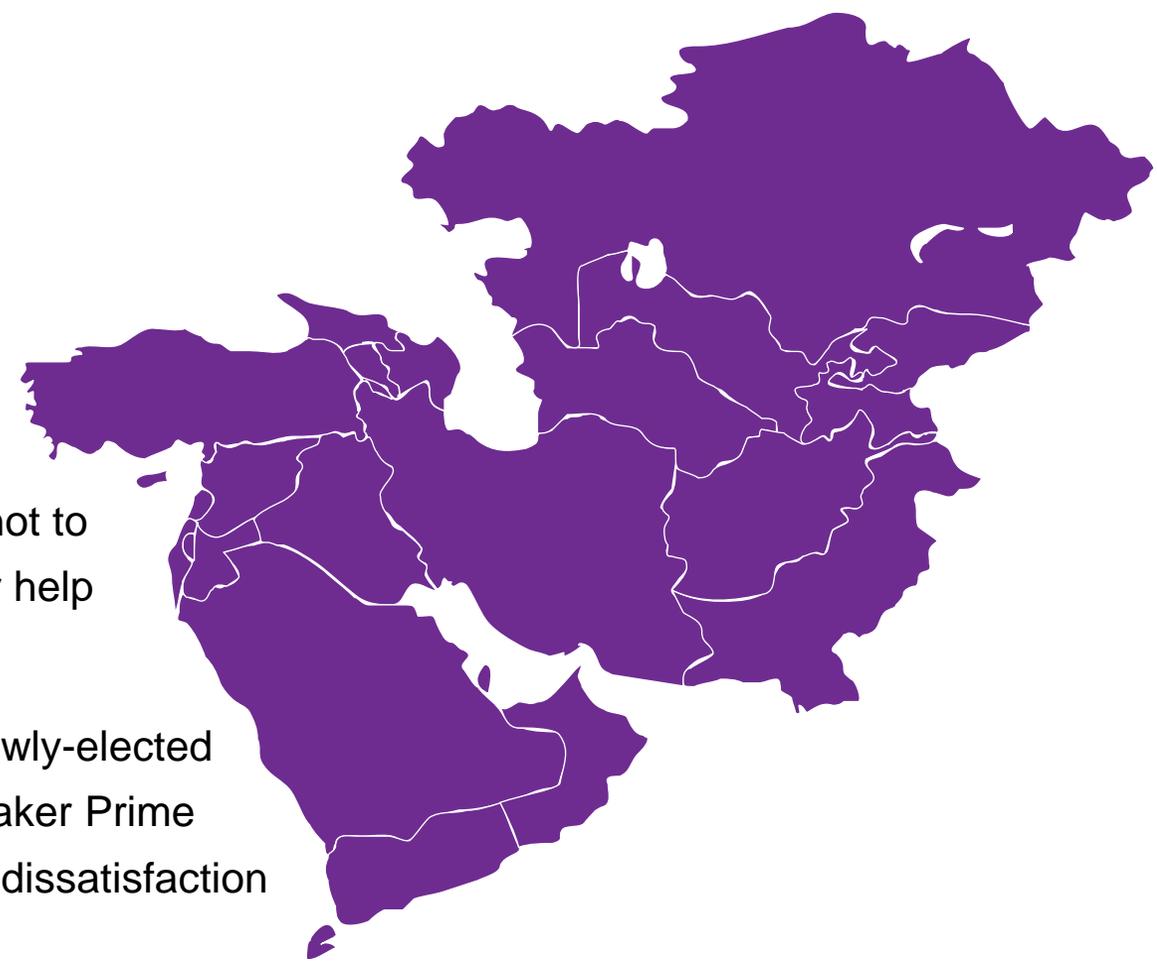
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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



- The **UAE** ordered a four-month suspension in exports and re-exports of wheat and wheat flour originating from **India**.
- **Egypt** will postpone by six months a decision on whether or not to raise electricity prices. The **EU** will give Egypt \$104 million for help affording higher food prices.
- **Lebanese** President Aoun said that he would convene the newly-elected parliament on June 23 to vote on a new prime minister; caretaker Prime Minister Najib Mikati is seen as a frontrunner despite popular dissatisfaction with the political establishment.
- **Iraqi** media reported that Iraq and **Saudi Arabia** had been establishing interconnection stations and determining transmission paths, first steps toward the long-awaited connection of the Saudi electric grid to the Iraqi one, which is dependent on **Iran**. Iraqi populist leader Moqtada Sadr said he would withdraw completely from the political process after directing his members of parliament to resign over the weekend.

