

Dentons Flashpoint

Daily Global Situation Report

July 11, 2022

Global Situation Update: July 11, 2022

KEY TAKEAWAYS

Gazprom shuts Nord Stream 1 gas pipeline to Germany for annual maintenance.

Lithuania expands ban on transport of goods to Kaliningrad amid Russian threats of retaliation.

Japan's ruling coalition wins landslide election victory.

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WHAT WE'RE WATCHING

On Friday, the United Nations failed to extend an aid delivery mission for rebel-held areas of northwest Syria. While thirteen members of the council voted to extend the mandate, Russia vetoed the resolution.

The expiration of the Bab al-Hawa border crossing mandate and the halting of critical aid will likely exacerbate an already-dire situation. Food and fuel prices are high due to the war in Ukraine, and a drought has also been affecting the area. The loss of aid could cause thousands of Syrians to attempt to flee the country, worsening a refugee crisis caused by the decade-long civil war.



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

Global

Millions of Muslims around the world are celebrating the Islamic holiday of Eid al-Adha that marks the end of the hajj pilgrimage to Mecca in Saudi Arabia, as the easing of coronavirus restrictions allows worshipers to gather.

- Today, NATO member state Lithuania expanded restrictions on trade through its territory to Russia's Baltic exclave of **Kaliningrad**, as phase-ins on earlier-announced EU sanctions. Additional goods barred from Monday morning include concrete, wood, alcohol and alcohol-based industrial chemicals. Russia has warned of retaliation against the measures which the Kremlin calls a “blockade.”
- Hospital admissions are rising across Europe and the US as highly transmissible **COVID-19** variants drive infections, but the resulting illness is less likely to be severe or cause death than in previous waves.

Markets & Business

The US Treasury will terminate a 1979 tax treaty with Hungary in the wake of Budapest's decision to block the European Union's implementation of a new, 15 percent global minimum tax.

- International investors will announce 6.7 billion euros (\$6.82 billion) of investment in France at the fifth edition of President Macron's **Choose France summit** to be held in Versailles today.
- **Rogers Communications** request for antitrust approval for a C\$20 billion telecom merger is in danger after Friday's massive outage highlighted the risks of Canada's effective telecom monopoly.
- **Twitter Inc** plans to sue Elon Musk for seeking to back out of his \$44 billion takeover of the company.
- Chinese property developer **Ronshine China Holdings Ltd** has not made interest payments on its June 2023 and December 2023 notes, totaling \$27.9 million, in the latest blow to China's embattled property market.
- The US defense firm **L3Harris** has ended talks with blacklisted Israeli spyware company **NSO Group** to buy the firm's hacking tools following intelligence and security concerns raised by the Biden administration.

Environment, Sustainability & Governance

Temperatures in Spain hit 43C (110F) over the weekend, as the country experiences its second heatwave this year, as Europe roasts under climate change-induced extreme weather.

- Cheniere Energy Inc has asked the Biden administration to exempt it from limits on emissions of **cancer-causing pollutants**, arguing they would force the top U.S. exporter of liquefied natural gas to shut for an extended period and endanger the country's efforts to ramp up supplies to Europe.
- Private-equity firm Quinbrook Infrastructure Partners said it has won approval to build a data center worth A\$2.5 billion (\$1.7 billion) in Australia, that will eventually include one of the **largest utility-scale batteries** in the country.
- France's energy-intensive companies are speeding up contingency plans and **converting their gas boilers to run on oil** as they seek to avoid disruption in the event any further reduction in Russian gas supplies leads to power outages.
- Shell has invested 200 million reais (\$38.07 million) into Brazilian carbon credit developer Carbonext which runs **forest preservation projects** across more than 2 million hectares (4.9 million acres) of the Amazon Forest that are owned by companies seeking to capitalize on the carbon market.

