

Dentons Flashpoint

Daily Global Situation Report

March 9, 2022

Global Situation Update: March 9, 2022

KEY TAKEAWAYS

Russia threatens retaliation against US ban on Russia oil and gas.

Chernobyl nuclear power plant is no longer transmitting data to the UN's atomic watchdog.

The IMF has approved \$1.4 billion in emergency support for Ukraine.

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

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WHAT WE'RE WATCHING

Today, South Korea elects a new president for a single five-year term. Ruling party candidate Lee Jae-myung from the liberal Democrats is in a close race with opposition conservative candidate Yoon Seok-youl. Lee is considered 'South Korea's Bernie Sanders' and, if victorious, is likely to emphasize worker welfare and lean towards tougher antitrust regulation. If Yoon succeeds, he will be critical of government intervention in the economy.

The election will also impact South Korea's foreign policy over the near future. Amid the raging war in Ukraine, national security is a major political issue for Koreans. The liberal candidate favors dialogue with North Korea, despite recent missile launches, while the conservative candidate favors a hardline stance toward Pyongyang.



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Global

The Chernobyl nuclear power plant is no longer transmitting data to the UN's atomic watchdog, the agency said yesterday, as it voiced concern for staff working under Russian guard at the Ukrainian facility.

- Western powers and Russia have entered into a new, **unstable escalatory phase** in the confrontation over Russia's invasion of Ukraine.
- The decision by the US to impose a ban on Russia oil and gas products strikes at the heart of Russia's economy, and a sector that had previously been avoided because of the impact sanctions would have on **global energy prices** and global economic stability.
- **Russia will respond**, both with its own economic sanctions and a hardening of its political position and doubling down in the battlefield.
- Ukraine has confirmed a **new ceasefire agreement** with Russia to allow evacuations from several bombarded areas, from 9:00am to 9:00pm local time today. Thousands of people left the eastern city of Sumy on Tuesday, but another attempt to evacuated people from Mariupol failed.

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Markets & Business

As evidence of growing economic impact in the west, the surge in European gas prices on the escalation of the conflict in Ukraine has forced Norwegian fertilizer company Yara to reduce production at two plants in Italy and France.

- In an all-cash deal, **Google** will pay \$5.4bn to acquire **Mandiant**, one of the best-known sleuths that track sophisticated cyber attacks,
- **Nickel prices** in China hit a record high on Wednesday after trading of the metal was suspended in London. The London Metal Exchange will not resume nickel trading this week.
- The **rouble** weakened in Moscow and offshore on Wednesday, hitting new record lows against the dollar and euro in Moscow.
- **European shares** rebounded this morning as investors picked up beaten-down stocks following a recent rout in the market that was sparked by fears about growing Western sanctions on Russia.
- **Bitcoin** jumped above \$42,000 amid a sharp rally, driven by optimism about a US overhaul of crypto oversight.”

Environment, Sustainability & Governance

A group of the world's top oil companies, including Saudi Aramco, Shell and ExxonMobil, announced a pledge to cut fugitive methane emissions to nearly zero by 2030.

- Investors managing \$2.4 trillion are calling on Credit Suisse to take tougher climate action, including cutting its exposure to **fossil fuel assets**.
- Kawasaki Heavy Industries (KHI) and other Japan-based firms said on Tuesday that a pilot project to transport hydrogen produced from brown coal in Australia to Japan in the world's **first liquefied hydrogen tanker** had proven technically feasible.
- The Science Based Targets initiative (SBTi), a key organization that tracks global emissions progress and corporate climate pledges, will no longer track or verify **emissions pledges by fossil fuel companies**, as it develops better methodologies to track fossil fuel emissions pledges.