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Americas

- Two suspects have confessed to killing a **British** journalist and his indigenous guide after the men's disappearance in **Brazil's** Amazon rainforest triggered a high-profile search-and-rescue operation.
- **Mexico's** financial system is resilient and solid despite international economic and geopolitical volatility, the central bank chief said in his annual stability report.
- **Brazil** is likely to lose over \$20 billion in revenue to tax cuts this year as President Bolsonaro tries to ease inflation and spur the economy in an election year.
- **Canadian** National Railway Co warned yesterday that a union representing about 750 workers in the country could potentially go on a strike on June 18.



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Americas: US

- The Federal Reserve approved yesterday its largest **interest rate increase** in more than a quarter of a century to stem a surge in inflation. The widely expected move raised the target federal funds rate by three-quarters of a percentage point to a range of between 1.5 percent and 1.75 percent, still comparatively low by historic standards.
- Abbott Laboratories has paused **baby-formula production** at its plant in Sturgis, Mich., after recent thunderstorms flooded part of the facility, causing another setback for the company's efforts to help alleviate a nationwide formula shortage.
- The EPA is warning that a group of human-made **chemicals** found in the drinking water, cosmetics and food packaging used by millions of Americans poses a greater danger to human health than regulators previously thought. These “*forever chemicals*,” class of compounds known as polyfluoroalkyl and perfluoroalkyl substances, can persist in the environment for years without breaking down.
- President Biden announced another package of assistance to **Ukraine**, \$1 billion in weapons including anti-ship rocket systems, artillery rockets, howitzers and ammunition.



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Ukraine War: Are Sanctions on Russia Working?

“The US talking points for sanctions on Russia call for patience. As time goes on, the impact of the sanctions will increase and force Russian President Putin to make harder and harder decisions as the costs mount. But is there a way to bring forward that decision point?”

Since Russia further invaded Ukraine on February 24, Ukraine’s allies have levied wide-ranging sanctions on Russia with the intent to force the Kremlin to change paths and force the Russian military to retreat back to Russia’s borders. Speaking at a policy discussion hosted by Washington-based think tank Atlantic Council, Erik Woodhouse, US Deputy Assistant Secretary of State for Counter Threat Finance and Sanctions at the State Department recently provided an overview of the US approach for sanctions, with the overall assessment that sanctions are having an impact on the Russian economy, but not yet on Russian policy towards the war.

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harder decisions as the costs mount. But is there a way to bring forward that decision point?

Guiding Themes of Coordinated Sanctions

Woodhouse observed that the US has crafted sanctions through a broad inter-agency process to insure all-of-government integration and implementation and across governments for maximal multilateral impact. The goal of the sanctions is to degrade Russia’s ability to wage war, create leverage to bring President Putin to the negotiating table, and make sure that Russia and Belarus pay severe economic and diplomatic prices for the attacks. The guiding themes for the sanctions have been threefold:

- Impose immediate and severe costs on Russia

Ukraine War: Are Sanctions on Russia Working?

- Insulate Russia from the international financial system
- Degrade over time Russia's ability to project power

Coordinated sanctions by Ukraine's allies are having an impact. Russian banks have been removed from the SWIFT network, cutting them off from conducting regular financial transactions through the international financial system. Russian hard currency reserves have been frozen reducing the Kremlin's ability to buffer the impact on the Russian economy. Export controls have cut off Russia's access to high tech materials for the defense/industrial base. The Russian economy is contracting, 10 to 15 percent of GDP. Moscow has been forced to impose strict capital controls to prop up the rouble. Imports have fallen dramatically. Over time, Woodhouse argued, these impacts will grow, with Russia lacking access to key imports, lacking access to export markets and drawing down financial buffers.

The US and allies are committed to continuing to impose additional sanctions as long as Russia continues down its current path, according to Woodhouse.

Rethinking Energy Sanctions

Economists assess that Russia depends upon energy exports for 55 percent of its government revenue. The Kremlin would find it hard to keep up the war effort if sanctions were able to shut down this revenue stream. Unfortunately, this is very hard to do. According to the International Energy Agency, Russia continues to find buyers for its oil exports. Overall, Russian output is down 850,000 barrels a day, about 7.5 percent, since before the invasion of Ukraine. Higher prices are helping to offset this modest fall in exports. The agency estimates that Russia earned \$20 billion in May from oil sales, a \$1.7 billion increase from April, partly driven by high prices. Brent crude futures are at about \$120 a barrel, almost double the price a year ago.

