

Dentons Flashpoint

Daily Global Situation Report

February 17, 2022

Global Situation Update: February 17, 2022

KEY TAKEAWAYS

Fighting between the Ukraine military and separatists ignite concerns of a false flag operation by Russia to justify an invasion of Ukraine.

Global cases of COVID-19 continued to decline, with more countries announcing easing measures.

European banks and financial institutions have pledged €30 billion in investment for countries in sub-Saharan Africa.

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WHAT WE'RE WATCHING

A landmark decision by the European Court of Justice allows the European Union to finally withhold funds to member countries that do not respect the rule of law. The right-wing governments of Poland and Hungary had argued in the EU's highest court that conditions for cash transfers amount to interference in national affairs.

The EU can now suspend support payments to member states over issues such as excessive control over the judiciary, stifling press freedoms and denying LGBTQ rights. Proponents of the ruling argue that the EU is safeguarding democratic values, while critics contend that the EU is introducing new risks to business and organizations in nations that are cut off from aid.



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

Global

Globally, confirmed coronavirus cases topped 414.5 million with 5.8 million deaths; more than 10.2 billion vaccine doses have been administered.

- Russian-backed rebels and Ukrainian forces traded accusations today that each had fired across the ceasefire line in **eastern Ukraine**. Breaches of the ceasefire have been common but come now in the context of a possible Russian invasion of Ukraine.
- Russia ominously accused Ukraine of “provocations,” which could be “highly dangerous,” fitting a pattern of a **false flag ops** which could be used as a justification for war.
- Up to 7,000 more **Russian troops** have moved to the border in recent days, per the US assessment, disputing Russian claims of a drawback.
- As the current head of the **UN Security Council**, Russia plans to hold a meeting on Ukraine at the UN today.
- The **G20 finance leaders** convened in Jakarta amid tensions between Russia and the West over the Ukraine, with the Indonesian president warning "*now is not the time*" to create new risks to a fragile global recovery. High on the agenda is the debt crises in the developing world.
- Moderna announced that an **Omicron-specific booster** could be ready by August. Delivery of Pfizer vaccine to combat the Omicron COVID-19 variant has been delayed past the end of March due to a slower-than expected data gathering process.

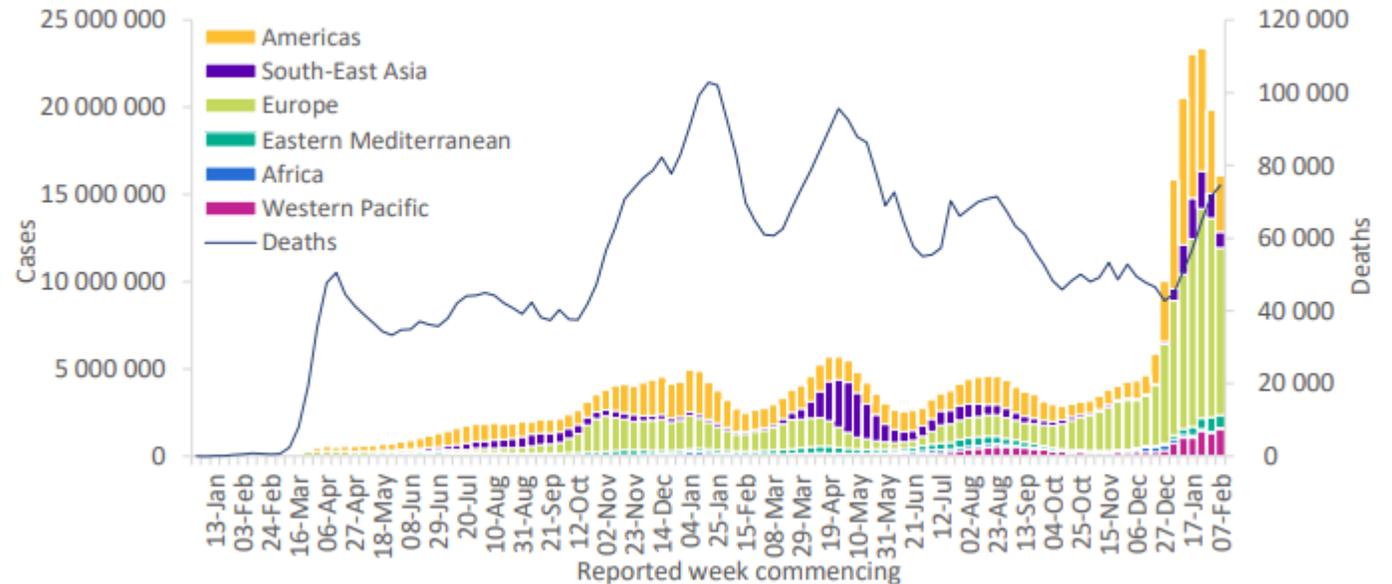
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Global

Compared to the previous week, the global number of new COVID-19 cases decreased by 19 percent, while the number of new deaths remained similar to that of the previous week.