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Africa

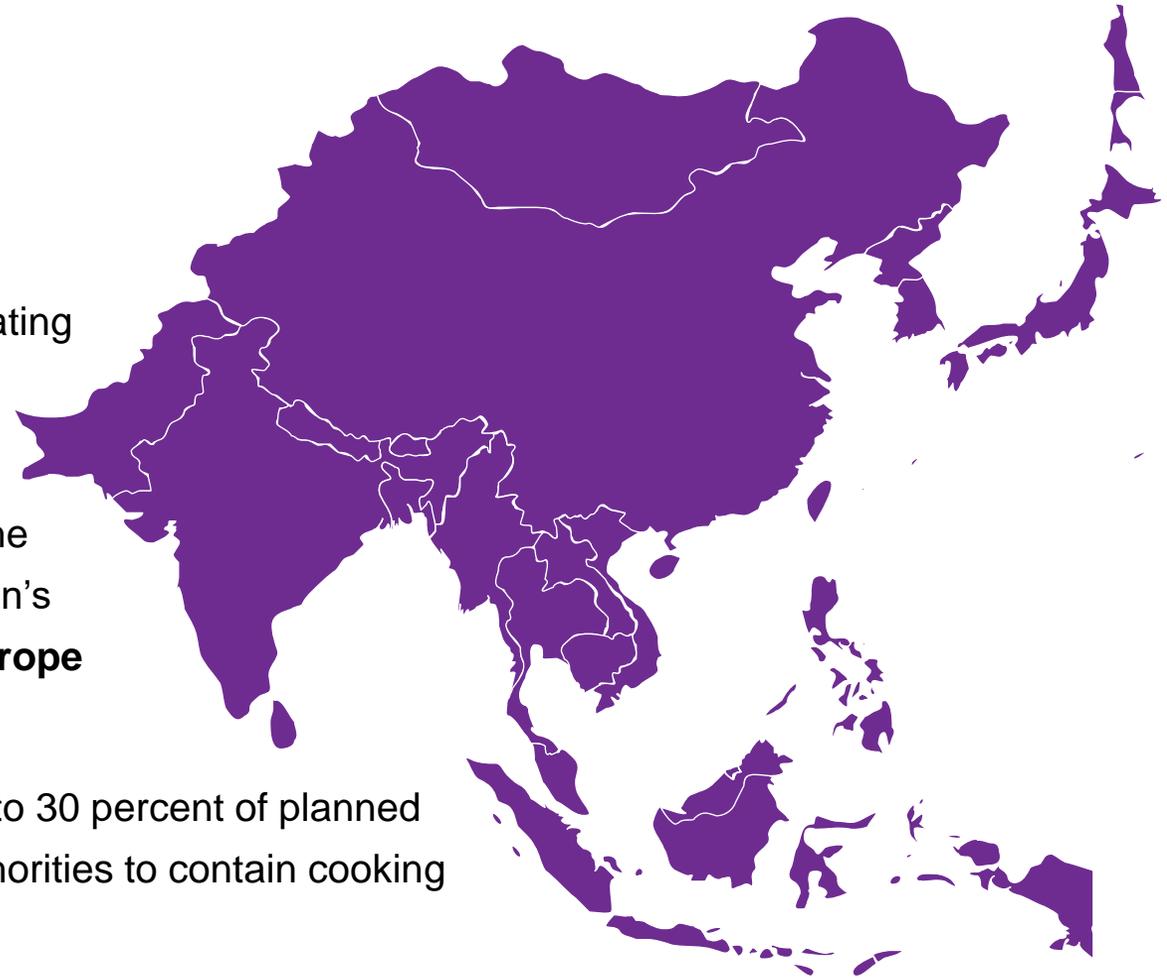
- **Mauritania** accused the **Malian** army of disappearing its citizens, a war crime, at the border.
- **Kenya** has reportedly signed an agreement with Moderna to establish the company's first vaccine manufacturing plant on the continent.
- The son of **Uganda's** president announced that he had retired from the military, widely seen as a move setting him up to run for president in 2026.
- **Sudanese** officials announced that local banks will begin setting their own local currency exchange rates without central bank intervention, potentially a bid to stop black market depreciation of the Sudanese pound.