Edward Chow, Senior Associate at the Center for Strategic and International Studies Energy Security and Climate Change Program, assesses that energy sanctions as currently structured are hitting the wrong side of the equation. Efforts to restrict Russia's exports are driving up global prices and not eroding Russia's revenue stream.

Ukraine War: Are Sanctions on Russia Working?

He does not believe that current discussions on imposing a global export ban through secondary sanctions will be effective or even practical. Plus, Chow doubts that policy makers are prepared for the economic impact – with US gas prices over \$6 per gallon. Chow advocates for sanctions targeting Russian energy revenues, not export volumes.

Chow believes the West should impose a hefty tariff on oil imports, \$50 per barrel or more. This would force Russia to significantly discount the price to buyers in both western and non-western countries. The damage will be inflicted on the Russian central government revenue through reduced collections on export taxes. Chow believes that Russia would continue to produce and export oil, despite the revenue loss, because Moscow will need the revenues, and production cuts risk degrading reservoirs and recoverability in the future. Russian producers will want to continue to produce as long as the price is above their production costs.

While secondary sanctions and price caps can be difficult to enforce, western governments are in full control over their own tariff enforcement. Revenues from tariffs can be used to buffer increase

cost of living impact and/or redirected to humanitarian programs for Ukrainians. Additionally, the benefit of tariffs is that they have immediate impact, imposing hard decisions on Putin now, rather than at some distant, but undetermined date.

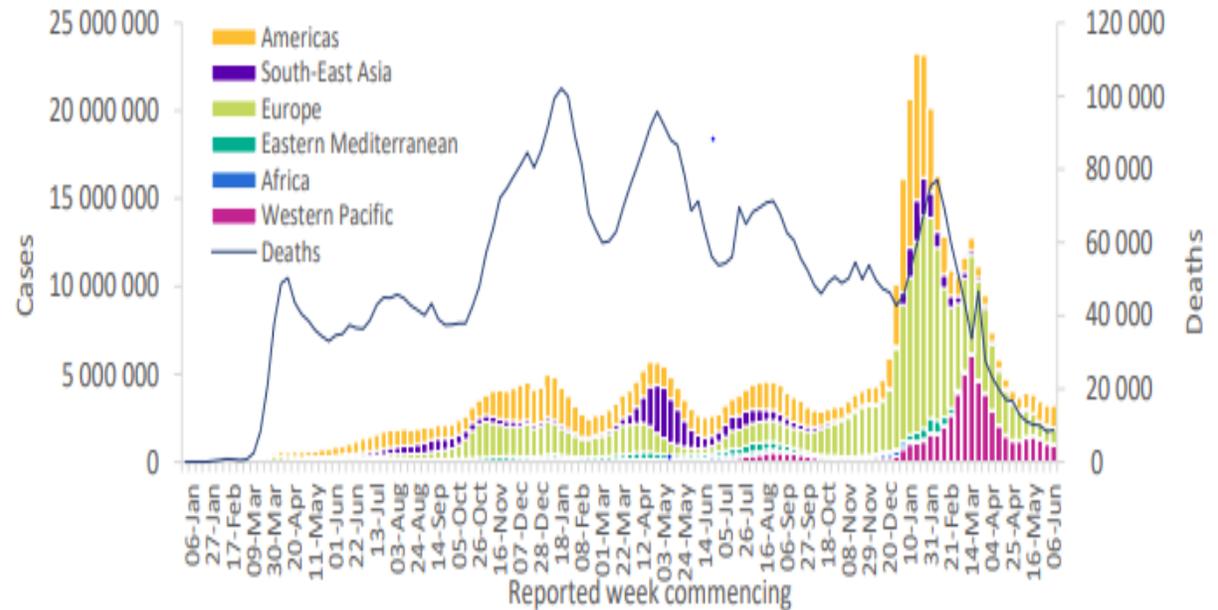
Coronavirus Condition Updates

As of 6:52 pm CEST on June 15, 2022

Coronavirus Snapshot

- Globally, confirmed coronavirus cases topped 534.2 million with 6.3 million deaths; more than 11.9 billion vaccine doses have been administered.
- Globally, the number of new weekly cases has continued to decline since a peak in January 2022. During the week of 6 until 12 June 2022, over 3.2 million cases were reported, similar to the number reported during the previous week.
- After five weeks of decline, the number of new weekly deaths has risen again, with over 8,700 fatalities reported, a 4 percent increase as compared to the previous week.