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Africa

- Islamic State claimed responsibility for an attack on Thursday that targeted the town of Lume in eastern **Democratic Republic of Congo**, killing at least a dozen patients at a clinic overnight.
- **Nigeria's** presidential frontrunner Tinubu picked as his running mate a sitting Muslim senator and former governor of northeastern Borno state, the heartland of an Islamist insurgency that has killed and displaced thousands of people.
- **Zambia's** official creditors are expected to offer it financial assurances by the end of July, paving the way for the first debt restructuring under a G20 framework set up during the height of the COVID-19 pandemic.
- A mass shooting at a bar in Johannesburg's Soweto township has killed 15 people and left others in critical condition. **South African** police say they are investigating reports that a group of men arrived in a minibus taxi and opened fire on people in the bar late on Saturday night.



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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:

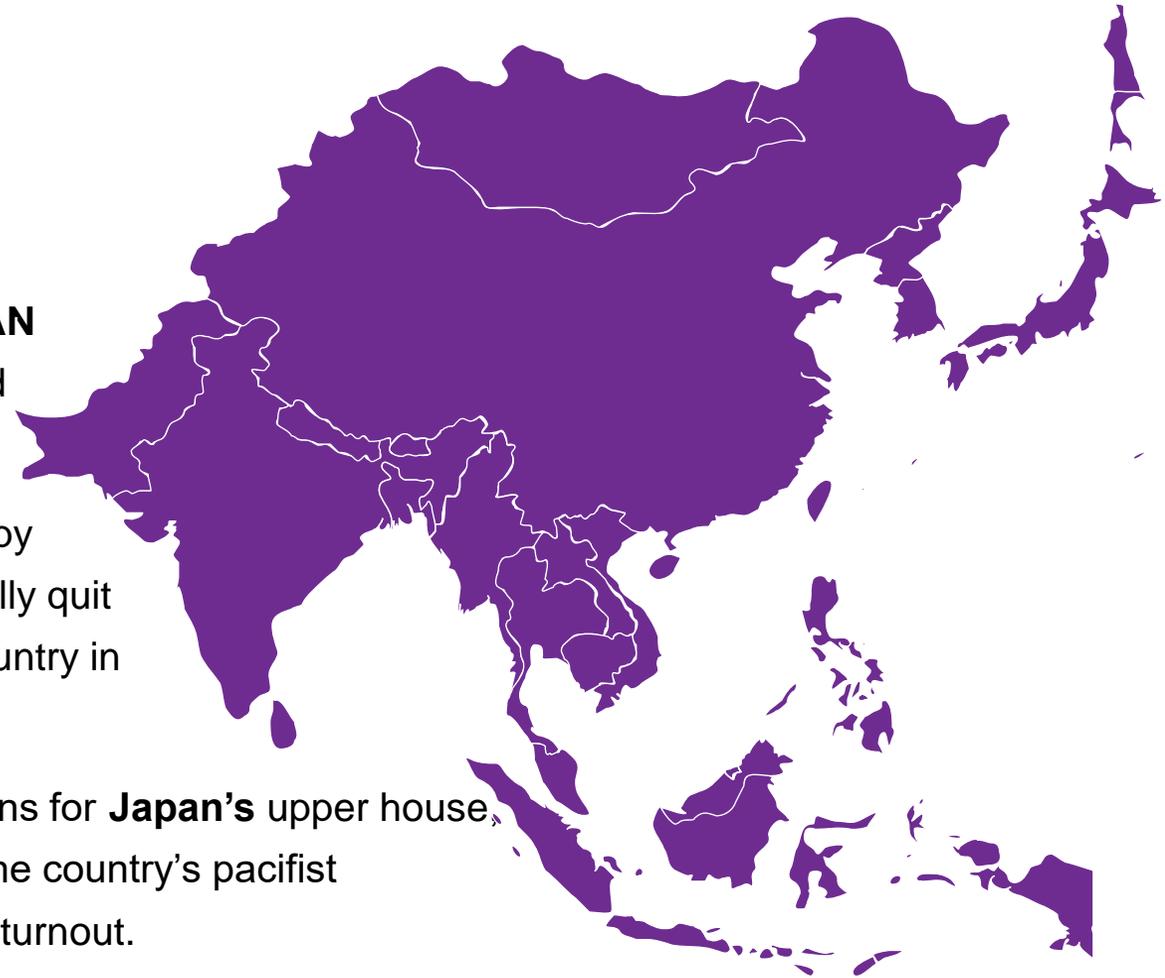
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