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Asia

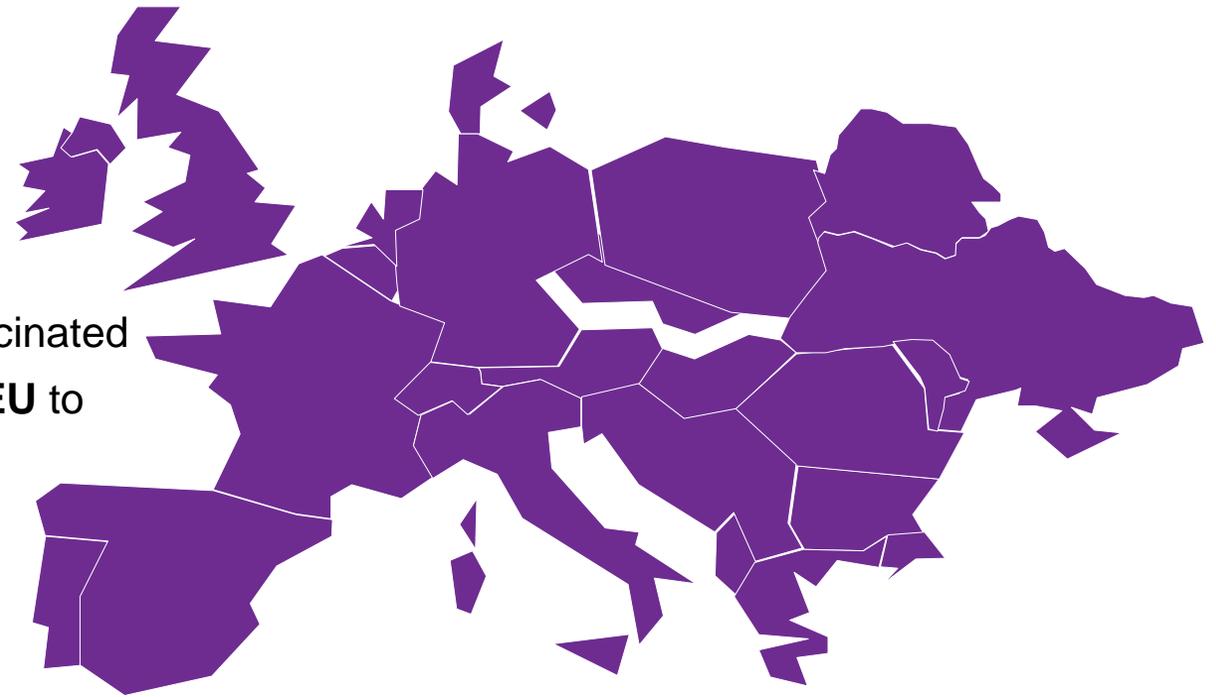
- **Australia** declared a national emergency in response to devastating floods along its east coast, and designated catastrophe zones in towns swept away by swollen rivers.
- **Japan's** economic rebound was softer than initial estimates in the final quarter of 2021, revised data showed, suggesting that Japan's economic recovery from the pandemic is weaker than that of **Europe** and the **US**.
- **Indonesia** will expand its mandatory domestic sales of palm oil to 30 percent of planned exports, up from the current 20 percent, as part of efforts by authorities to contain cooking oil prices,
- **South Koreans** started casting their votes today to choose a new president, in what is expected to be one of the tightest races in the country's democratic history.



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Europe

- **Austria** will suspend its mandate for all adults to get vaccinated against COVID-19. The government was the first in the **EU** to require vaccination against the disease.
- On International Women's Day, the **European** Commission unveiled plans to harmonize the criminalization of violence against women across the 27-nation bloc.
- CERN, the **European** nuclear research organization that hosts the world's largest particle accelerator in Geneva, suspended Russia's observer status in response to its invasion of Ukraine.
- The International Monetary Fund has approved \$1.4 billion in emergency support for **Ukraine** to finance expenditures and shore up the balance of payments.



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

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

Middle East



- **Saudi Arabia's** advisory council announced the approval of a new personal status law that appears to liberalize some marriage laws in the country, including allowing for annulments in some cases and prohibiting a woman's guardian from objecting to a suitable marriage. The move come amid long-term efforts by the monarchy to reduce the influence of conservative clerics in the Kingdom.
- **Jordanian** Prince Hamza has reportedly apologized to his brother, King Abdullah II, and pledged loyalty to the monarchy in a letter for allegedly fomenting an attempted coup last year; Hamza has been in his family's custody for almost a year.
- **France** warned that more delays to the **Iran** nuclear deal negotiations could endanger the deal as talks remained mired in uncertainty.

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Americas

- **Brazil's** foreign minister clarified that the country will not take sides in the **Russo-Ukrainian** war, saying that the stance is “*impartiality not indifference.*”
- **Peruvian** lawmakers formally launched a second attempt to impeach President Castillo, alleging that he is “morally unfit” for office; the socialist Castillo has struggled to govern amid tensions with the conservative-held legislature.
- Two Americans who were arrested in **Venezuela** for corruption and spying have been released following the country’s first talks with **US** officials since 2019.
- **China** Three Gorges Corp. is exploring an initial public offering of its **Brazilian** unit as the Chinese energy giant seeks to raise funds for expansion in **Latin America.**



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Americas: US

- **COVID long-haulers** face grueling fights for disability benefits as patients and doctors report that the health system is unprepared for novel claims stemming from the pandemic.
- According to a new report by its inspector general, the Department of Homeland Security's intelligence office was aware in advance about threats connected to the January 6, 2021, **attack on the Capitol**, but failed to warn other law enforcement offices until it was too late.
- Four out of five Americans supports an end to US imports of Russian energy as a response to Russia's invasion of Ukraine, despite surging **gasoline prices**, according to a Reuters/Ipsos opinion poll.
- Congressional leaders reached a bipartisan agreement early this morning to allocate \$13.6 billion in emergency aid for **Ukraine** and provide \$15.6 billion to fight the **COVID-19 pandemic**. The legislation will also fund the government through September 30.