Only the WHO Western Pacific Region reported an increase (19 percent) in the number of new weekly case.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 13 February 2022**



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Markets & Business

US hotel group Hyatt said bookings for group business events had beaten pre-pandemic levels for the first time since the crisis began.

- Australia's **Origin Energy** announced plans to shut the country's biggest coal-fired power plant in 2025, seven years earlier than scheduled, as an influx of wind and solar power has made the plant uneconomic to run.
- **Amazon.com Inc** has reached agreement with **Visa Inc** to accept its credit cards across its network, ending a standoff between the two that threatened to disrupt e-commerce payments. Amazon had said in November it was considering dropping Visa as partner on its US co-branded credit card, after earlier confirming it would stop accepting Visa credit cards in the UK because of high transaction fees.
- **Air France-KLM** is studying options for recapitalization to fund the repaying of state aid as the Franco-Dutch group seeks to free itself from state ownership to take part in any airline consolidation.
- The US National Highway Traffic Safety Administration is opening a formal investigation into 416,000 **Tesla** vehicles over reports of unexpected brake activation tied to its driver assistance system Autopilot.

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Environment, Sustainability & Governance

A job advert to recruit 30 female train drivers in Saudi Arabia has attracted 28,000 applicants, highlighting the scale of pent-up demand as the Kingdom opens up more opportunities to women.

- In responses to draft rules attempting to incorporate climate change risk into the banking business proposed by the US Office of the Comptroller of the Currency, banks agreed with the necessity of recognizing climate risk but called for flexibility on rules that would require them to publicly report **climate risk exposure**.
- Italian subsea and exploration company Saipem, which provides services to oil companies, said that it would **slow-roll its climate pledge** after delays to wind power projects forced the company to issue a profit warning.
- The UK's Society of Motor Manufacturers and Traders called on the government to set targets for the rollout of **electric vehicle charging infrastructure** and to establish a regulatory body to support the EV industry.
- US President Biden announced \$9.5 billion in new funds to develop domestic clean **hydrogen capabilities**.
- The German government is planning to transfer **hydrogen production** technology to African countries amid its efforts to quit coal and nuclear energy.

