

Dentons Flashpoint

Daily Global Situation Report

May 24, 2022

Global Situation Update: May 24, 2022

KEY TAKEAWAYS

Turkey threatens renewed military operations in Syria to create “*safe zones*.”

Unusual outbreak of Monkeypox continues to spread in Europe and Asia.

The EU plans to start jointly buying gas before winter, to build a buffer against further energy supply shocks.

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WHAT WE'RE WATCHING

Davos 2022 is underway with nearly 2,500 leaders from politics, business, civil society and media participating in the World Economic Forum annual summit. This summit, held in springtime rather than January due to multiple postponements, is arguably the most consequential in 50 years with concerns over a post-pandemic world impacted by war and climate change.

Ukraine is at the top of the agenda and President Zelensky called on participants in an address yesterday to implement maximum sanctions on Russian oligarchs who were not invited to Davos. This is the first in-person World Economic Forum since the pandemic began.



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

Global

Speaking by video to the World Economic Forum, Ukrainian President Zelensky told global business leaders that the world faces a turning point and has to ratchet up sanctions against Russia as a warning to other countries considering using brute force.

- German Vice Chancellor Robert Habeck, speaking at Davos, warned, "*We have at least **four crises**, which are interwoven. We have high inflation ... we have an energy crisis... we have food poverty, and we have a climate crisis. And we can't solve the problems if we concentrate on only one of the crises.*"
- There have been 131 confirmed **monkeypox** cases and 106 further suspected cases since the first case was reported on May 7 outside the countries where it usually spreads, per the WHO, assessing that while the outbreak is unusual, it remains "*containable*."
- The Global Fund to Fight AIDS, Tuberculosis and Malaria announced its first pledge from the private sector on the sidelines of the World Economic Forum, raising a third of the \$18 billion needed to reverse setbacks caused by the coronavirus pandemic to combat **AIDS, malaria and tuberculosis**.

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Markets & Business

The head of Saudi Aramco assessed that the world is facing a major oil supply crunch as most companies are afraid to invest in the sector as they face green energy pressures.

- **Toyota Motor Corp** will cut its global production plan by about 100,000 to roughly 850,000 vehicles in June due to the semiconductor shortage.
- Vacation rental firm **Airbnb Inc** is closing its domestic business in China, joining a long list of Western internet platforms that have opted out of the China market.
- The **Serum Institute of India**, the world's biggest vaccine maker, is considering setting up its first manufacturing plant in Africa as it looks to expand globally after its success in selling COVID-19 shots.
- **Bank of America Corp** said it was raising its US minimum hourly wage to \$22 on Monday, a step closer to its promise of paying workers \$25 an hour by 2025.

Environment, Sustainability & Governance

To control climate change, the world must go beyond cutting carbon dioxide emissions and curb lesser-known pollutants such as nitrous oxide playing a key role in warming the planet, new research suggests.

- South Asia's deadly **heatwave** in March and April was made 30 times more likely because of climate change, scientists with World Weather Attribution, an international research collaboration focused out assessing how climate change plays a role in specific weather events.
- US energy company Sempra Energy announced its LNG unit had signed a deal with France's TotalEnergies SE, Japan's Mitsui & Co Ltd and Mitsubishi Corp to develop a proposed **carbon capture project** in Louisiana.
- Palantir Technologies Inc and global commodities trader Trafigura have teamed up to **track carbon emissions for the oil, gas, refined metals and concentrates sector**. The companies are building a platform for oil majors and other commodities firms to vet the environmental impact of their supply chains, applying Trafigura's data to Palantir's operating system.

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Africa

- The **US** issued an advisory warning US companies of growing reputational risks of doing business with state-owned enterprises and military-controlled firms in **Sudan**.
- **Ethiopian** authorities have arrested more than 4,000 people in the northern Amhara region, per local state media, as part of a wider crackdown against militia fighters, critics and the press.
- Significant proportions of weapons and arms seized from Islamist insurgents in **Niger** came from West African state stockpiles, suggesting authorities are struggling to secure arms stores in the region.
- At least 50 people were killed by militants on Sunday around the town of Rann in **Nigeria's** Borno state, in the country's northeastern tip near the border with **Cameroon**. Since 2009, Nigeria's northeast and Borno state in particular have been the center of an insurgency led by the militant Islamist group Boko Haram.