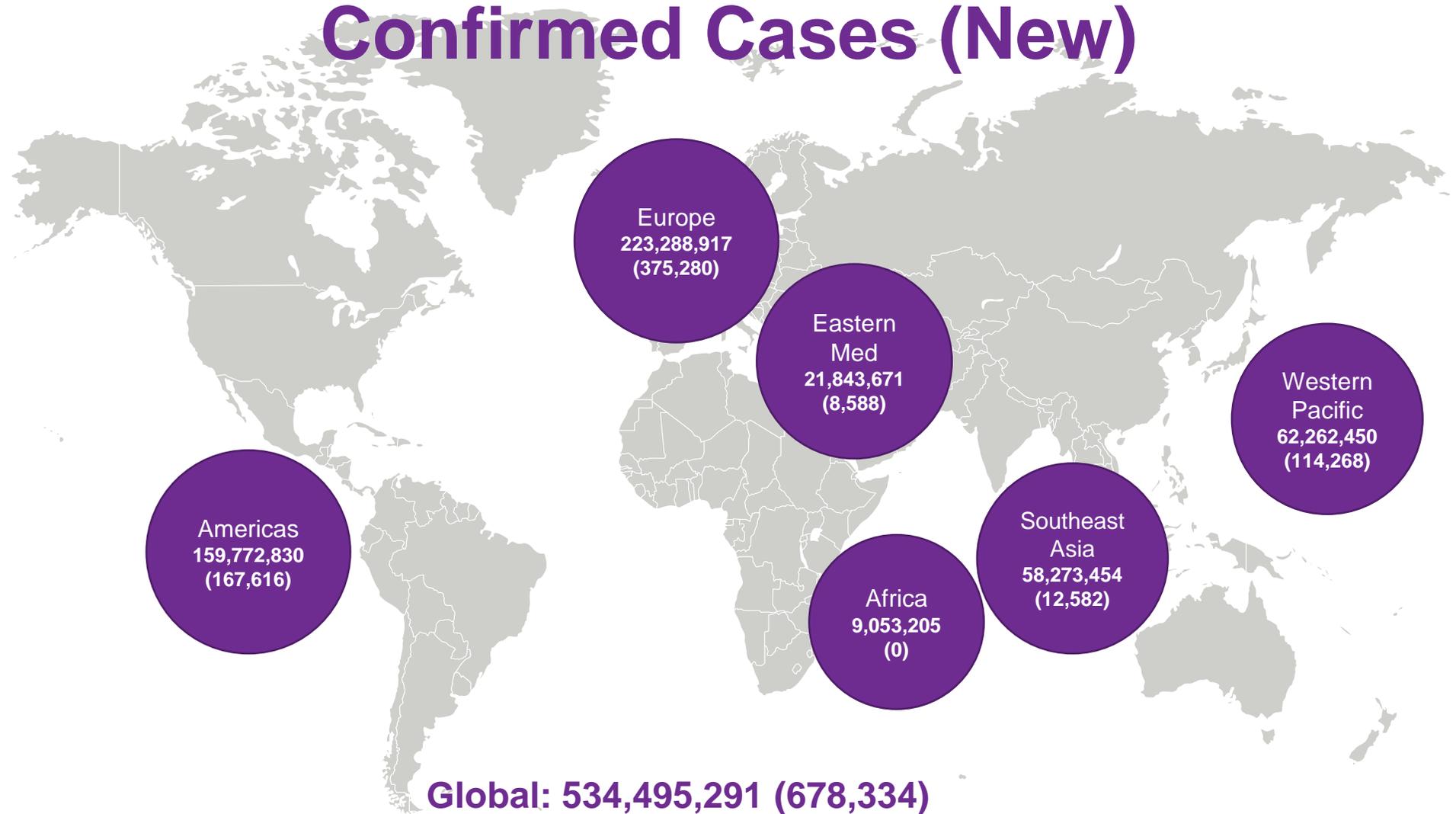
Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 12 June 2022**