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

Asia

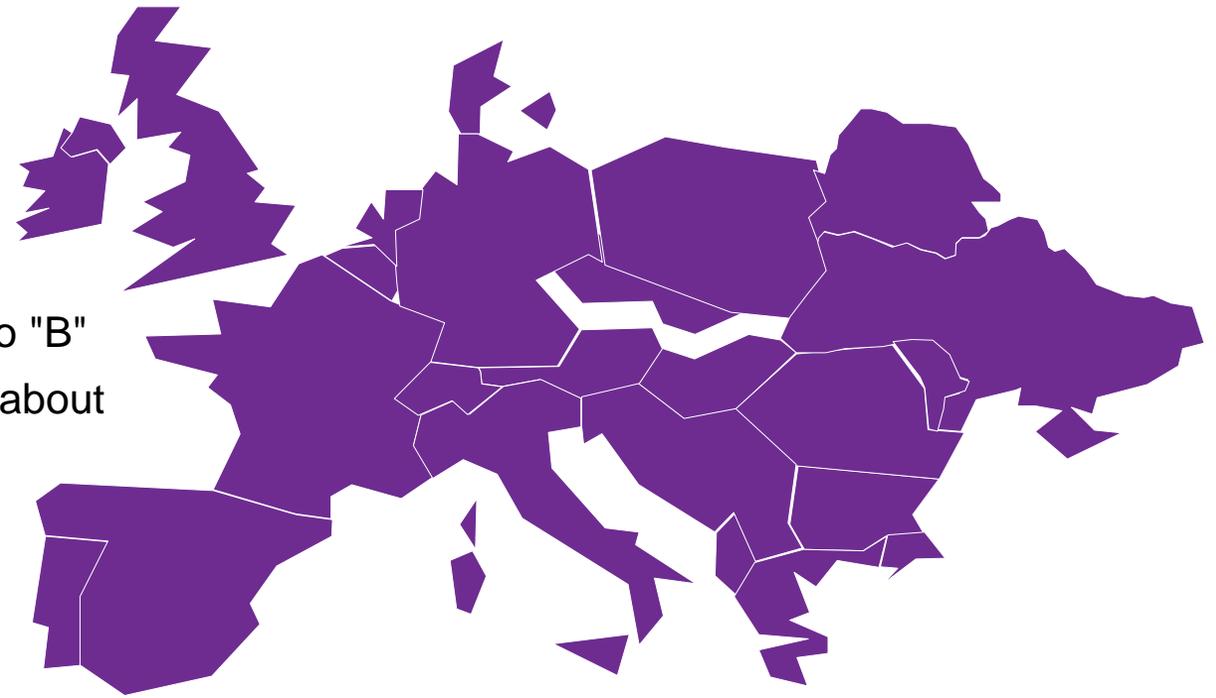
- **US** Secretary of State Blinken urged **China** and members **ASEAN** to put pressure on **Myanmar's** rulers to return to democracy and to hold it accountable to a peace deal agreed with the group.
- Leaders of **Sri Lanka's** protest movement said they would occupy the residences of the president and prime minister until they finally quit office, the day after the two men agreed to resign leaving the country in political limbo.
- Fumio Kishida's ruling coalition won a landslide victory in elections for **Japan's** upper house, presenting the government with a historic opportunity to revise the country's pacifist constitution after the assassination of Shinzo Abe boosted voter turnout.
- Eleven **Chinese** cities are now under full or partial lockdowns, affecting 114.8 million people, or 8.1 percent of the population. **Macau** shut almost all commercial and industrial businesses including its casinos for one week from today, in an effort to curb the COVID-19 outbreak.