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Asia

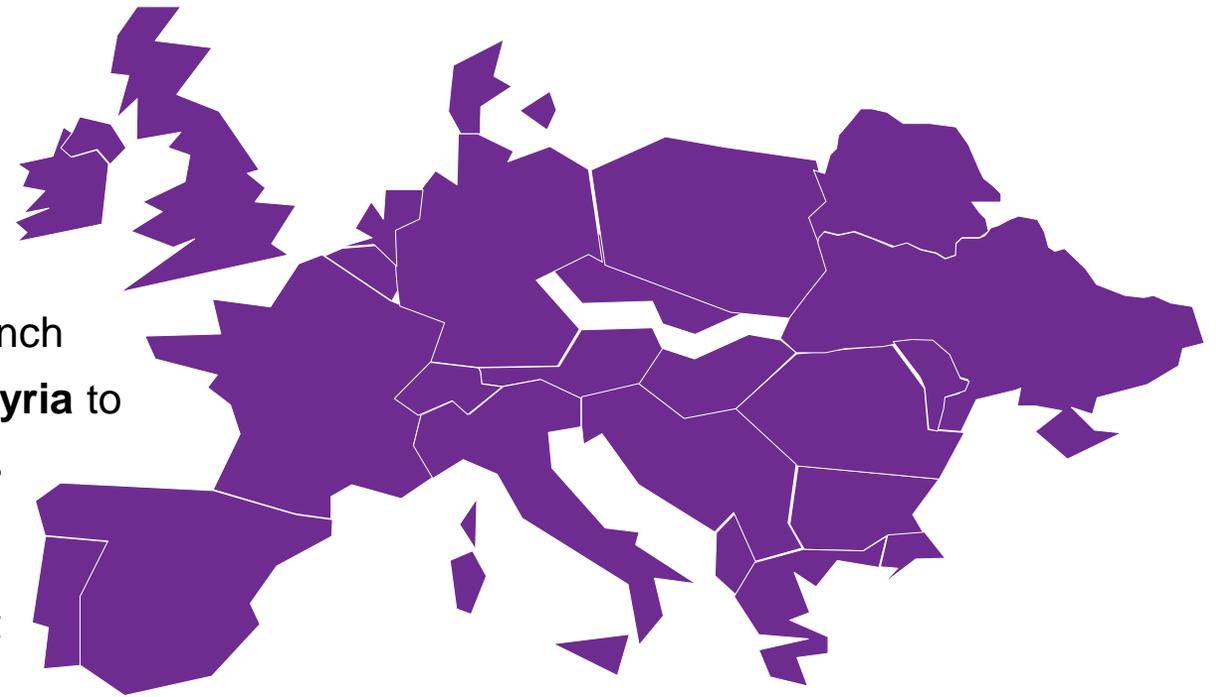
- **Malaysia** will stop the export of 3.6 million whole chickens for a month until production and prices stabilize, per Prime Minister Yaakob.
- The United Nations High Commissioner for Human Rights Bachelet arrived in **China** on Monday, to begin the first trip by a holder of the office since 2005 amid concerns that it could lead to an endorsement rather than scrutiny of China's rights record.
- Beijing accused Washington of creating division with its newly announced **Indo-Pacific** Economic Framework (IPEF), saying that it was forcing countries in the region to pick sides between the **US and China**.
- New **Australian** Prime Minister Albanese said his goals were aligned with the priorities of the Quad group of countries, telling the leaders of the **US, India and Japan** he wanted them all to lead on climate change.



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Europe

- **Turkey's** President Erdogan said Ankara would soon launch new military operations along its southern borders with **Syria** to create 30-km deep safe zones to combat terrorist threats from these regions.
- **Britain and Lithuania** signed a joint declaration to boost defense and security collaboration, amid concerns that **Russian** President Putin will not stop at **Ukraine** in trying to redraw Europe's borders.
- The **EU** plans to start jointly buying gas before winter, the bloc's energy policy chief said yesterday, as it seeks to cut reliance on **Russian** fossil fuels and build a buffer against further energy supply shocks.
- The **EU** Commission recommended on Monday suspending the EU's regular rules on national budget discipline through 2023. The bloc's executive arm said member countries need the fiscal flexibility to tackle heightened economic risks since the **Russia** invaded **Ukraine** on February 24.



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Middle East



- The Association of Banks in **Lebanon** rejected a financial recovery roadmap passed last week by the country's cabinet, saying it would "*place the full losses*" of the country's economic meltdown on depositors.
- **Tunisia's** powerful labor union, UGTT, called for a national strike over wages and the economy after refusing to take part in a limited dialogue proposed by the president as he rewrites the constitution.
- **Yemen** is searching for new wheat suppliers but will need help to pay for increasingly costly imports.
- The Taliban will sign an agreement with the UAE on operating airports in **Afghanistan**, after months of talks with the **UAE, Turkey and Qatar**.

