

Dentons Flashpoint

Daily Global Situation Report

August 17, 2022

Global Situation Update: August 17, 2022

KEY TAKEAWAYS

Soaring energy bills begin forcing shutdowns of energy-intensive factories in Europe.

North Korea' launches two cruise missiles into the sea, a day after South Korea-US joint military drills began.

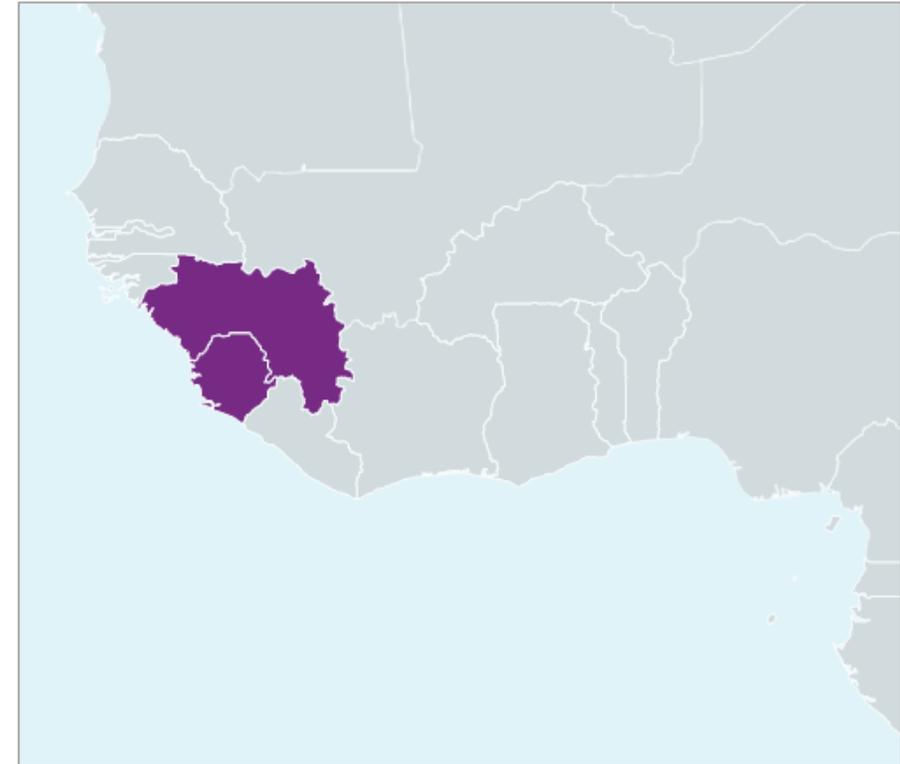
Germany postpones the closure of the country's last three nuclear power plants.

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WHAT WE'RE WATCHING

Today, the opposition coalition in Guinea is launching country-wide protests against the ruling military junta. Recent demonstrations that demanded a quicker return to civilian rule resulted in the deaths of protestors by the Guinean military, which was greeted by many late last year as it freed them from ousted President Alpha Condé's autocracy. The junta will continue to use repression and intimidation against opponents, meaning domestic discontent will persist.

Meanwhile, mass protests in neighboring Sierra Leone over the rising cost of living have temporarily abated, but the root causes of unrest remain. The risk of damage to property and attacks on personnel during future anti-government protests remains low but could increase if the unrest escalates ahead of 2023 elections.



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

Global

Russian Defense Minister Sergei Shoigu said Tuesday at a conference in Moscow that Russia has “no need to use nuclear weapons in Ukraine,” and its arsenal exists mainly to “deter a nuclear attack.”

- UN Secretary-General António Guterres plans to meet with Ukrainian President Zelensky and Turkish President Erdogan tomorrow in Lviv to review the **UN-brokered food export agreement**. So far, 21 ships have been authorized to leave three Ukrainian ports in and around Odessa under the agreement, according to the United Nations. The ships carried a total of 563,317 metric tons of corn, wheat, sunflower meal, soybeans, sunflower oil and other products.
- WHO is soliciting name suggestions for the renaming of **monkeypox**. Pressure is growing for a new name for the disease, in part because critics say it is misleading, since monkeys are not the original animal host. WHO is seeking a neutral, non-stigmatizing name.
- A pet dog in France has contracted **monkeypox** in what is believed to be the first human-pet transmission of the illness, according to a study published by the *Lancet* medical journal.