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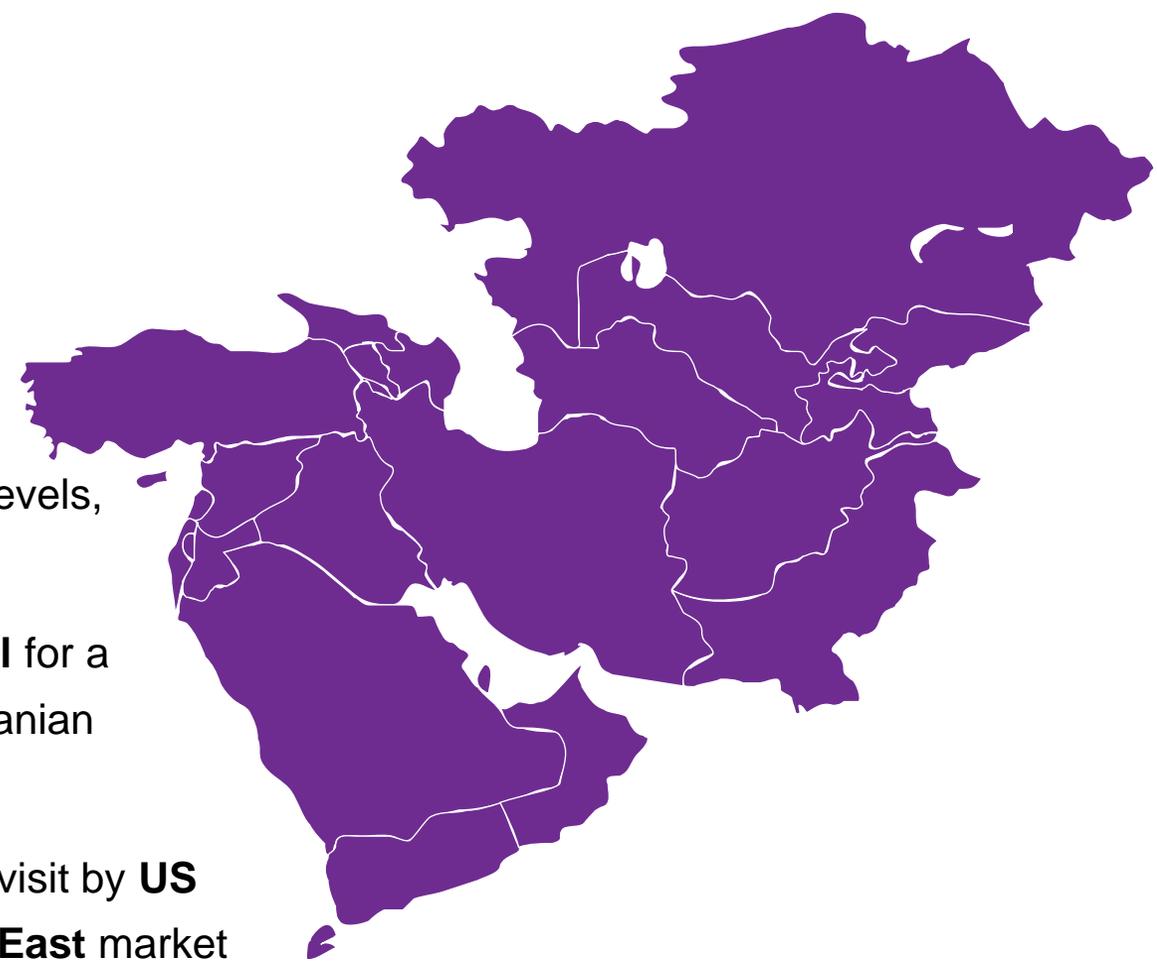
Europe

- Ratings agency Fitch downgraded **Turkey's** debt rating to "B" from "B+," citing increasing inflation and broad concerns about the economy, from a widening current account deficit to interventionist policies.
- An unprecedented 11 candidates have formally declared their intention to stand to be the next **UK** prime minister, with foreign secretary Liz Truss the latest to launch her bid.
- The biggest single pipeline carrying **Russian** gas to **Germany** began annual maintenance today, with flows expected to stop for 10 days, but governments, markets and companies are worried the shutdown might be extended because of the war in **Ukraine**.
- **Ukraine's** deputy prime minister on Sunday urged civilians in the Russian-occupied southern region of Kherson to urgently evacuate amid escalation of war. In its push to capture the Donbas, **Russia** has increased shelling, pummeling civilian infrastructure.