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Russia, Sanctions, and Cryptocurrency

By Alexander Lucaci

The US Treasury Department and its counterparts in Europe are increasingly concerned that cryptocurrencies may be used to evade sanctions and other restrictions imposed as a result of Russia's invasion.

The Biden Administration is closely coordinating with international partners to create a sanctions regime on Russia without parallel in history. On Tuesday, the White House announced that the US would ban imports of Russian oil, gas, and energy, targeting a vital artery of the Russian economy. Although Russian oil makes up less than 3 percent of US imports, these new sanctions represent an important political statement and signal Washington's seriousness in isolating Moscow from the international community. The global business community has responded to these signals, with key multinationals closing down operations within Russia at a rapid pace. Russian GDP

is expected to collapse over 35 percent in Q2, with virtually zero expected recovery throughout 2022.

The US Treasury Department and its counterparts in Europe are increasingly concerned that cryptocurrencies may be used to evade sanctions and other restrictions imposed as a result of Russia's invasion. Some blockchain analysis firms assess that Russia ranks 18th in the world in cryptocurrency, with an estimated \$214 billion worth of crypto residing in Russian digital wallets. Furthermore, Russia ranks third among all countries at bitcoin mining, an energy-intensive process facilitated by the country's low domestic oil & gas prices. These numbers are surprising, considering that Russia's central bank was proposing a ban on cryptocurrency as recently as January 2022; however, since the invasion Moscow has announced new regulations to encourage the sector's growth. Both Washington and Brussels have recognized the potential for the Kremlin to utilize cryptocurrency as a tool for sanctions-busting and are reacting accordingly. The Biden Administration is readying an executive order on cryptocurrency that will direct federal agencies to investigate and develop policies and regulations on the digital currencies, which

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Russia, Sanctions, and Cryptocurrency

includes the State Department making sure that American laws align with those of US allies.

While the US government has shown that it has the capabilities to track and seize cryptocurrencies, the onus may fall on the nascent crypto industry to regulate itself and comply with international sanctions. Coinbase, one of the largest crypto trading platforms in the US, announced on Monday that it has blocked over 24,000 Russia-linked addresses that it believes were linked to illicit activity. Binance, the world's biggest digital currency exchange is reported to have adopted a proactive approach towards investigating and blocking accounts of those who are known to be targeted by sanctions. Although the volumes of bitcoin traded using the Russian ruble has surged to its highest ever point, the fact remains that significant barriers remain to using cryptocurrency as a sanctions evasion tactic or entry into the global marketplace. These include high volatility among key cryptos such as Bitcoin and Ethereum, elevated usage fees attached to the blockchain technology, and the difficulty in converting crypto into hard cash to avoid frequent price cashes.

Cryptocurrencies have become a relatively mainstream asset class over the past several years, in some cases leaving governments struggling to adapt to their rapid adoption by retail investors. This no longer appears to be the case as regulators and law enforcement have proven to be adept in identifying criminal activity on the blockchain and enforcing securities laws already on the books. Although digital currencies are not yet officially classified as securities, a wide range of US law enforcement agencies and their international counterparts are already treating them as such and are going after bad actors both domestically and abroad. The widespread use of cryptocurrencies was once thought to be a key loophole in sanctions compliance – this does no longer seem to be the case, especially with regulatory agencies focused on Russian malign activity.

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Ukraine War Update: Sanctions Escalation, Mariupol “Apocalyptic,” Fighter Jets Stalled

“Addressing the British parliament, Ukrainian President Zelenskyy gave a Churchillian speech, saying Ukraine will fight “on to the end.”

Political Developments

Western powers and Russia have entered into a new, unstable escalatory phase in the confrontation over Russia’s invasion of Ukraine. The decision by the US to impose a ban on Russia oil and gas products strikes at the heart of Russia’s economy, and a sector that had previously been avoided because of the impact sanctions would have on global energy prices and global economic stability. Russia will respond, both with its own economic sanctions and a hardening of its political position and doubling down in the battlefield.

US intelligence officials, testifying before Congress yesterday, assessed that President Putin was determined to press his invasion forward despite mounting casualties, global sanctions and efforts by Western nations to isolate the Kremlin. They assessed that Russia’s assault has been slowed by unexpected resistance by Ukrainian forces, and that it was now uncertain if President Putin would

proceed with a “maximalist” strategy to try to capture all of Ukraine or would settle for something short of that. Director of National Intelligence Haines told the committee that Moscow had probably been surprised by the extent of Western sanctions. On Putin’s state of mind, the US assesses he is a rational actor.