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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:

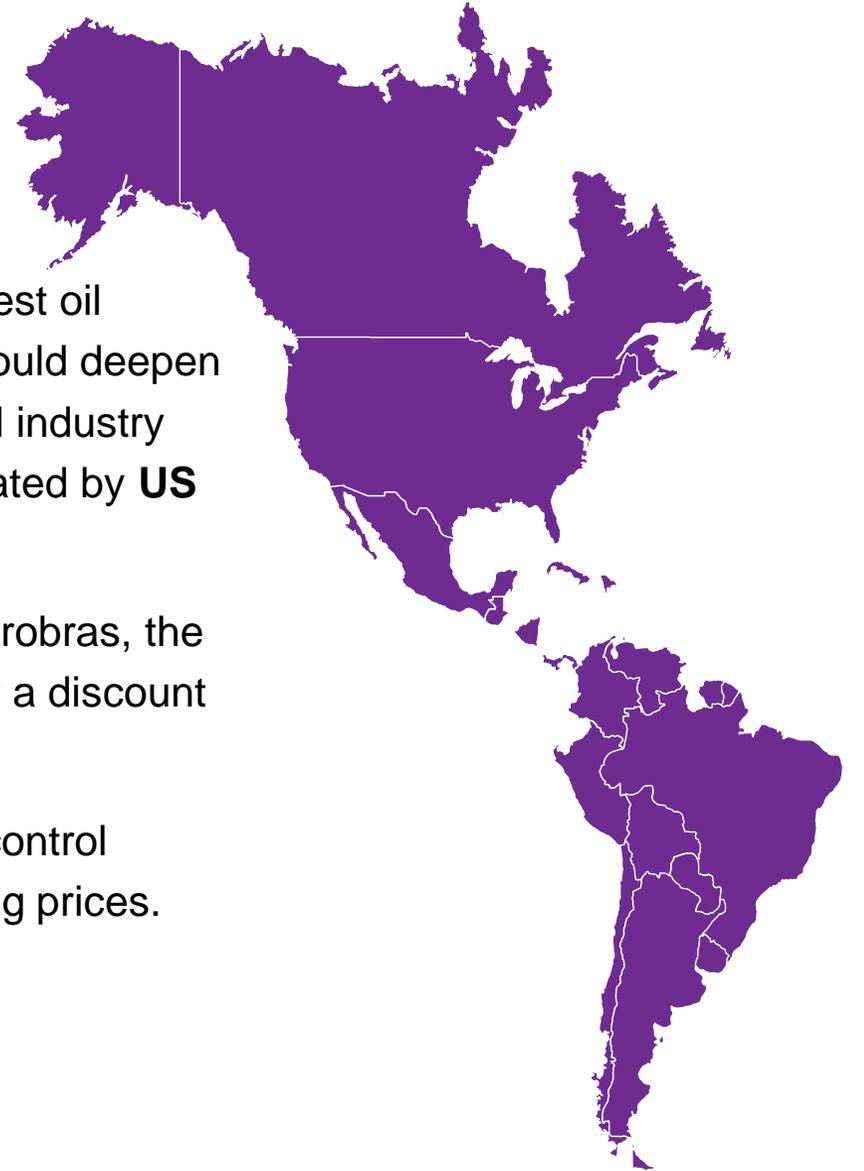
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Americas

- **Iranian** state firms have started preparations to revamp **Venezuela's** largest oil refinery, the 955,000-barrel-per-day Paraguana Refining Center. A deal would deepen an energy relationship and provide a lifeline for Venezuela's dilapidated oil industry caused by decades of mismanagement and underinvestment and aggravated by **US** sanctions.
- **Brazilian** President Bolsonaro fired the chief executive of oil producer Petrobras, the second dismissal in two months, after the company refused to sell fuels at a discount to consumers warning it would lead to diesel shortages.
- A senior official in **Argentina** charged with leading government efforts to control inflation resigned due to differences over how to contain steadily increasing prices.



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Americas: US

- Efforts by financial firms and others to **bring workers back** to Manhattan offices more than two years after the start of the coronavirus pandemic face persistent headwinds, with New York commuters still worrying about **COVID-19**.
- US health officials are in the process of releasing some Jynneos vaccine doses for use in **monkeypox cases**, per the CDC.
- The Biden administration is considering a release of **diesel fuel** from federal reserves to address skyrocketing prices and the threat of supply outages on the East Coast.
- Per the FBI, the US experienced 61 "**active shooter**" incidents last year, up sharply in the number of attacks, casualties and geographic distribution from 2021 and the highest tally in over 20 years.
- President Biden clarified on Tuesday there had been no change to the policy of strategic ambiguity on **Taiwan**.
- The US has boosted its military presence in **Europe** since the start of the Ukraine war, with 102,000 troops now stationed in European ground, sea and air, a 30 percent increase since Russia's invasion began February 24.



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The Future of Housing: Cooling but Still-Tight Market to Impact Tech, RTO, and Urban Recovery

After two years of a white-hot housing market, experts are at last predicting that the summer of 2022 could see sales slowing as higher interest rates and inflation suppress demand and new home construction boosts inventory. However, while prices are expected to slow their rapid rise, costs remain historically high, keeping home ownership difficult for many Americans and potentially stymying return-to-office and urban recovery plans, while exacerbating perceptions of economic hardship amid high inflation.