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Africa

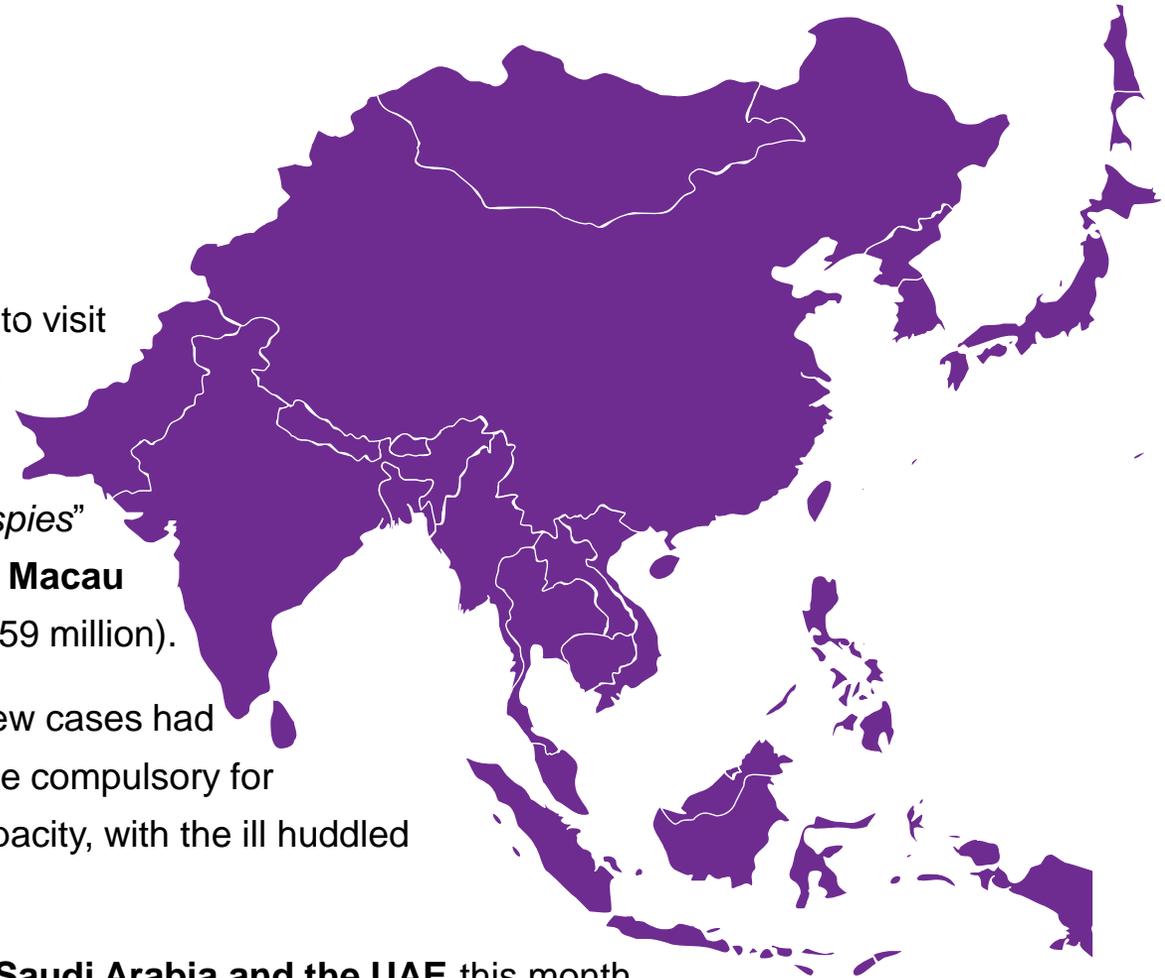
- **Burkina Faso's** military junta swore its leader, Lt. Col. Paul Henri Sandaogo Damiba, in as president. At his inauguration, Damiba promised to deal decisively with insecurity driven by militant jihadists.
- **Zimbabwe** reopened its land borders to fully vaccinated travelers for the first time since March 2020.
- The west African monetary union UMOA-Titres reported that **Mali** has defaulted on \$93 million of interest and principal loan payments since January due to sanctions pressure.
- **France and its European and west African allies** have announced they will shift the focus of their anti-terrorism campaign in the Sahel eastwards to **Niger** and south to the **Gulf of Guinea** after being pushed out of Mali by an uncooperative military junta.



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Asia

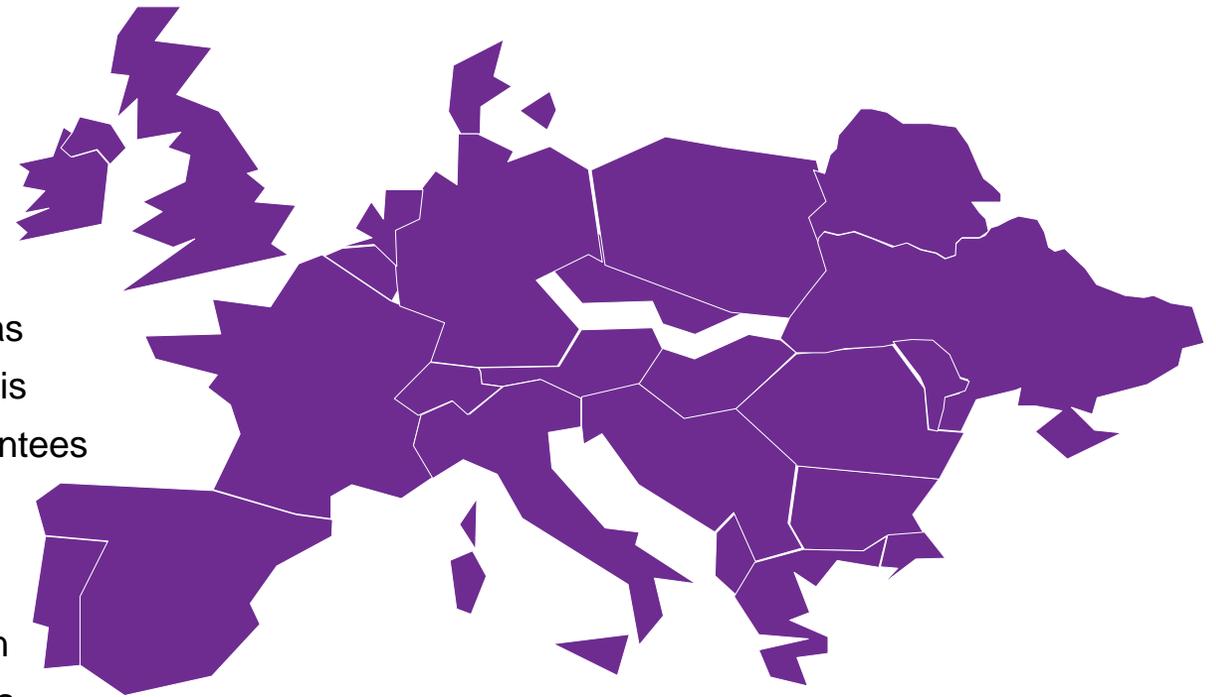
- A special Southeast Asian envoy to the crisis in **Myanmar** is seeking to visit the country next month and has asked the military junta to permit him to talk with a shadow government it has labelled "*terrorists*."
- **Taiwan** is tightening control of its hi-tech know-how, with "*economic spies*" stealing or leaking such secrets to mainland **China, Hong Kong and Macau** to face up to 12 years in jail and fines of up to NT\$100 million (US\$3.59 million).
- **Hong Kong's** coronavirus battle intensified as authorities reported new cases had multiplied by 60 times so far this month; testing is expected to become compulsory for everyone in the city from March. Patients are overflowing hospital capacity, with the ill huddled outside and in tents.
- **Singapore** will expand quarantine-free travel to **Hong Kong, Qatar, Saudi Arabia and the UAE** this month. Singapore will also streamline border measures for all travelers and remove an entry approval requirement for eligible residents who are long-term pass holders.
- **Japan** also will ease border controls, from March, increasing the number of people allowed to enter the country to 5,000 a day.