Ukraine and Russia agreed to a new ceasefire to let civilians flee besieged cities, after days of mostly failed promises that have left hundreds of thousands trapped without access to medicine or fresh water. Conditions in Mariupol, a southern port totally surrounded by Russian troops for more than a week, are alarming, with the Red Cross describing the situation faced by civilians as “apocalyptic”.

Six humanitarian corridors will be opened from 9am till 9pm local time: Enerhodar to Zaporizhzhia, Sumy to Poltava, Izyum to Lozova, Mariupol to Zaporizhzhia, Volnovakha to Pokrovsk and Irpin and other small towns outside Kyiv to the capital itself.

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Ukraine War Update: Sanctions Escalation, Mariupol “Apocalyptic,” Fighter Jets Stalled

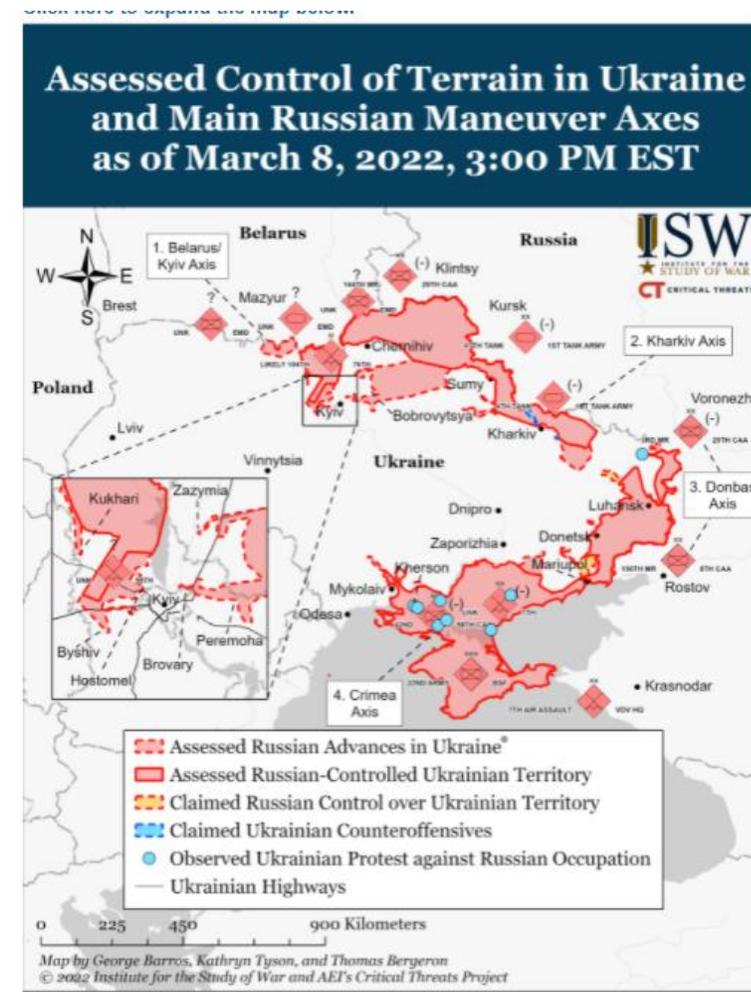
Addressing the British parliament, Ukrainian President Zelenskyy gave a Churchillian speech, saying Ukraine will fight “on to the end.”

The number of Ukrainian refugees fleeing conflict at home surpassed 2 million on Tuesday, according to UN figures.

Battlefield Developments

Russian forces continued concentrating in the eastern, northwestern, and western outskirts of Kyiv for an assault on the capital in the coming 24-96 hours. There are reports of the Wagner Group (Russian private military contractor – mercenaries -- normally deployed externally) in the western outskirts of Kyiv. The situation in eastern Ukraine and southwestern Ukraine remained largely unchanged in the past 24 hours, as the Russian army continued to besiege the cities of Kharkiv, Chernihiv, Sumy and Mariupol which have all been subjected to heavy Russian shelling.

The effort to transfer fighter jets to Ukraine have bogged down as neither Poland nor the US wants the risk of transferring the military craft to be considered a belligerent act by Russia and pretext to expand the war. The Kremlin has warned western countries against providing combat aircraft to Ukraine, describing the proposal as a “potentially dangerous scenario”.



Source: Institute for the Study of War

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Ukraine War Update: Sanctions Escalation, Mariupol “Apocalyptic,” Fighter Jets Stalled

Economic and Commercial Developments

Yesterday, US President Biden has banned imports of Russian oil and gas into the US, a significant escalation for economic sanctions on Moscow. The UK will also impose a ban, but in a phased fashion in order to cushion the impact. The EU plans to cut EU dependency on Russian gas by two-thirds this year.