State of the Market

According to online real estate aggregator Zillow, there were 740,000 homes for sale in the US at the end of April, up from 715,833 at the end of March. While that is still about half pre-pandemic levels in April 2019, the site's analysts predict that inventory should surpass last year's inventory sometime in late 2022. The increased supply is primarily due to depressed demand as rising interest rates and higher inflation make homes less affordable for would-be buyers: the average monthly mortgage payment for a home buyer was up 39 percent during the week ending April 24 compared with the same week in 2021, with the average 30-year fixed-rate loan at a 12-year high of 5.1 percent, according to real estate company Redfin.

Since the onset of the pandemic, new home construction has ramped up in an attempt to keep pace with historic demand but has often struggled in the face of supply chain disruptions causing high prices and supply shortages and an extremely tight labor market. Nonetheless, new home construction rose to a 16-year high in February of this year, with multi-family housing accounting for 17 percent of new construction, the largest share since 1986 and an obvious effort to meet historic demand. However, new construction starts and new permits have slipped for the last two months, reflecting builder apprehension as rising inflation and interest rates cool demand. Construction of new homes dropped .2 percent and new permit approvals dropped 3.2 percent, presaging a slight drop in new construction over the next year.

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At the same time, the market remains fevered in some of the mid-size Sun Belt cities that have seen a rapid population rise during the pandemic, among them Austin, Nashville, Charlotte, and Phoenix. Those cities remain hotspots for relocating urbanites and flourishing, dispersed tech markets, and experts assess that those markets will be slower to cool than the rest of the country.

Bubble Burst or Needed Correction?

In late March, the Federal Reserve Bank of Dallas published a blog post identifying signs of a “*brewing US housing bubble*,” mirroring anxieties among some observers of the overheated real estate market. The Dallas Fed warned that factors including the sharp increase of prices, increasing costs of credit and disruptions to supplies and labor, paired with what they characterized as a widespread belief that prices will continue their sustained rise, could be signs of a real estate bubble about to burst. Nonetheless, the Fed concluded that fallout on the scale of the 2007-08 crisis is unlikely, and many industry experts have called the organization’s worries overblown. Despite low interest rates in recent years, the market does not appear to be driven by excessive borrowing (and lending requirements are tighter today), and housing demand is likely to

remain strong as Gen Z follows Millennials in seeking homes (the oldest “*zoomers*” will soon turn 25, according to some timeframes).

Implications for Business and Government

A cooling housing market could be good news for businesses hoping to return more employees to their offices more regularly, and for local governments and businesses seeking to reinvigorate urban centers. The pandemic and associated shift to work-from-home drove many buyers to seek larger homes with outdoor spaces rather than proximity to work, leading to suburban homes gaining value faster than those in urban centers during the first two years of the pandemic for the first time ever. According to a Brookings Institution analysis last year, large cities – those with populations over 1 million – saw the largest population losses during the first year of the pandemic. Urban homes that are relatively cheaper due to generally falling prices and suburban homes being valued higher could make relocation to the city more feasible for workers being called back into the office. Similarly, more affordable urban homes could facilitate efforts by local governments to increase the flow of people – and taxpayer dollars – to metro centers damaged by pandemic-era shifts out of the office and out of the city.

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However, low housing supply and persistent inflation could mean that prices will still be too high for many lower-income or first-time home buyers to enter the market, stymying urban recovery and return-to-office plans and exacerbating the increased wealth inequality that has emerged during the pandemic. The National Association of Realtors estimates that 15 percent of first-time home buyers, some 25 million people, will be shut out of the market this year due to cost, a statistic that some observers attribute to the increased prevalence of corporate home ownership. In the first quarter of 2021, real estate investors bought a record 18.4 percent of homes sold during that period, up from 12.6 percent in the first quarter of 2020. A plan announced by the White House last week will seek to ease some of the pressures on housing costs by rewarding jurisdictions that have reformed zoning and land use laws and ensuring that government-owned housing goes to buyers that will live in it, rather than investors. Even as demand and supply approach an equilibrium over the next few years and these plans take effect, however, homeownership will remain out of reach for many, exacerbating feelings of economic hardship amid high

inflation, widening real wealth gaps, and continuing to impact where and how businesses work.

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Ukraine War Update: Ukraine Defense Contact Group Expands, Russian Reorientation to China Floated, Severodonetsk and Lysychansk Pummeled

The US hosted the second meeting of the Ukraine Defense Contact Group, convening more than 40 ministers and chiefs of defense, with 20 countries announcing new security assistance packages, and many donating critically needed artillery ammunition and coastal defense systems and tanks and other armored vehicles. Others came forward with new commitments for training Ukraine's forces and sustaining its military systems.

Political Developments

Speaking by video to the World Economic Forum, Ukrainian President Zelensky told global business leaders that the world faces a turning point and has to ratchet up sanctions against Russia as a warning to other countries considering using brute force. He also said that President Putin was the only Russian official he was willing to meet with to discuss how to end the war, as Putin is the only Russia who can make that decision.

During a summit with Quad leaders from Japan, Australia and India, US President Biden said they were navigating "a dark hour in our shared history" as Russia wages war on Ukraine. He urged Quad leaders to work to halt the conflict. India has not imposed sanctions on Russia, nor has it condemned Russian actions in Ukraine.