Source: WHO

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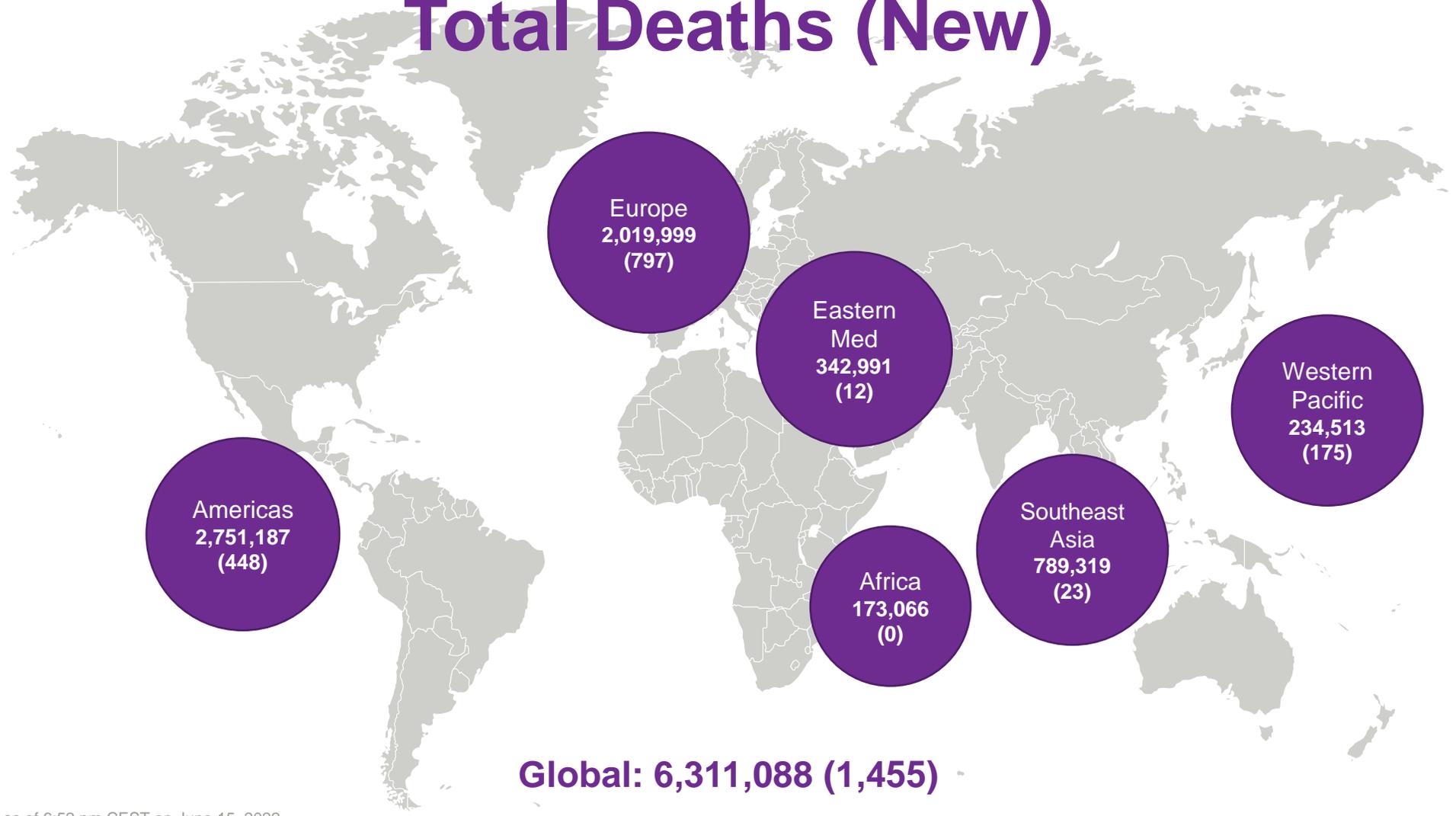
Confirmed Cases (New)



Reflects data as of 6:52 pm CEST on June 15, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Global: 6,311,088 (1,455)

Reflects data as of 6:52 pm CEST on June 15, 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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Karl Hopkins

Partner and Global Chief Security Officer
Dentons
Washington, DC

D +1 202 408 9225
karl.hopkins@dentons.com

Melissa Mahle

Senior Analyst
Dentons
Washington, DC

D +1 202 408 6383
melissa.mahle@dentons.com