The ban is far less disruptive to global markets than a full international embargo. While oil is a fungible market, Russia in theory will just need to sell to other buyers. However, energy companies are becoming risk adverse to taking delivery of seaborne Russian crude, fearing reputational and legal problems. Shell’s recent decision to buy a heavily discounted cargo of Russian oil, which triggered a grass roots campaign of shaming, is just one example of how this risk can impact companies.

The risk of sanctions escalation is high. Russia’s deputy prime minister Alexander Novak, responding to the new ban, said Russia had “every right to take a mirror decision.” Russia could cut gas deliveries to Europe through Nord Stream 1 pipeline.

The US could also further escalate by imposing secondary sanctions on Russia oil, putting refineries at risk of being drawn further into the fray. Chinese and Indian companies, who have been trying to sit on the fence to preserve business opportunities with both Russia and the West, could see new measures focused on them.

The EU could force Russia’s Gazprom to sell its gas storage facilities in the bloc to increase both EU’s control over storage and punish Russia.

Japan may consider pulling out of energy projects jointly developed with Russia in Sakhalin, the country’s trade minister said on Wednesday.

Chinese companies that defy US restrictions against exporting to Russia may be cut off from American equipment and software they need to make their products.

Other sanctions continued to be announced. The UK on Wednesday restricted exports of aviation and space-related technologies and services to Russia and unveiled sanctions that enable the government to detain Russian aircraft in the country. The European

Ukraine War Update: Sanctions Escalation, Mariupol “Apocalyptic,” Fighter Jets Stalled

Union has agreed a new round of sanctions targeting senior Russian officials and oligarchs, restrictions on the maritime sector, and excluding three Belarussian banks from the SWIFT banking system,

Russia is scrambling to respond, promising broad sanctions that will be swift and felt in the West's most sensitive areas. Meanwhile, Russia is trying to make of for lost foreign exchange due to sanctions. President Putin has signed a law on using the country's rainy-day National Wealth Fund to buy OFZ government bonds and stocks, Putin also signed a series of laws enabling a new "capital amnesty" designed to encourage people to return money or financial instruments to Russia without facing tax or other penalties, RIA reported. Russia's central bank announced that it is prohibiting citizens from using rubles to buy dollars and other hard currencies for the next six months.

Rating agency Fitch downgraded Russia by six notches on Tuesday evening and warned that a bond default “imminent”. The downgrade came just six days after Fitch's previous downgrade of the country.

Businesses continue to exit Russia. Consumer brands McDonald's, Yum Brands (KFC and Pizza Hut), Coca-Cola, PepsiCo, Starbucks

and Unilever announced that they are halting or cutting operations in Russia.

Lumen, a leading American Internet provider to Russia, announced Tuesday that it was severing business relations in the country. This follows following Friday's announcement by Cogent Communications. The exit of internet providers will increase Russia's isolation.

Indian pharmaceutical major Dr Reddy's Laboratories Ltd said on Wednesday it was focused on employee safety and business continuity in and around Russia, despite many Western companies pulling out from Russia in recent days. No Indian company has publicly withdrawn from Russia.

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Coronavirus Condition Updates