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Europe

- **Russia and Belarus** will end their joint military drills on Feb. 20 as previously planned, per Russian Foreign Minister Lavrov. Russia is expected to send a reply to the US on the issue of security guarantees today. **UK's** foreign secretary Liz Truss is in **Ukraine** today.
- More than 720,000 residents of rebel-held areas in eastern **Ukraine** who have received **Russian** citizenship and passports in a fast-track procedure widely seen as an attempt cement Russia's influence in the region. The **UK** is preparing to abolish its so-called "*golden visa*" regime within weeks, as Russian actions over Ukraine spurred renewed calls to tackle "*dirty money*" flooding into the UK.
- The sixth **European Union-African Union** summit started yesterday in Brussels. Leaders from both continents are gathering for two days to discuss their partnership, trade, investments, education and agriculture, with pandemic and the worsening effects of climate change expected to loom large. European banks and financial institutions have pledged €30 billion in investment for countries in sub-Saharan Africa on the eve of the summit.
- **Germany's** leaders announced plans to end most of the country's coronavirus restrictions by March 20. **Austria** announced that it will drop most of its restrictions on March 5, and **Switzerland** said most of its curbs will go this week.



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How do You Manage Political Risk?

Today, the economic and political changes affecting international business are more complex than ever. Conflicts, coups and the coronavirus pandemic continue to impact governments and people worldwide and shape the business landscape in 2021.

Dentons offers business leaders routine and one-off political risk assessments on specific interests. Many clients also retain our team of attorneys and former intelligence and military professionals, equipped with the latest big data analytics tools, deep substantive knowledge and extensive networks of contacts, to provide services, including:

- ❖ Political and country risk forecasts and analysis
- ❖ Market-entry assessments
- ❖ Legislative and government action forecast
- ❖ Comprehensive project analysis
- ❖ Coronavirus vaccine tracker and return-to-work monitoring
- ❖ Investment risk analysis

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



- **Lebanese** Hizballah leader Nasrallah said that the group has been producing drones and has the capability to turn rockets into precision missiles, a development that could further threaten **Israel** and pose increased risks for Lebanon's tumultuous internal politics.
- The IAEA announced that it is helping **Egypt and Saudi Arabia** develop nuclear power capabilities; the **US** has expressed concern before at nuclearization in the region in light of Iranian threats and is also concerned about reported **Saudi-Sino** nuclear cooperation.
- **France's** foreign minister said that a nuclear deal is "*days away*" but that the ball is in **Iran's** court; hours earlier, Iran had called the deal an "*empty shell*," casting uncertainty on a conclusion.
- **Kuwait's** interior and defense ministers resigned, citing overreach and continual interrogations by the country's parliamentary body as the reason.