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Middle East



- **Iran** has escalated its uranium enrichment further with the use of advanced machines at its underground Fordow plant in a setup that can more easily change between enrichment levels, per the IAEA.
- **Iran's** foreign ministry warned that plans by the **US** and **Israel** for a joint defense pact with **Arab states** to counter the threat of Iranian drones and missiles would only increase regional tensions.
- **Israeli** Finance Minister Lieberman said he hoped a regional visit by **US** President Joe Biden this week will lead to a common **Middle East** market that includes **Saudi Arabia**.
- The **US** Biden administration is discussing the possible lifting of its ban on the sales of offensive weapons to **Saudi Arabia**, but any final decision is expected to hinge on whether Riyadh makes progress toward ending the war in neighboring **Yemen**.

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Americas

- Despite **Ukraine's** opposition, **Canada** will return a repaired turbine to **Germany** that is needed for the Nord Stream 1 gas pipeline and could help to ensure continued flows of energy until **Europe** can end its dependency on Russian gas, per Canada's minister of natural resources.
- **Argentine** President Fernandez called for unity over the weekend as protesters marched in the capital to the gates of the presidential palace, lambasting his government over soaring inflation and a crushing national debt.
- A local official from **Brazil's** leftist opposition Workers' Party was shot dead on Saturday by an individual shouting support for right-wing President Jair Bolsonaro, as pre-election violence increases.
- The **US** announced visa restrictions against 28 **Cuban** officials that it said were implicated in a crackdown on largely peaceful protests in Cuba nearly one year ago.



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Americas: US

- Strong labor demand stoked another strong month of **US jobs gains**, defying expectations for a sharper slowdown and giving the Federal Reserve greater leeway to continue raising interest rates to stamp out soaring inflation.
- President Biden said the Supreme Court decision overturning the right to an **abortion** was an exercise in "*raw political power*" and signed an executive order on Friday to ease access to services to terminate pregnancies.
- The publisher of a youth shooting magazine and several **gun-rights groups** filed a lawsuit on Friday challenging a recently enacted California law banning the marketing of guns to minors by manufacturers and others in the firearms industry.
- A **wildfire** threatening some of the world's oldest giant sequoia trees in California's Yosemite National Park expanded five-fold over the weekend.



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The Future of Cities: Examining Urban Flight

By Matthew Gardell

During the COVID-19 pandemic, many people moved to rural and suburban communities, taking advantage of the ability to work from home. Urban flight has major economic, social and environmental consequences. Some businesses are relocating their headquarters in response to shifting population centers. However, a new UN report concludes that pandemic-accelerated urban flight may be short-lived and will not stop the overall trend towards global urbanization.

Over the course of the last few decades, an increasing share of the worldwide population moved from rural to urban areas. The UN estimates that by 2050, 68 percent of the world population will live in urban areas, with rapid urbanization in Asia and Africa contributing to this growth. However, during the COVID-19 pandemic, many people moved from big cities to suburban or rural areas. In the US, UK and Japan, for example, government agencies reported that population growth in major cities slowed. In the US, the height of domestic migration out of large cities occurred during the first pandemic year. According to the US Census Bureau, from the period July 1, 2020 to July 1, 2021, there was an absolute decline in the aggregate size of the nation's 56 major metropolitan areas. Urban core counties such as Brooklyn, Queens, Suffolk County (Boston), St. Louis County and

Alameda County (Oakland) registered some of the biggest population losses (although to be sure, not all of these residents moved to rural areas). Another pandemic phenomenon has been the growth of small or mid-sized cities. Cities such as Charlotte, NC, Sarasota, FL, and Midland, TX, (all in the US Sun Belt) experienced growing population rates. Despite these trends, however, some population researchers consider urban flight an “urban myth,” and most analysts assess that short-term population shifting will not impact the overall global trend towards urbanization.