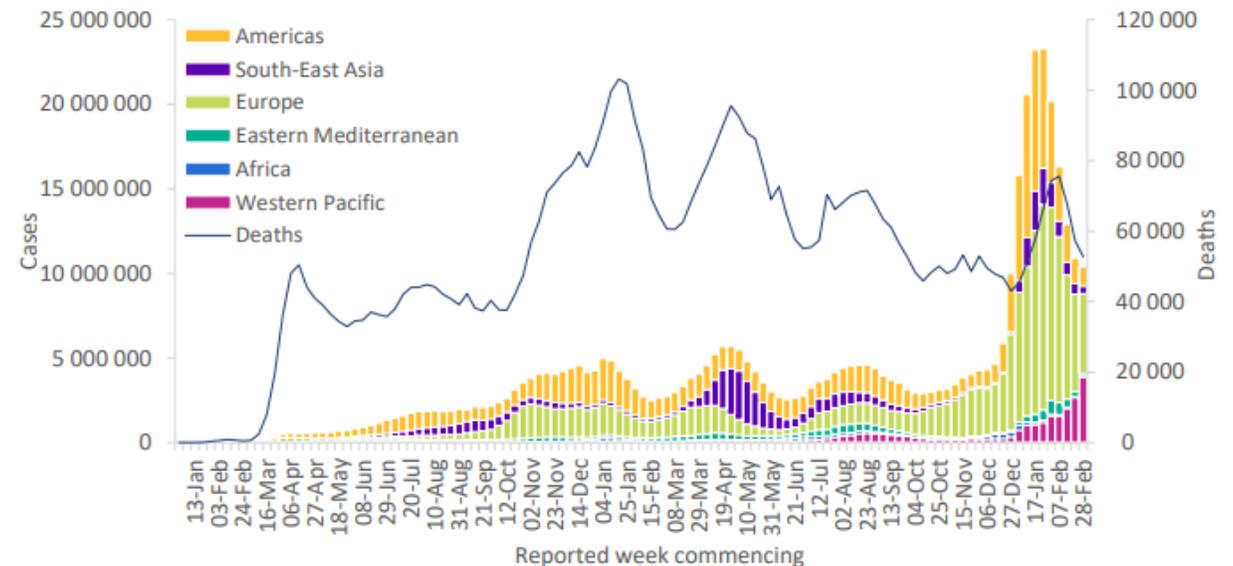
As of 4:31 pm CEST on March 8, 2022

Coronavirus

Globally, confirmed coronavirus cases topped 446.5.0 million with 6.0 million deaths; more than 10.7 billion vaccine doses have been administered.

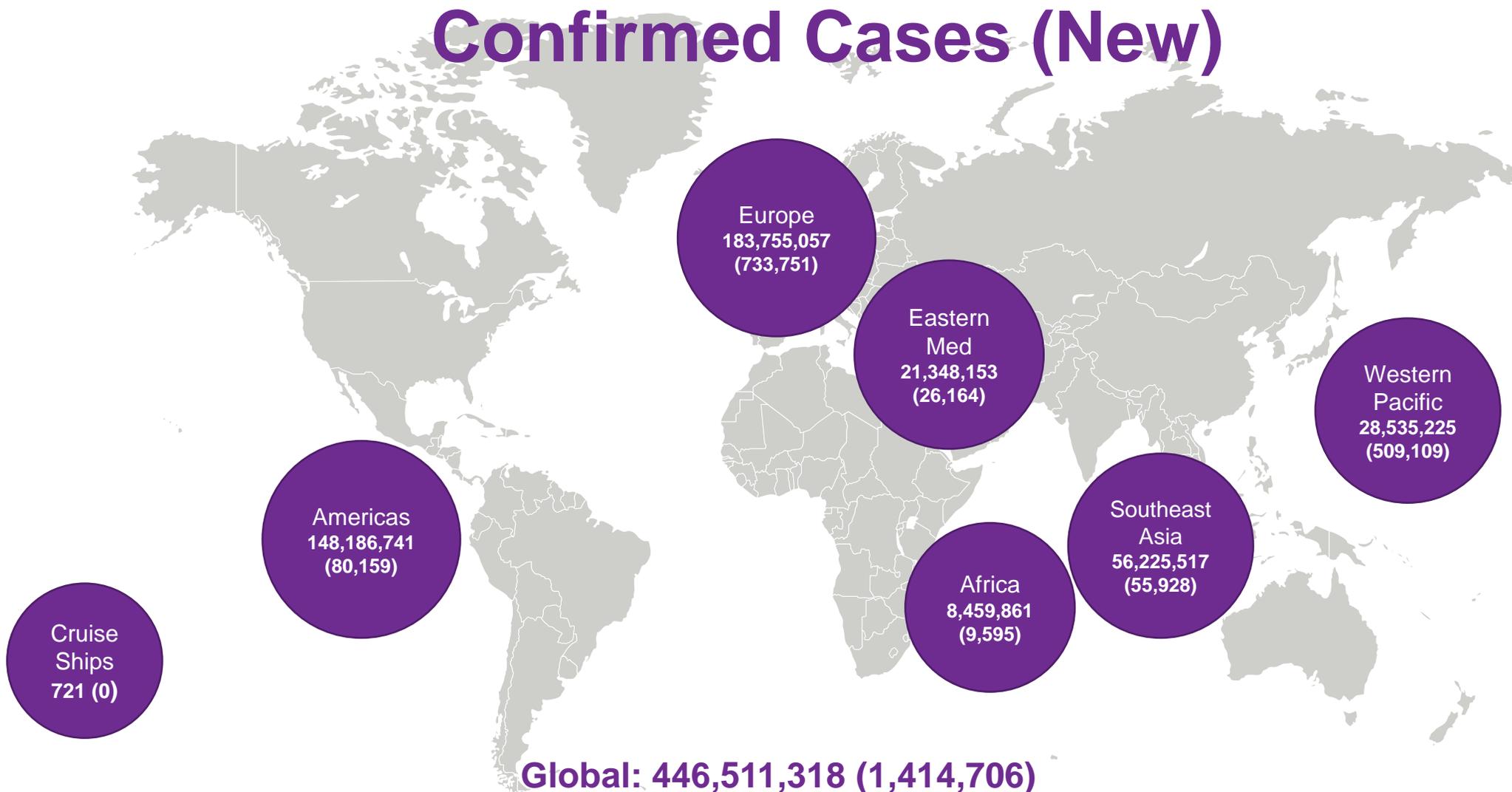
- Globally, during the week of 28 February through 6 March 2022, the number of new COVID-19 cases and deaths has continued to decline by 5 percent and 8 percent respectively, as compared to the previous week.
- Across the six WHO regions, over 10 million new cases and over 52,000 new deaths were reported.
- At the regional level, while the Western Pacific Region continue to report an increase (+46 percent) in the number of new weekly cases, all other regions reported decreases.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 6 March 2022**