Markets & Business

Zinc prices jumped after Budel smelter in the Netherlands said it would halt production indefinitely, as the energy crisis rip through the region's industrial base. The Slovalco aluminium smelter in Slovakia, will also close primary production by the end of September because of soaring energy bills.

- **Toyota Motor** has suspended operations at its plant in China's Sichuan province after local authorities issued an order to conserve electricity.
- **American Airlines Group Inc** agreed to buy up to 20 jets from aircraft maker **Boom Supersonic**, becoming the second major US airline to bet on ultra-fast passenger travel in the last two years. The return of interest in supersonic jets comes nearly two decades after Concorde, flown by **Air France** and **British Airways**, was retired following a deadly crash.
- The Federal Reserve issued additional guidance for banks considering activities involving **cryptocurrencies**, emphasizing that firms must notify the Fed beforehand and make sure whatever they do is legally permitted.
- **Authentic Brands Group LLC** will buy **Ted Baker PLC** for the equivalent of \$254 million, adding the British fashion label to its brand list that include Brooks Brothers and Reebok.

Environment, Sustainability & Governance

Harvard Business School will offer free MBA tuition for lower-income students, responding to growing concerns in the US over higher education costs and the need for increased social mobility.

- The US Transportation Department is awarding \$1.66 billion in grants to cities and states to buy 1,800 buses in a shift to cleaner, **lower-emission travel**.
- Procter & Gamble will take steps aimed at reducing **potential harm to forests** from its purchases of wood pulp for toilet paper and other consumer goods, after being pressured by environmentalists and investors for more sweeping changes.
- Brazil Potash, the Canadian firm planning to build Latin America's largest potash mine in the **Amazon rainforest**, said that it is willing to employ local Mura indigenous people as it seeks their backing for the sensitive project.
- Pandora, the world's largest jewelry maker, will move ahead with its bet on **lab-made diamonds**, following its announcement last year to stop selling mined diamonds.