Reasons Behind Urban Flight

There are a multitude of reasons driving urban flight that can be instructive for business leaders, as many corporations are based in

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large cities and are competing in a tight labor market. One major factor has been increased flexibility at work as companies shifted to largely remote work in 2020. Many employees realized they could be as productive working from home. Some companies have shifted to permanent remote work, allowing employees to move permanently into rural and suburban areas. Personal finance is another key factor, as the financial stress of living in a big city during the pandemic took its toll. Rising inflation and high housing costs were particularly pronounced in big cities. Big cities that have experienced population losses - such as New York and Washington, DC - have particularly high rent and housing costs. Rising crime and gun violence could also be a motivating factor for some residents: at least 12 major US cities broke annual homicide records in 2021. Another factor is health-related reasons, as new residents may prefer open spaces in rural areas over the high population density in cities. This could be a continuing trend as the COVID-19 pandemic still poses risks, and new viruses and variants may emerge. Some former urban residents also cite that moving to more rural areas allows them to seek more entrepreneurial opportunities. This could be related to the pandemic, as many workers have reevaluated their careers, sought new opportunities or lost their jobs.

Effects on Businesses

Changing population patterns affect business operations, particularly when leaders wrestle over where to base their company headquarters. California has been particularly affected by shifting population patterns. California-based companies moved out of the state at an accelerating rate last year. It is not necessarily the case that companies are moving to rural areas, for example, Tesla moved its headquarters to the booming city of Austin, TX. Companies are responding to several factors, among them availability of the local talent pool and the ability to attract new employees to their base of operations. Many tech workers are able to work from home indefinitely and have moved out of places like the San Francisco area, forcing companies to think differently on issues like recruiting. One possible broader effect of shifting domestic migration could be the dispersal of the “knowledge economy” away from clustering in big city metropolitan areas.

In some ways, urban flight dovetails to the issue of the return to office decisions companies are continuously making. Companies calling back workers to offices in big cities have to think about incentives when workers are increasingly split on where they prefer

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to live. On the other hand, companies are also redesigning their suburban headquarters for more of a “big city” experience after urban flight - In Tysons Corner, outside of Washington, DC, Capital One is redesigning its corporate campus to include shopping, a rooftop park and a performing arts hall. Companies are no longer beholden to the idea that their headquarters must be in a megacity, and they seek to make investments in their suburban properties to capitalize on the cheaper real estate and attract new workers.

Future Trends

Despite widespread analysis on pandemic-era urban flight, however, UN-Habitat’s recently-released World Cities Report assesses that pandemic-induced urban flight is a temporary phenomenon and will not alter the overall trend towards urbanization and urban population growth. According to UN Under-Secretary-General Maimunah Mohd Sharif, urbanization remains a “powerful 21st century mega-trend.” Sharif added that urbanization and cities can serve to lift people out of poverty, but coherent policy is needed to make “cities more inclusive, greener, safer and healthier.” The urbanization and poverty correlation is a trend worth watching, as high levels of inequality and gentrification in megacities are often push factors for some residents

to move out of them. According to research conducted by University of Pennsylvania Professor Jessica Handbury, US urban flight is more of an “urban myth” that will not diminish the attraction or vibrancy of the large city. Cities such as San Francisco and New York City have experienced some population loss, but once businesses recover from the pandemic, cities will once again become an attractive destination, particularly for college graduates.