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Americas

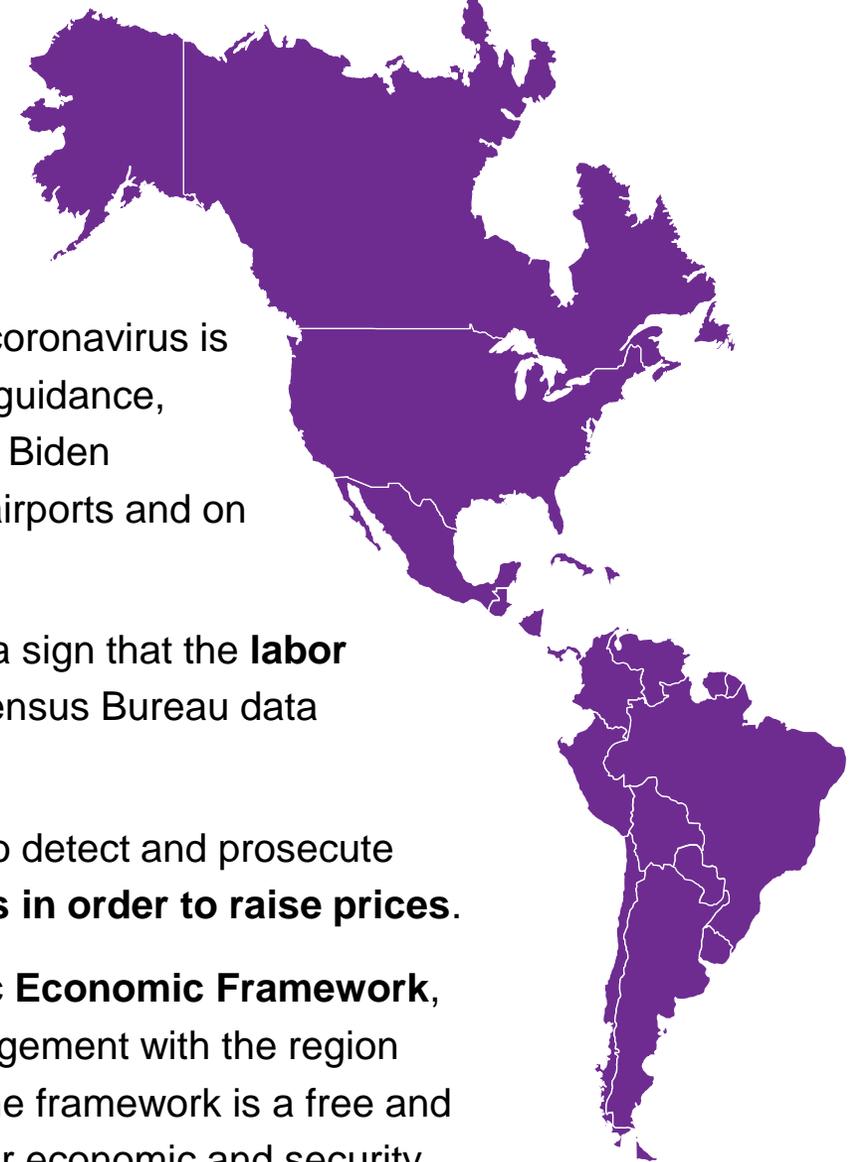
- **Canadian** inflation hit a fresh 30-year high at 5.1 percent, and the central bank said that they will “forcefully” handle inflation as needed, signaling rate hikes.
- **Canadian** police yesterday gave hundreds of protesters in Ottawa written warnings to leave their encampment in the capital’s downtown, a final move aimed at avoiding a major and potentially damaging confrontation.
- **Guatemalan** forces arrested two anti-corruption prosecutors amid a brewing political scandal; President Giamattei is accused of receiving illicit money to fund his 2019 campaign.
- Leftist former president Lula’s lead over rival and incumbent Bolsonaro in upcoming **Brazilian** elections narrowed from 14 points to 9 in the newest polls.



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Americas: US

- The US is moving to a new phase in its **COVID-19 public health policy**, where coronavirus is no longer considered a crisis; the CDC is expected to announce new COVID-19 guidance, including on when to wear **face masks**. Texas Attorney General Paxton sued the Biden Administration over a government mandate requiring that masks be worn at US airports and on airplanes and other transit modes.
- Fewer people say they are out of work for reasons having to do with COVID-19, a sign that the **labor market impact** of the Omicron variant of the virus could be receding, per new Census Bureau data released yesterday.
- The Justice Department's Antitrust Division and the FBI announced an initiative to detect and prosecute companies that take advantage of supply chain disruptions to **collude with rivals in order to raise prices**.
- The US has *"no intention"* of engaging with **China** in its forthcoming **Indo-Pacific Economic Framework**, which will be launched in early 2022 and is designed to partially fill a gap in engagement with the region after the US withdrew from the Trans-Pacific Partnership in 2017. The vision of the framework is a free and open region in which countries are free from coercion and are able to pursue their economic and security interests freely in an in an unhindered fashion.