A team of Colombian soldiers will travel to Europe to train their Ukrainian counterparts on de-mining techniques, per the Colombian defense minister. Colombia's nearly 60 years of internal conflict between its armed forces, leftist rebels, right-wing paramilitaries and drug cartels has made it one of the world's most-mined countries.

A Ukrainian court sentenced a Russian soldier to life in prison for killing an unarmed civilian in the first war crimes trial. Ukraine Prosecutor General Venediktova said there were about 13,000 cases of alleged Russian war crimes being probed as of Monday.

Lithuania will withdraw its ambassador to Russia from June 1, according to a presidential decree signed yesterday. No replacement has been named. The Baltic country expelled Russia's envoy in April. The Lithuanian government said at that time it intended to lower the level of diplomatic representation between the two countries.

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A Russian diplomat at the country's permanent mission at the United Nations in Geneva resigned his post, citing disagreement with Moscow's invasion of Ukraine, a rare political resignation over the war.

Russia's Foreign Minister said on Monday that Moscow is not sure that it needs to resume ties with the West but will focus on developing ties with China.

Battlefield Developments

Ukraine's General Staff said Russian forces are attempting to encircle the strategically significant towns of Severodonetsk and Lysychansk, with Russian forces sustaining considerable losses near Severodonetsk fighting deeply dug in Ukrainian troops. Ukraine said there was also a fierce fight near the town of Bakhmut in Donetsk.

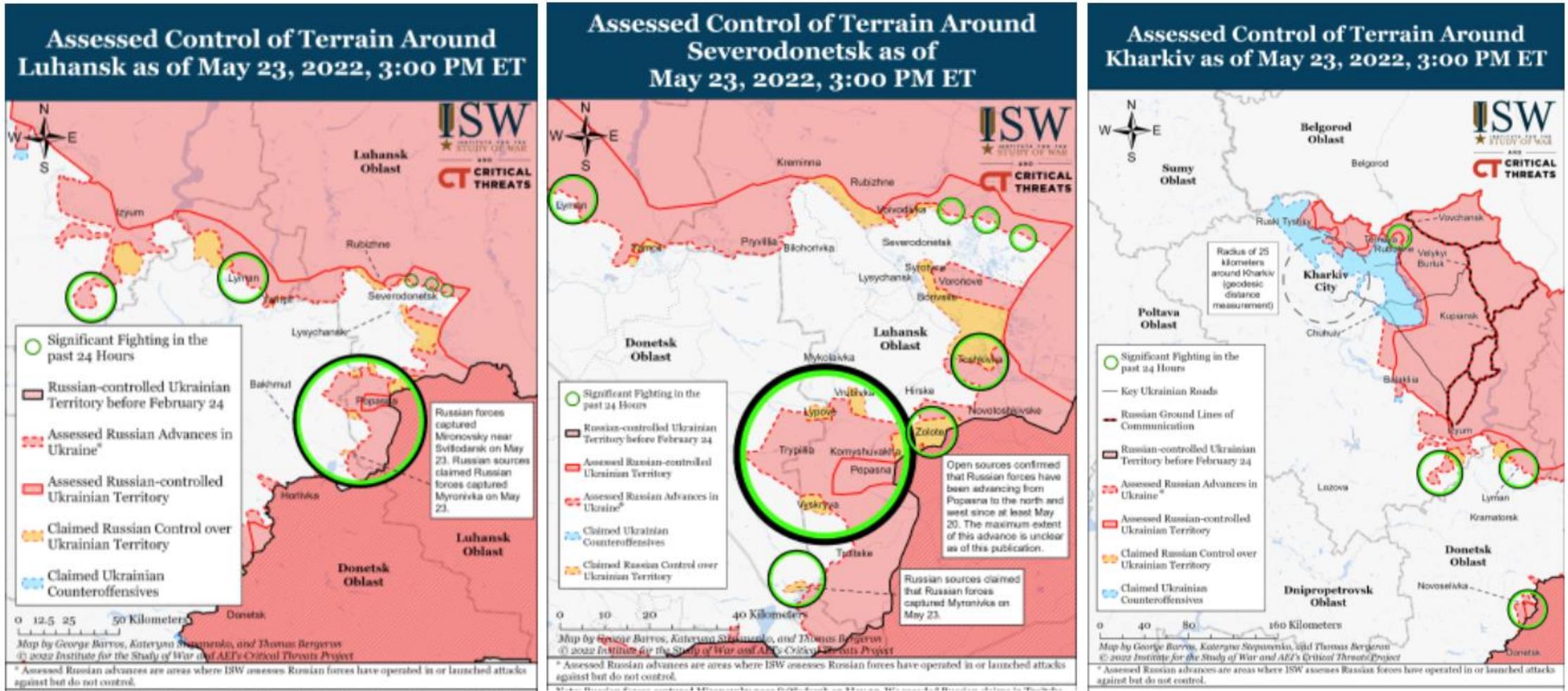
The UK Defense Ministry assessed Russia's capture of the Severodonetsk pocket would see the whole of Luhansk Oblast placed under Russian occupation. At the same time moving the frontline further west "will extend Russian lines of communication and likely see its forces face further logistic resupply difficulties," according to the British ministry.