Africa

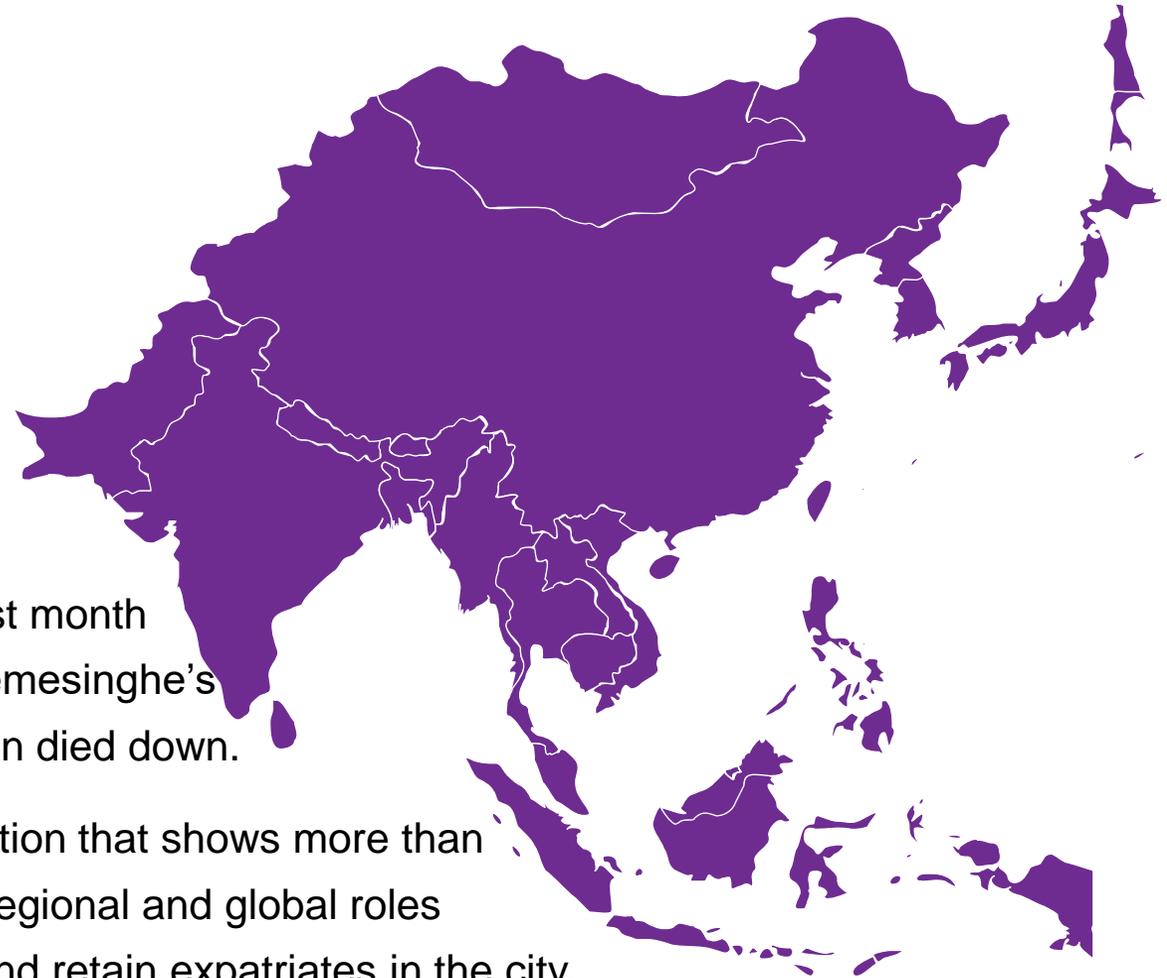
- **Liberian** President Weah suspended three senior officials accused of significant corruption by the **US**.
- **Egypt** announced that it had renewed its “*adherence*” to its water rights in the Nile, a few days after **Ethiopia** completed the filling of the third reservoir in its controversial mega dam. The announcement does little but reiterate Egypt’s non-recognition of the legality of the dam.
- **German** troops reported that they saw several dozen presumably **Russian** security forces at a northern Mali airport, apparently arriving in the country on the day that the last French Barkhane troops departed. An al-Qaida affiliate claimed it had killed four Russian mercenaries over the weekend.
- **Kenyan** election commissioners, including the deputy chairperson, reiterated their decision to disown the certification of the August 9 presidential election, saying that the results that gave William Ruto the win were erroneously aggregated.



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Asia

- Explosions and fires ripped through at least 17 locations in southern **Thailand** today, in what appears to be multiple coordinated attacks that injured seven people. No one has claimed responsibility.
- **Sri Lanka's** state of emergency imposed in the middle of last month will not be extended beyond this week, per President Wickremesinghe's office, as protests against the country's economic devastation died down.
- A new survey by the **Hong Kong** Investment Funds Association that shows more than a third of fund-management companies moved some or all regional and global roles from Hong Kong to other places, citing the difficulty to hire and retain expatriates in the city.
- **North Korea'** launched two cruise missiles into the sea today, a day after **South Korea** and the **US** began preliminary joint drills ahead of a restart of live field training halted under former President Moon.



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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:

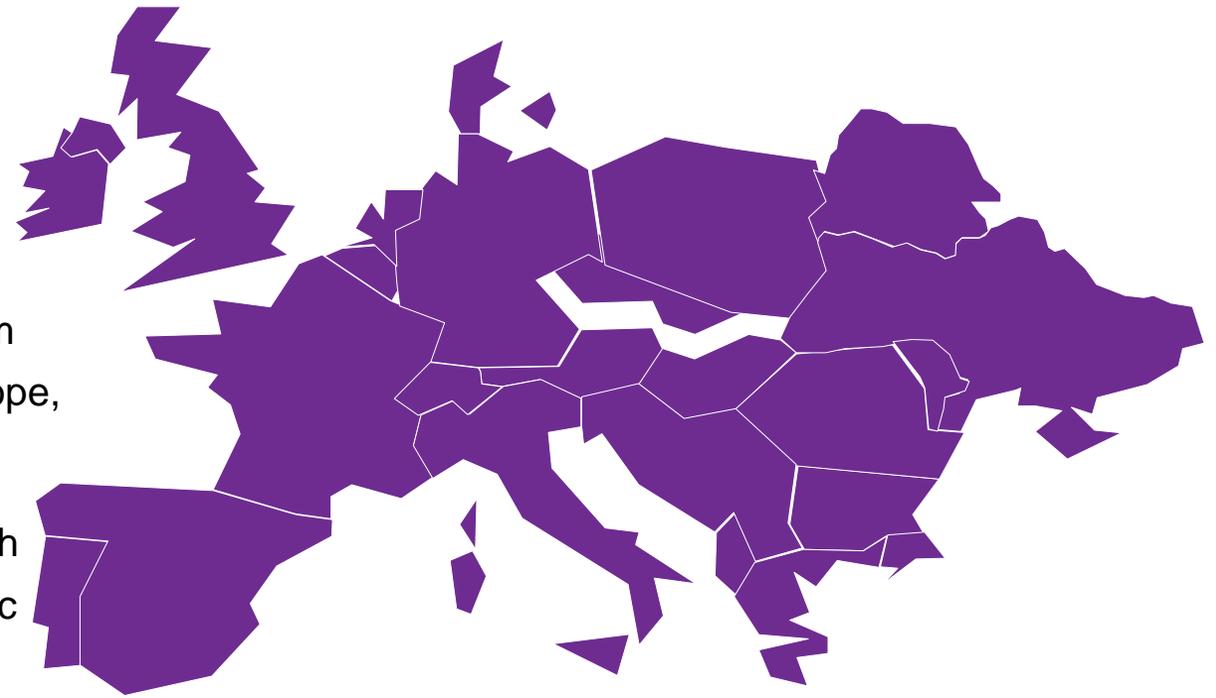
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