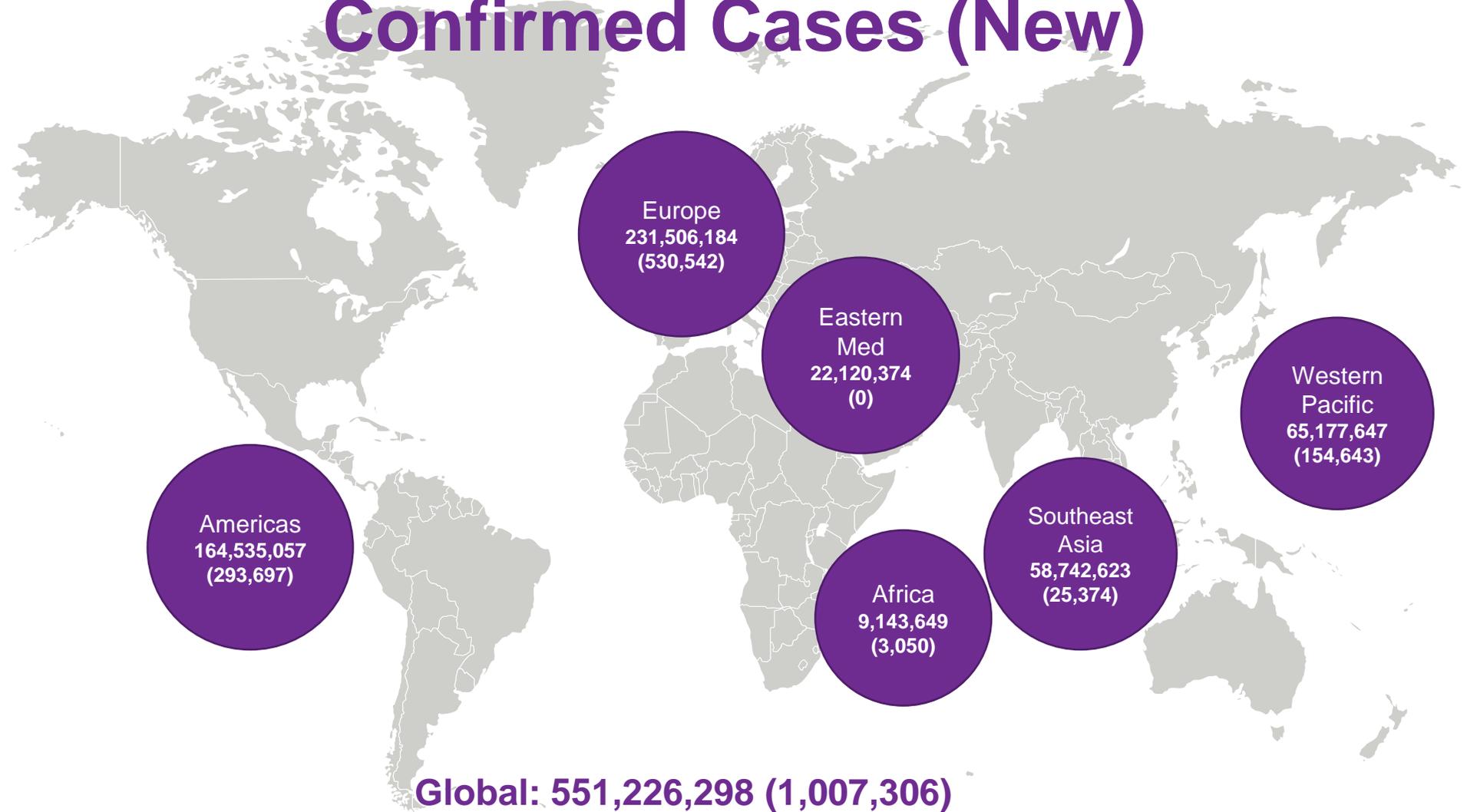
One trend that seems likely to continue, however, is the growth of US Sun Belt cities, which are actually driving urban growth in the US and have become attractive options for many residents. According to investment firm Clarion Partners, Sun Belt cities are expected to grow at a faster pace than non-Sun Belt cities over the next decade. Therefore, perhaps the more salient trend is not any large-scale urban flight, but intra-urban flight, particularly to less expensive, more temperate small or mid-sized cities in the Sun Belt. For business leaders, shifting population patterns to the Sun Belt may mean considering headquarters relocation and changes to recruiting practices. Shifting domestic migration and pandemic-induced urban flight is a trend worth watching for businesses, but future vibrancy of the large city should not be written off given the overall global trend towards urbanization.