Last week's Russian bombing of the town of Desna, 55 kilometers (34 miles) north of Kyiv, resulted in 87 deaths, which may be the deadliest missile attack of the war thus far.



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

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Ukraine War Update: Ukraine Defense Contact Group Expands, Russian Reorientation to China Floated, Severodonetsk and Lysychansk Pummeled

The Russian Ministry of Defense said Russian forces had struck an arms depot in eastern Ukraine. The ministry said the depot in the village of Razdolovka was being used to store US-made M777 howitzers with high-precision munitions.

The Institute for the Study of War (ISW) reported that Russian Defense Minister Shoigu announced on May 20 that Russia will form 12 new Western Military District units (of unspecified echelon) before the end of the year in response to NATO expansion. Russian forces may intend to man these units with newly mobilized personnel, but it is unclear how the Kremlin could generate the manpower for new units without a general mobilization. ISW continues to report on growing criticism from nationalist figures, military-linked civil society groups and military bloggers on the conduct of Russian forces, troop losses and growing costs, urging a general mobilization. ISW also has been reporting on a string of attacks against military recruitment offices in Russia.

Ukraine's gas system operator said yesterday supplies to the eastern regions of Donetsk and Luhansk had been suspended after the main gas pipeline was damaged by Russian shelling.

Authorities in the Russian-controlled Kherson Oblast announced the introduction of the rouble as an official currency alongside the Ukrainian hryvnia. The region's capital Kherson was the first major city to fall to Russian forces after the start of Moscow's invasion of Ukraine on February 24. The Russian-backed head of the military-civilian administration of occupied Melitopol also announced that roubles will be the accepted in the Zaporizhzhia region.

Russia forcibly deported 1.4 million Ukrainian citizens, including more than 240,000 children, to its territory, Ukrainian Ombudsman Denisova said.

The several hundred Ukrainian soldiers who surrendered to Russian forces in Mariupol will be tried in the breakaway Donetsk region, its Russian-backed leader Denis Pushilin said on Monday.

Humanitarian Developments

Lithuanian Finance Minister Skaiste urged the EU to set up a fund that would help countries welcoming thousands of Ukrainian refugees manage the financial burden, just like the EU did for Turkey in 2016. After three months, host cities across central Europe are struggling to find jobs and homes for Ukraine refugees.

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More than 2 million Ukrainians have entered their homeland since late February, according to UNHCR. The figure includes Ukrainians who have returned home after initially fleeing the Russian invasion. It also includes those who had been traveling or living abroad before the war but have chosen to go back.

Economic Developments

German Economy Minister Robert Habeck has said the EU will likely "reach a breakthrough" on a ban on Russian oil imports "within days." The EU has offered up to €2 billion (\$2.14 billion) to central and eastern European countries lacking non-Russian supply.

More than 62 million barrels of Russian Urals crude oil, a record amount, are sitting in vessels at sea, according to data from energy analytics firm Vortexa, as traders struggle to find buyers for the crude. The volume of Urals crude oil on the water is triple the pre-war average.

Starbucks Corp will exit the Russian market after nearly 15 years. Seattle-based Starbucks has 130 stores in Russia, operated by its licensee Alshaya Group, with nearly 2,000 employees in the country.

The Russian rouble strengthened to levels not seen since March 2018 against the dollar on Tuesday, boosted by export-focused companies selling foreign currency to pay taxes and easing of capital controls.

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Coronavirus Condition Updates