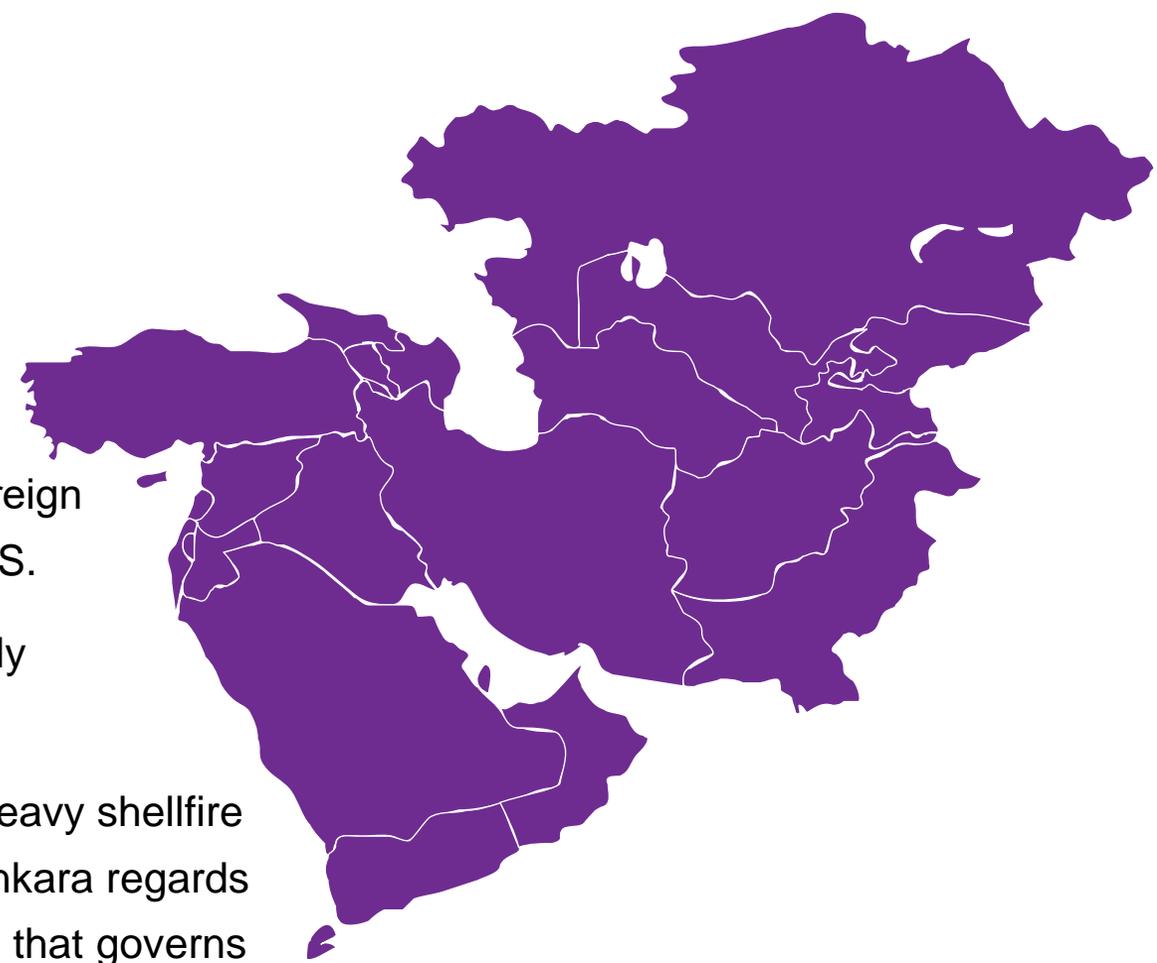
Europe

- **Finland** will cut the number of visas issued to **Russians** from September 1, amid a rush of Russian tourists bound for Europe, using Finish border crossings as a gateway.
- The **EU** is working to boost its presence in the Pacific through economic ties and new security commitments as geostrategic competition in the region intensifies, per the bloc's ambassador to **Pacific Island nations**.
- A **Russian** state news agency claimed that Russia and **Turkey** had signed a contract to ship Ankara a second batch of S-400 air defense systems, but a Turkish defense official denied there was a new contract, stating the shipment is part of the original contract. Turkey's initial 2020 purchase of the Russian S-400 system angered the **US** as counter to NATO obligations, with Washington imposing sanctions on Turkey as a consequence.
- **Germany** plans to postpone the closure of the country's last three nuclear power plants as it braces for a possible shortage of energy this winter after **Russia** drastically reduced gas supplies to the country.



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Middle East



- The **US** said that it is “*studying*” Iran’s response to EU draft text on a JCPOA agreement, further extending the opaque negotiation process. In a likely related development, Iran’s foreign ministry stated that Iran is ready to swap prisoners with the US.
- **Tunisia’s** new constitution, which gives President Saied nearly absolute power, came into effect.
- **Turkish** troops and **US**-backed Kurdish fighters exchanged heavy shellfire on Tuesday in the northern **Syrian** border town of Kobane. Ankara regards the semi-autonomous system established by Kurdish factions that governs swathes of northern and eastern Syria as a national security threat on its border.
- **Iraqi** Shia cleric Moqtada al-Sadr postponed a call for a mass anti-government protest planned for Sunday, saying that he is “*betting on preserving social peace.*”

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Americas

- The prime minister of the **Bahamas** called on Caribbean countries to pressure developed nations to provide more financing to mitigate the effects of climate change at the upcoming COP27 climate talks.
- Far-right President Bolsonaro and his leftist front-running challenger Luiz Inacio Lula da Silva formally launched their campaigns on Tuesday for **Brazil's** most polarized elections in decades in October.
- **Cuba** plans to allow some foreign investment in local wholesale and retail trade for the first time since Fidel Castro's 1959 revolution, in a bid to ease the island nation's worst economic crisis in decades.
- The mining industry in **Chile**, the world's largest copper producer, called on the government to take action to stop an "*escalation of crime*" that has hit operations in the country's far north.
- **Canada's** inflation rate moderated slightly in July, led by a decrease in petrol prices, but consumers were still faced with rising costs for groceries, natural gas and travel.