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Pegasus Spyware Use by Police Sends Shockwaves Through Israeli System

By Dan Arbell, Special Advisor to Dentons

In the last year, Israeli technology firm NSO Group and its no-click Pegasus spyware made international headlines due to use of the spyware by authoritarian regimes around the world and the blacklisting of NSO by the Biden Administration. Last month, the spyware created new shockwaves when news broke that Israeli police had used the software against Israeli citizens, sending ripples through the Israeli political system, media and public opinion on potentially throwing a political life-line to former Prime Minister Benjamin Netanyahu.

In mid-January, the Israeli financial daily, *Calcalist*, first broke the news of the use of Pegasus by the police, but in early February it alleged spyware was used illegally (without a judge's warrant or in breach of a warrant) to draw information from phone devices of key witnesses in the criminal corruption trial of former prime minister and current Leader of the Opposition Benjamin Netanyahu. The former prime minister, his legal team and members of his Likud Party accused the police of using KGB-style methods and illegally tapping into phones, and demanded that the court declare a mistrial, an option which does not exist in the Israeli legal code and which could free Netanyahu from a politically damaging trial process.

A Muffled Police Response

Calcalist also published a list of 26 other Israeli figures, including senior government officials, mayors, businessmen, leaders of the anti-Netanyahu protest movement and even the former prime minister's son, whose phone devices were also allegedly spied on by the police. The report was initially denied by the police, but in the days that followed, senior police officials finally admitted that the Israeli police possesses the Pegasus spyware. This caused a huge public uproar, as politicians on the left, center and right urged the Bennett-Lapid government to establish a national inquiry commission into possible abuse of power by the police immediately.

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The Attorney General Forms an Investigative Committee

When *Calcalist's* first report came out in January, the Attorney General's (AG) office formed a committee to look into the police's use of the spyware. Earlier this month, Prime Minister Bennett decided to form another group of experts (which includes officials from Mossad and Shin Bet, Israel's national intelligence and internal security agencies) that will assist the AG's committee in its work to look into the allegations before making a final decision on a national inquiry commission.

The Netanyahu Trial

In the meantime, Netanyahu's lawyers have asked the court to postpone the trial until the AG's committee completes its inquiry. The court decided on a two-day pause in the trial which was extended to ten days at the prosecution's request. On February 16, the Israeli media reported that the committee's conclusions point to the illegal use of the spyware in one case only, that of a key prosecution witness - former Director General of the Ministry of Communications, Shlomo Filber. In light of this development, the public prosecution has recommended that the Netanyahu trial be resumed immediately. Netanyahu's legal team has announced that once the trial resumes it

will challenge the decision and demand a more in-depth investigation into the issue.

Netanyahu himself is pulling out all stops in efforts to halt his trial, demanding the establishment of a national inquiry commission, then walking back his demand, and finally calling again for its establishment. Furthermore, Netanyahu has urged supporters to attend a right-wing rally scheduled to be held in Tel Aviv on February 17, to protest police "illegal use of spyware," demanding an in-depth investigation into the police's "totalitarian methods."

Critics of Netanyahu find the former prime minister's allegations and demands strange to say the least, as Netanyahu (when in office) was promoting the sale of NSO's spyware to countries around the world and it under his watch that the police first began using the spyware in 2014. These critics view his actions as aimed solely at slowing down if not halting his trial, which has already been damaging to his political reputation. This latest delay came after years of fits and starts in which the trial was successfully delayed for Knesset elections and the coronavirus. Another target of his actions is Israeli public opinion, as the former PM is attempting to further discredit

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Israeli law enforcement agencies, mainly the police, which is already receiving low approval ratings in public opinion polls, in hopes of boosting his approval ahead of a new bid for the premiership.

Prior to the surveillance revelations, Netanyahu was on the verge of reaching a plea deal with the AG in late January in which he would have admitted to some of the criminal charges and in return receive a reduced sentence, but both sides have now retracted from this course of action. Netanyahu now hopes to secure a better plea deal in light of the hacking scandal. Much will depend, however, on prosecution witness Filber's testimony, as he is considered a key witness - perhaps the only one, that can point to a bribe taken by Netanyahu as PM and Minister of Communications. If the court decides to omit parts of Filber's testimony as a result of illegal tampering by police, the former prime minister will face a weaker corruption charge and a better chance at a more favorable plea deal. Any possibility of securing a lighter sentence, or of calling into question the integrity of the charges, could be a lifeline for Netanyahu, who is fighting for his political life in this corruption trial.