As of 8:11 pm CEST on May 23, 2022

Coronavirus Snapshot

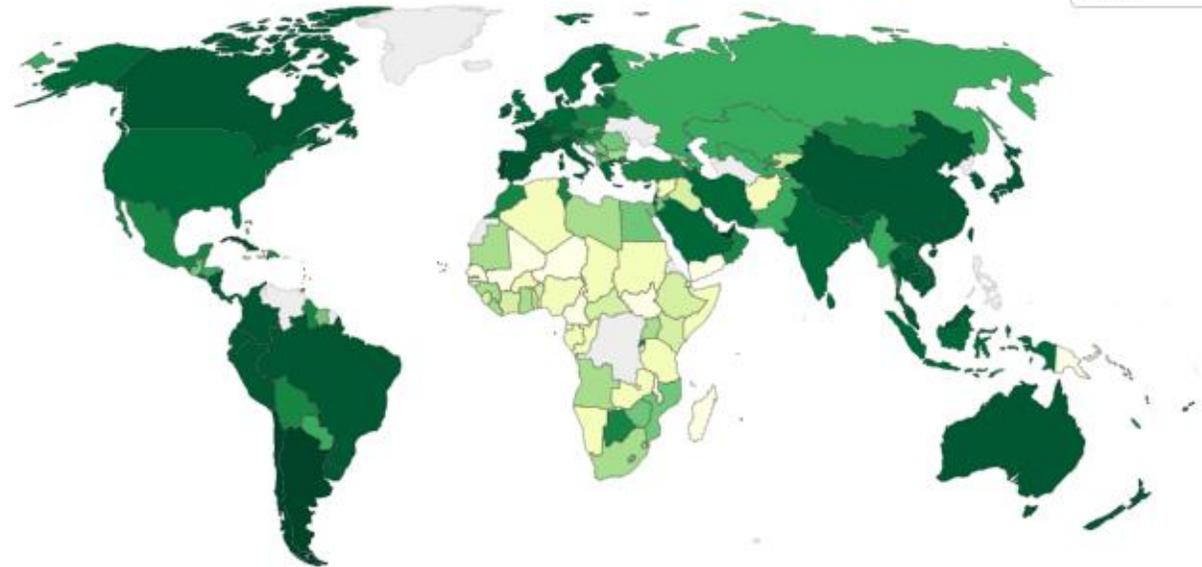
- Merck & Co. and Johnson & Johnson are among the companies cutting sales expectations for pandemic products this year as they assess the outlook, seeing demand plateau for COVID-19 vaccines and treatments, supplies ample and the pandemic evolving.
- Globally, more than 11.7 billion vaccine doses have been administered.
- Drugmakers Pfizer Inc and BioNTech SE said that three doses of their COVID-19 vaccine generated a strong immune response in children under age 5 and was safe and well-tolerated in their clinical trial.

Share of people who received at least one dose of COVID-19 vaccine, May 23, 2022

Total number of people who received at least one vaccine dose, divided by the total population of the country.