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Americas: US

- **US homebuilding** fell to the lowest level in nearly 1-1/2 years in July, weighed down by higher mortgage rates and prices for construction materials.
- Southwestern **cotton growers** are abandoning millions of parched acres that they planted in spring, prompting forecasts for the weakest US harvest in more than a decade.
- President Biden signed into law a \$430 billion bill that is seen as the **biggest climate package in US history**, designed to cut domestic greenhouse gas emissions as well as lower prescription drug prices.
- The US Agency for International Development (USAID) is spending more than \$68 million to purchase and ship **Ukrainian grain** in the largest such export deal since Russia's invasion this year, in cooperation with the World Food Program.



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Assessing the Impact of Water Scarcity

By Matthew Gardell

The issue of water scarcity is gaining global attention as countries face unprecedented droughts and heat waves. In the United States, water scarcity is leading to interstate disputes, particularly in the west. Disputes over water rights are likely to rise and could envelop both landowners and private businesses. For major corporations, water scarcity is a business disruptor and increasingly a factor in determining ESG rankings.

New research released this week by the First Street Foundation suggests that people in the US are expected to experience extreme temperatures more frequently and for longer periods of time. Some of the worst effects of climate change-induced water scarcity will be felt in Sun Belt states such as Arizona, California and Texas. These states are also experiencing population increases due to demographic shifts, raising the prospect that the water system will be further stressed. Disputes over water resources can take the form of interstate disputes (sometimes litigated in front of the Supreme Court), conflicts between landowners and municipal governments and business disputes. Major companies are also recognizing that water scarcity is a business risk that requires both individual and collective action.

Water Wars of the West

The western US is the epicenter of water resource disputes as severe droughts and record temperatures affect the environment. Although interstate water disputes are not new, this year's record droughts and climate stresses raise the stakes. The doctrine of prior appropriation, which holds that whoever settled in a region first has senior water rights, is generally used as the water governance structure in the western US.

Earlier this year, Nebraska Governor Pete Ricketts announced a plan to divert water out of Colorado under a 99-year-old compact between the states that allows Nebraska to seize access to Colorado land along the South Platte River. Nebraska's plan to build a canal into Colorado to drain water from the South Platte is one of the biggest nonfederal interstate water infrastructure projects in decades.

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Assessing the Impact of Water Scarcity

The plans drew a rebuke from Colorado Governor Jared Polis, who promised to defend Colorado's water rights. Ricketts argues population growth in Colorado, particularly in the growing Denver area, will use up water from the South Platte and reduce water flow to Nebraska. The project could lead to lawsuits from both landowners and environmental groups.

Water scarcity does not just lead to interstate disputes but also conflict involving stakeholders and the government. Straddled on the border of California and Oregon, the Klamath Water Basin is experiencing a record drought, creating issues for farmers and Native American tribes who depend on the water basin for their livelihoods. Last year, the US government cut off water delivered to the basin via the Klamath Project, a water management system. This led to a series of protests by farmers, and plans by Native American tribes to sue the federal government for not doing enough to protect the local salmon, which is considered an important agricultural resource and sacred cultural symbol.

Implications for Businesses

Water scarcity is not just an environmental threat, but also a risk to business operations. Globally, water scarcity may lead to violent

conflict which in turn poses operational risks to multinational companies. In the western US, water scarcity affects businesses that depend on waterways for their livelihoods. Water stress will continue to affect the agricultural industry and could prevent farmers from harvesting both profitable and productive yields. The idyllic valleys, national parks and rivers of the west are a draw for vacationers and support a vibrant tourism and recreation industry that now could be at risk. A host of businesses that depend on visitors, from restaurants to mom-and-pop stores, may not survive should current climate trends hold.

Major companies are increasingly focused on meeting environmental, social, and governance (ESG) criteria. Last year, market analysts at Barclays wrote a letter to investors arguing that "*water risk should be the leading ESG issue.*" Businesses will have to factor water risk into their ESG portfolio as the number of water stressed areas increase around the world in the next few decades. Companies that operate in water-stressed areas, especially water-intensive sectors such as consumer staples and semi-conductors, will face reputational risks and threats to profitability. As extreme weather continues, building sustainability measures and water resilience could become a future business imperative.