The Scandal's Implications

The domestic NSO scandal has sparked protests by human rights and civil rights NGOs, as well as public demands for stricter legal oversight and controls of police use of the spyware. The Israeli distributor Nokia phones, for example, reported that sales of so-called "dumb" phones, which are not vulnerable to Pegasus, were up 200% in the wake of the reporting of the hacks. In addition to sinking domestic opinion, there is no doubt that 2021 was a bad year for the NSO Group globally. The group's CEO resigned in late January and the current domestic scandal places NSO on shakier grounds, even if most of *Calcalist's* findings are proven wrong.

Adding to the mix was a report by Haaretz quoting NSO senior officers that indicated the use of Pegasus spyware by the Mossad to hack cellphones unofficially under the agency's previous director Yossi Cohen, who reportedly was a frequent visitor to NSO's headquarters in Herzliya. This is no surprise as NSO has worked closely since its founding with the Israeli Ministry of Defense, receiving licensees for its products' sales abroad. The blacklisting of

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Pegasus Spyware Use by Police Sends Shockwaves Through Israeli System

NSO by the Biden Administration has certainly complicated things for NSO and for the Israeli government. Japanese SoftBank, represented in Israel by Yossi Cohen, is reportedly looking into possibly purchasing NSO as a potential bid to distance the group from the government.

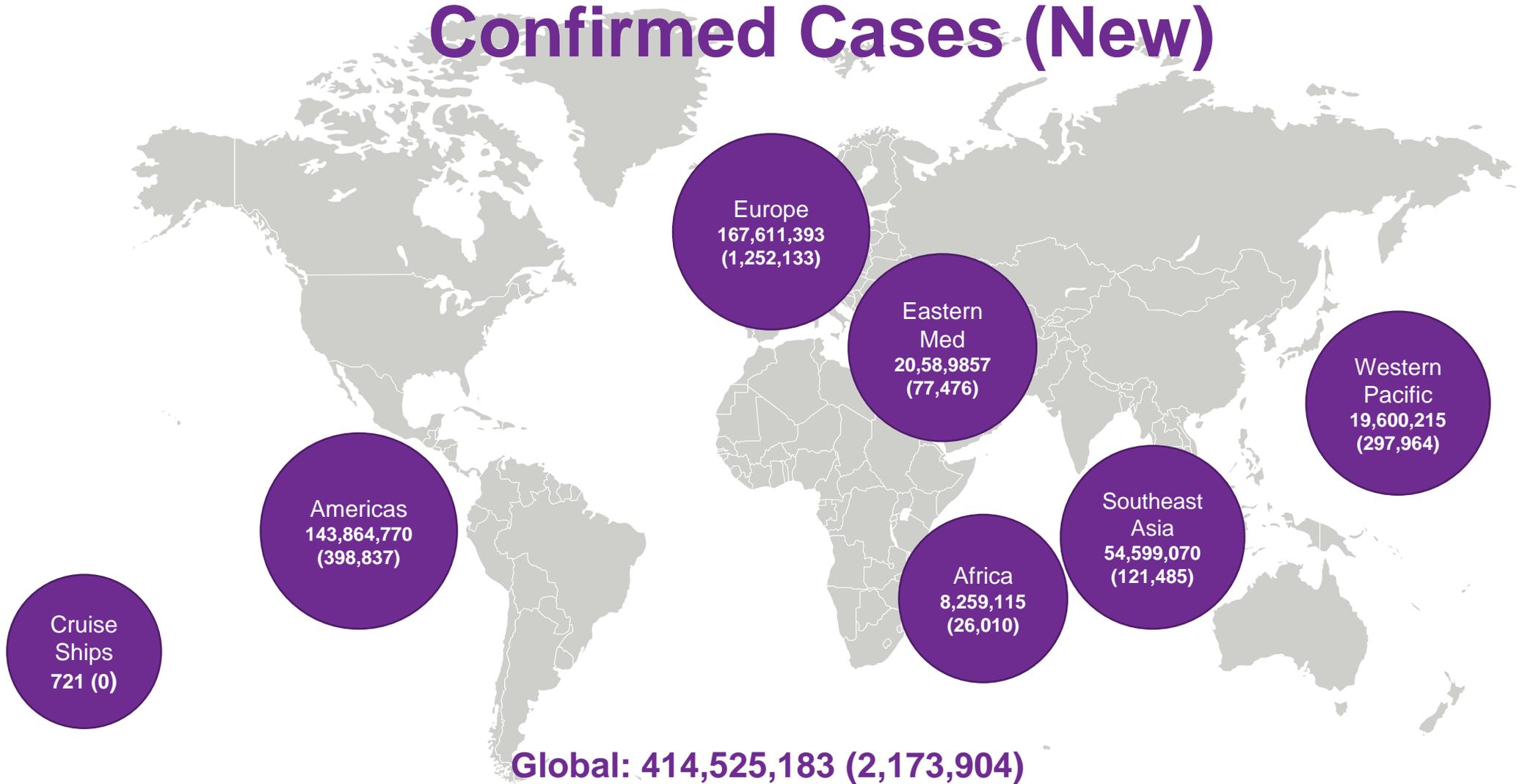
In terms of impact on Israeli domestic politics, if former Prime Minister Netanyahu is successful in leveraging the scandal in a plea bargain, his departure from politics could be reduced to several years, rather than seven years if the court rules he committed the crimes “with turpitude.”