Our World
in Data

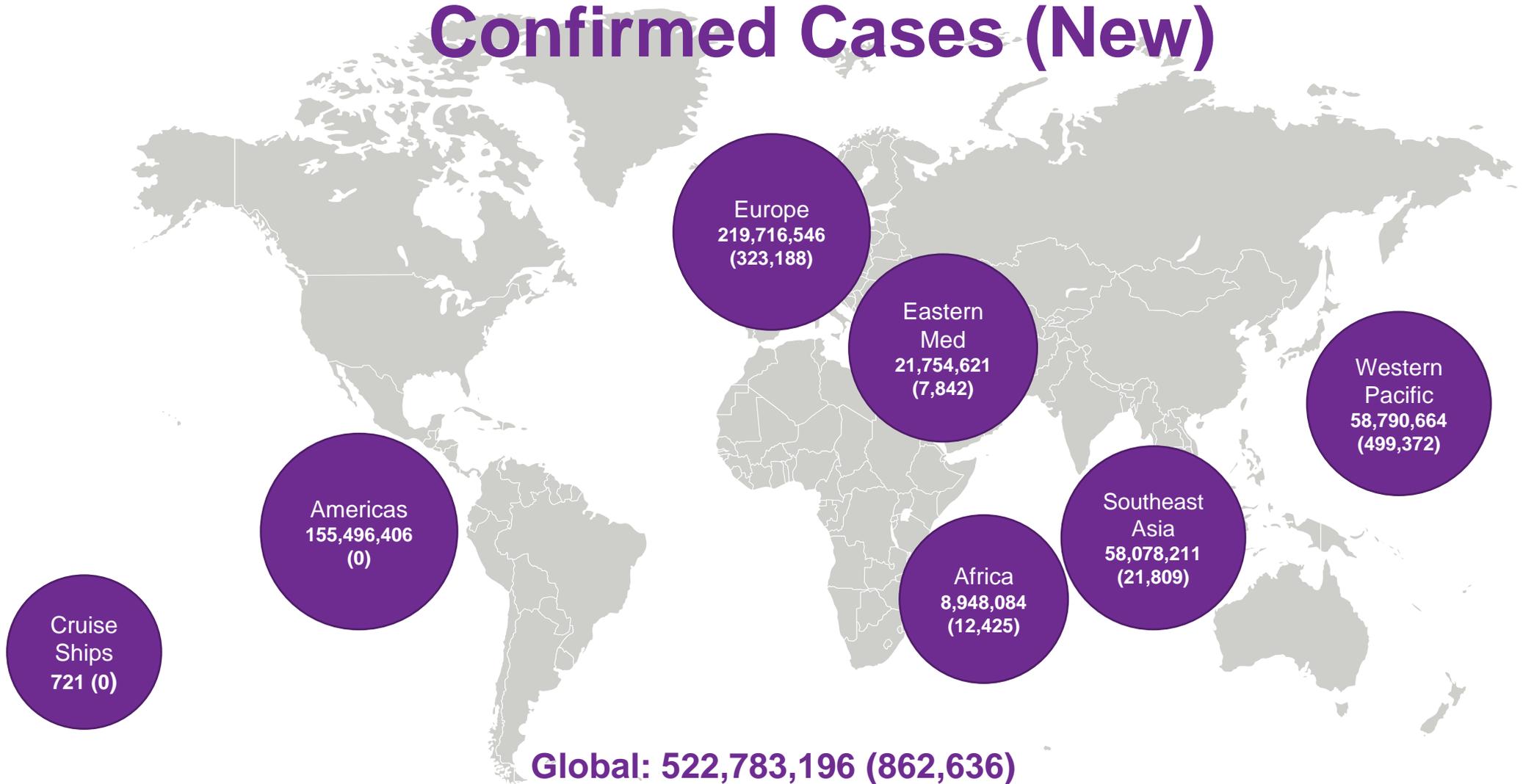
World



No data 0% 10% 20% 30% 40% 50% 60% 70% 80% 90%

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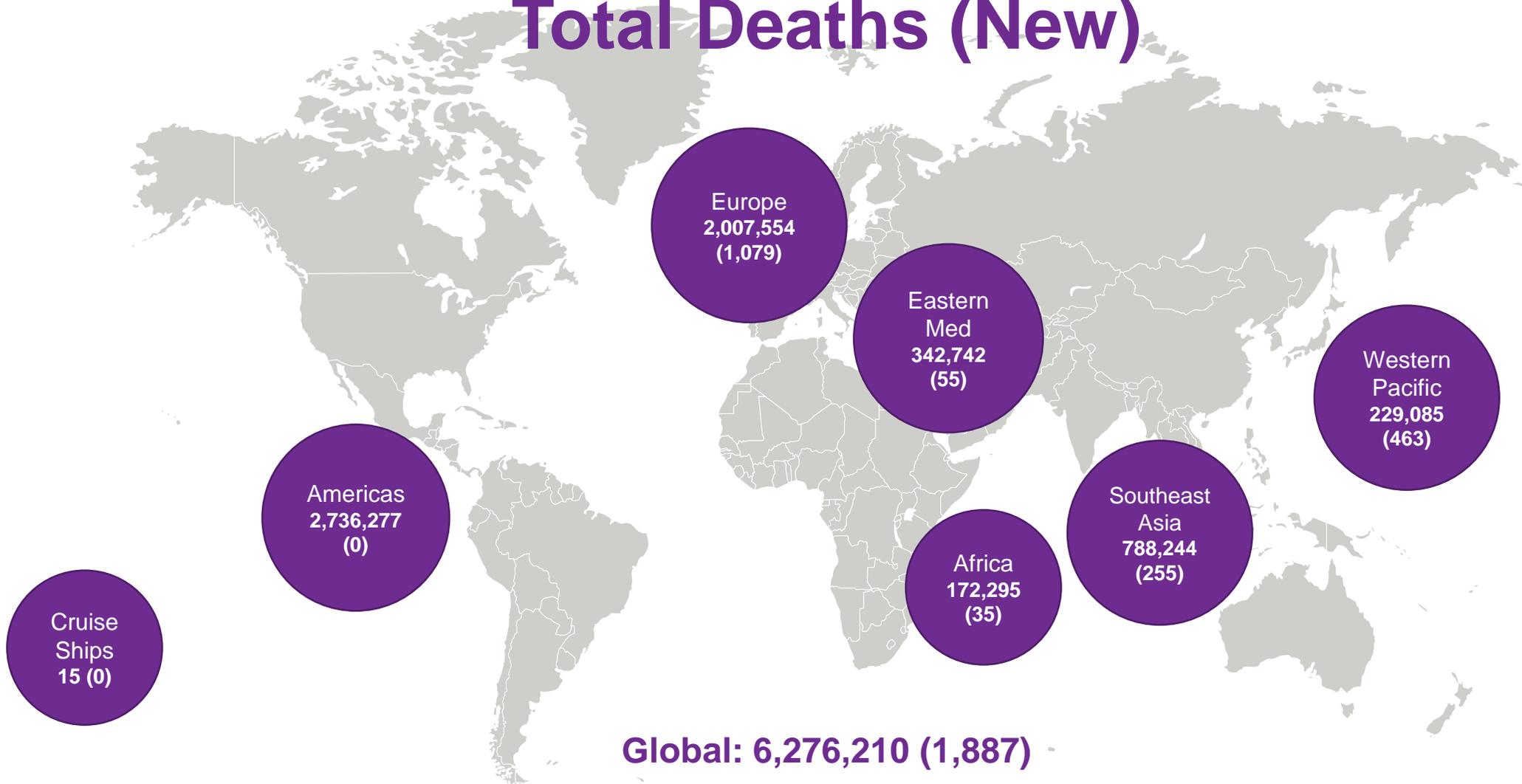
Confirmed Cases (New)



Reflects data as of 8:11 pm CEST on May 23, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 8:11 pm CEST on May 23, 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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