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Coronavirus Condition Updates

As of 5:33 pm CEST on July 8, 2022

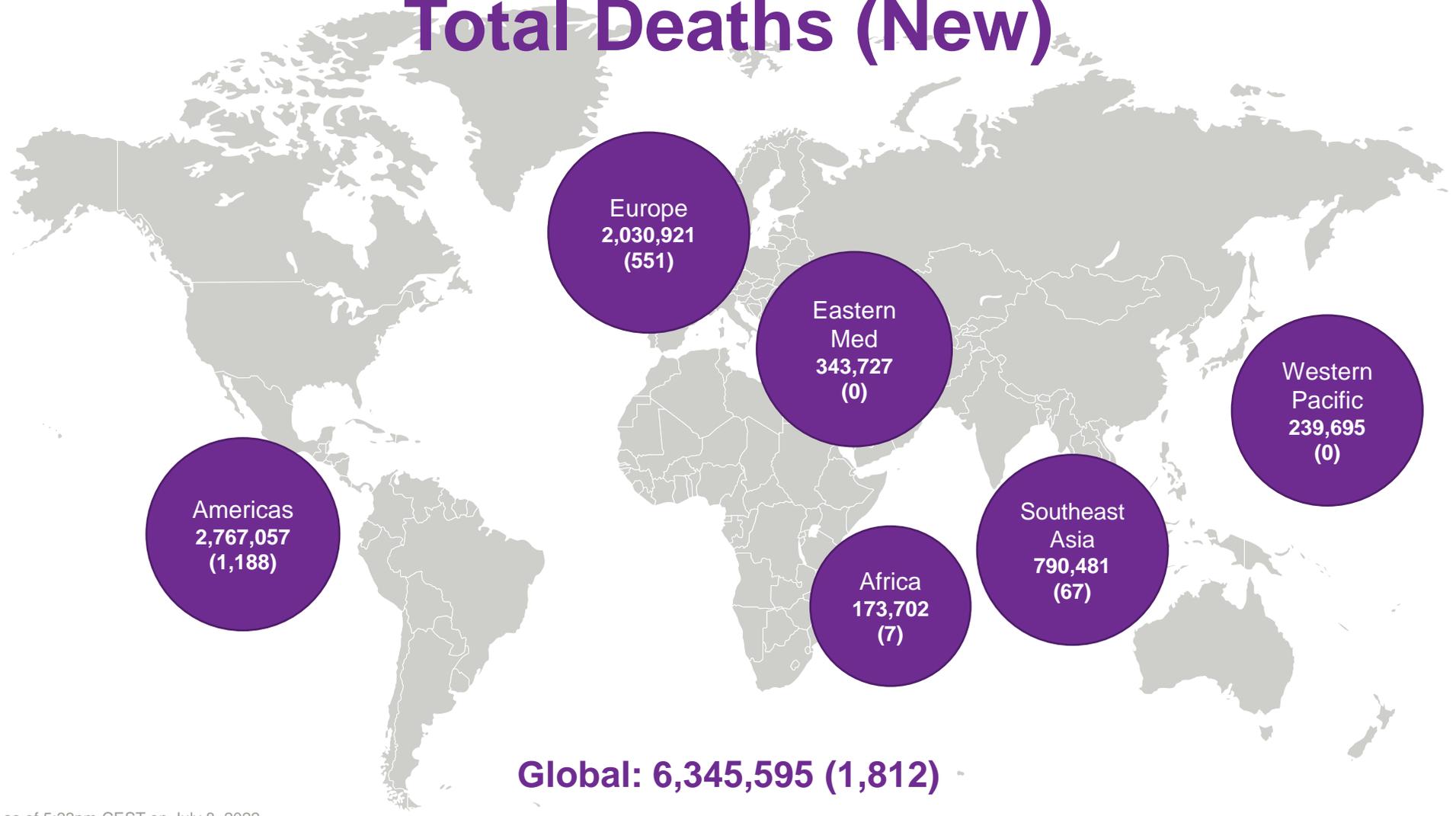
Confirmed Cases (New)



Reflects data as of 5:33pm CEST on July 8, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:33pm CEST on July 8, 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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