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Assessing the Impact of Water Scarcity

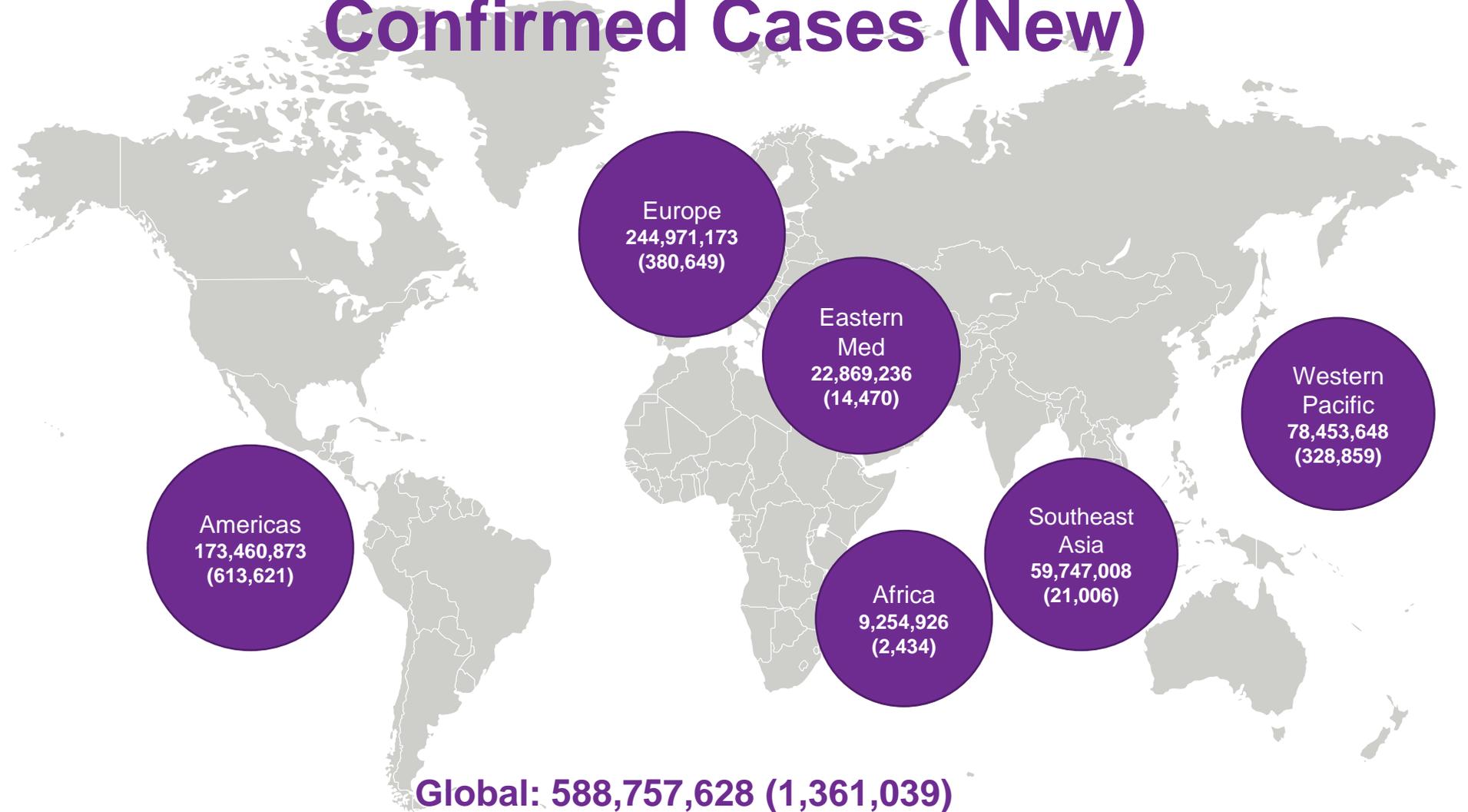
When businesses think critically about mitigating their environmental footprints, water should be at the top of the list. Value chain water footprinting, water risk assessments and physical inspections can give a company a holistic overview of their water risks. Besides individual actions, companies are also taking collective action. The Water Resilience Coalition (WRC) is a CEO-led initiative committed to reducing water stress by 2050. Through participation in frameworks such as WRC, businesses ensure they are working on goals such as having a net positive water impact (creating more water than they are using). Water scarcity is no longer a theoretical concept, but a pressing business and reputational risk for major companies.