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Coronavirus Condition Updates

As of 5:44 pm CEST on February 16, 2022

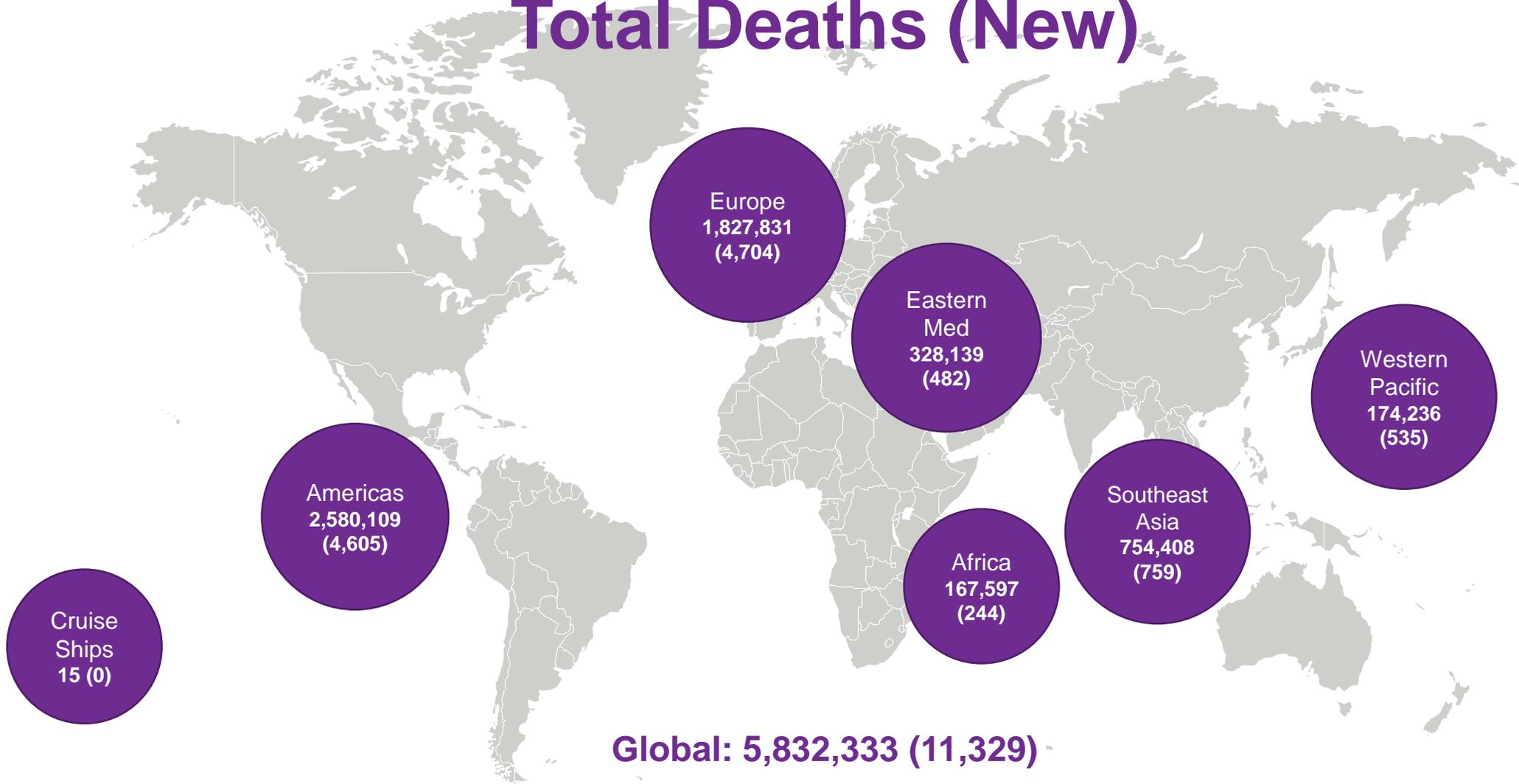
Confirmed Cases (New)



Reflects data as of 5:44 pm CEST on February 16, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:44 pm CEST on February 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.

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