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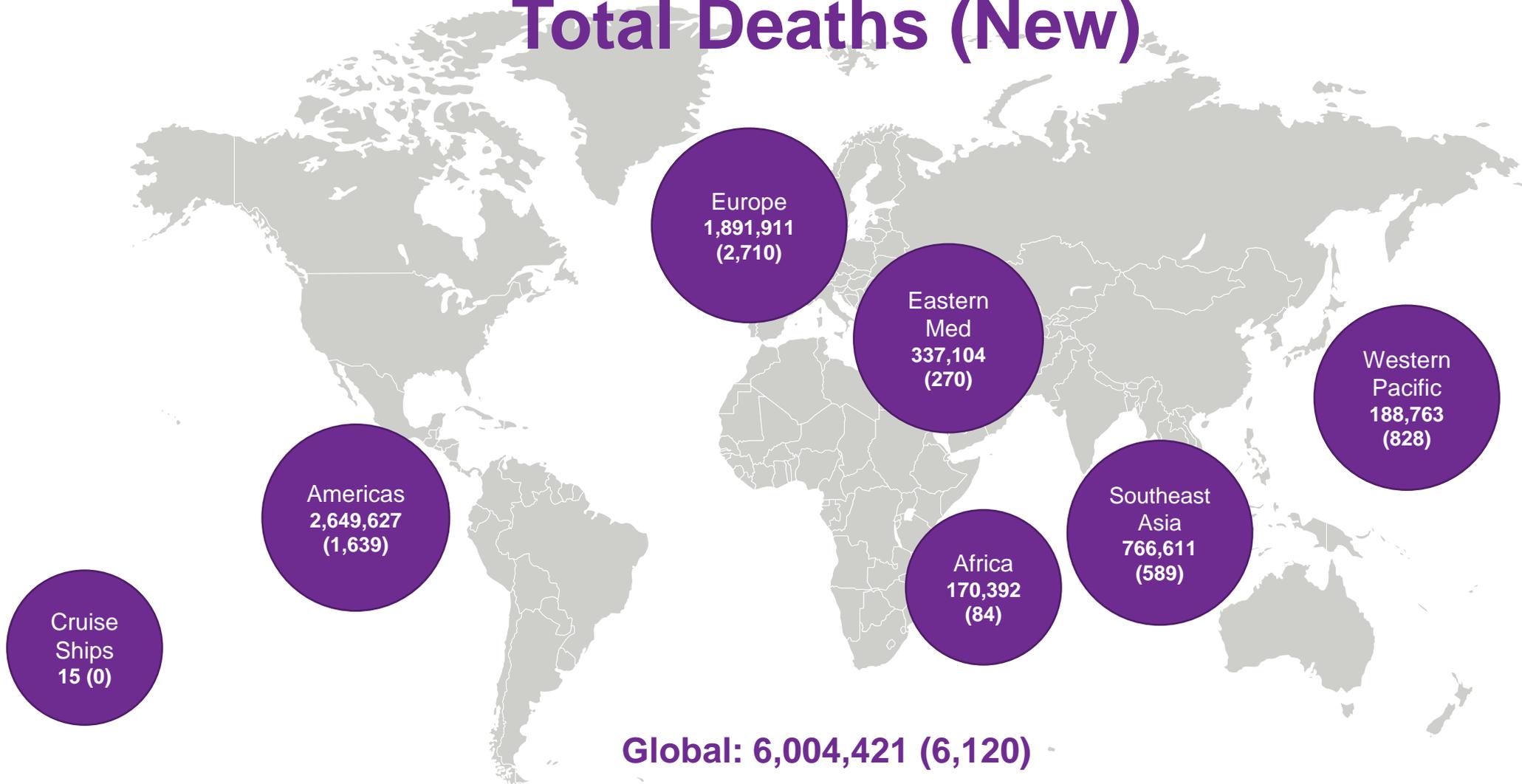
Confirmed Cases (New)



Reflects data as of 4:31 pm CEST on March 8, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 4:31 pm CEST on March 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.

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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