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Coronavirus Condition Updates

As of 5:12 pm CEST on August 16, 2022

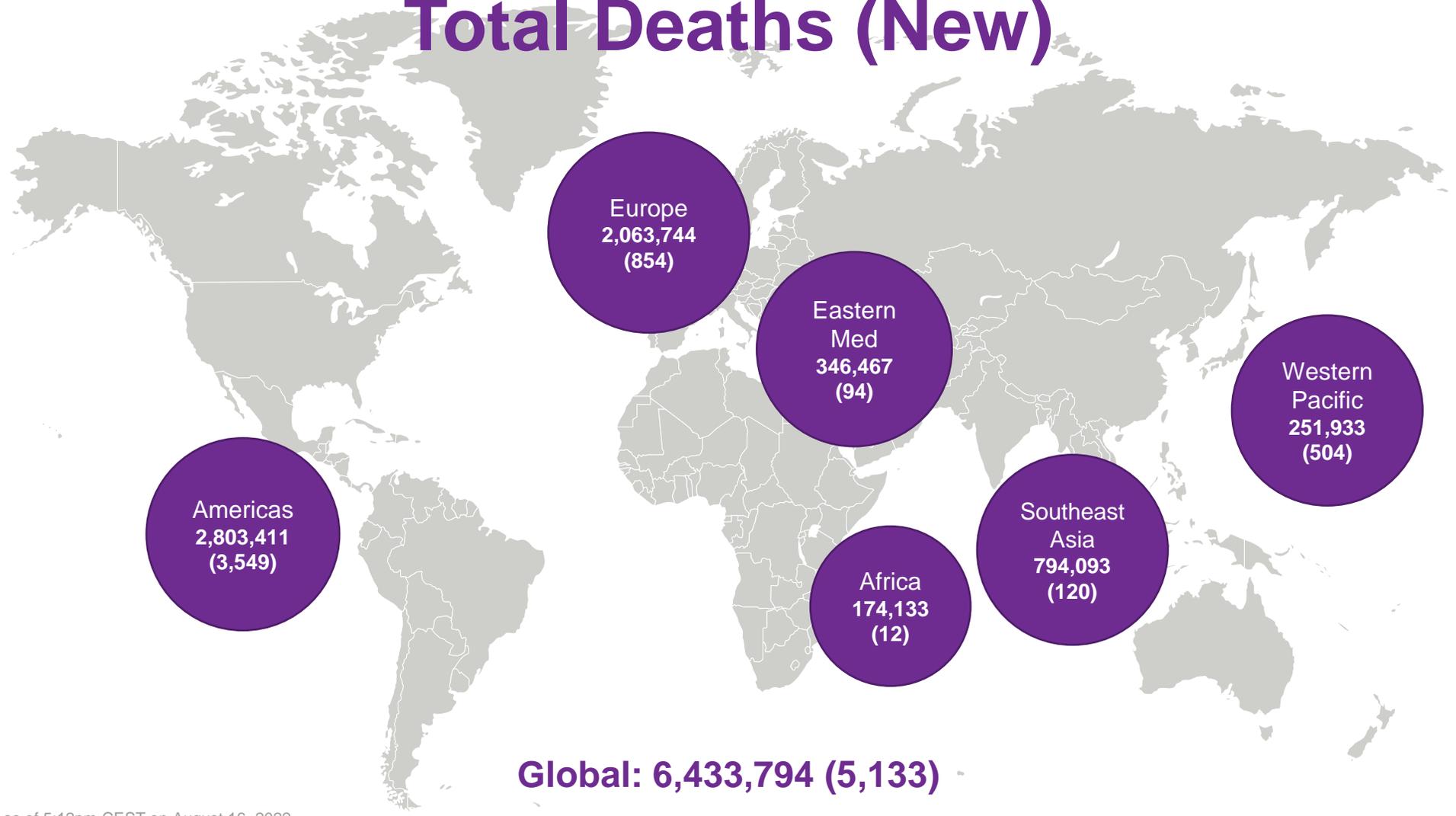
Confirmed Cases (New)



Reflects data as of 5:12pm CEST on August 16, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:12pm CEST on August 16, 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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