

# Dentons Flashpoint

## Daily Global Situation Report

August 12, 2022

# Global Situation Update: August 12, 2022

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## KEY TAKEAWAYS

The UN calls for a demilitarized zone around Ukraine's Zaporizhzhia nuclear power complex.

The US CDC revises guidance on COVID-19 quarantining, reflecting assessment of near herd immunity.

Canada boosts its foreign aid budget to over \$6 billion to help hard-hit countries in Africa and the Middle East.

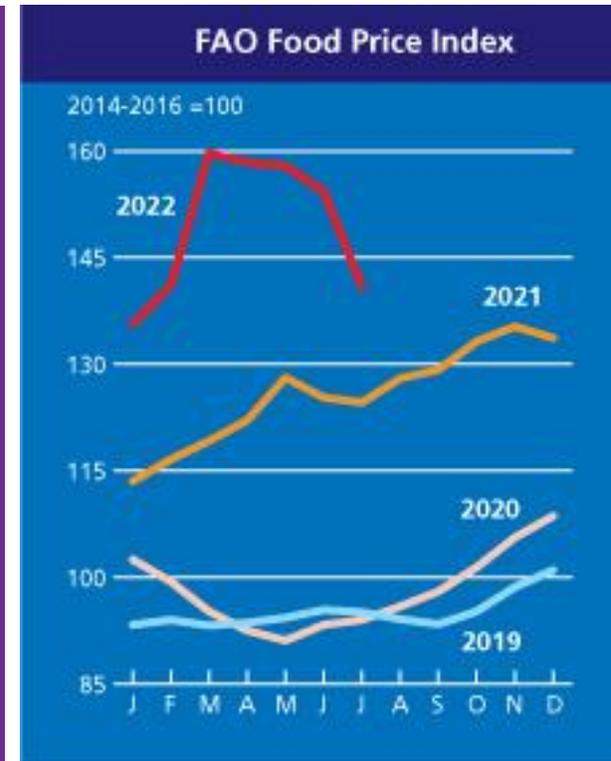
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# Global Situation Update: August 12, 2022

## WHAT WE'RE WATCHING

Food prices around the world fell by nearly 9 percent in July 2022, according to the UN Food and Agricultural Organization (FAO), driven by large declines in grain and vegetable oil prices. However, global food prices are still on average about 44 percent higher in July than in 2020. If sustained, falling food prices are likely to lead to a decrease in food-related unrest over the coming months.

Companies should continue to monitor food prices as a key risk factor for social unrest over the next six months. Those that operate in affected areas should consider steps to mitigate the fallout from high fuel costs, high fertilizer costs, and adverse weather conditions that threaten future food production.



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# Global

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**UN Secretary General Guterres called for a demilitarized zone around Ukraine's Zaporizhzhia nuclear power complex as Moscow and Kyiv blamed each other for a renewed shelling and the UN Security Council met to discuss the situation.**

- German Chancellor Scholz is backing the construction of a new gas pipeline linking Portugal and Spain to central Europe via France, saying it would vastly improve **Europe's energy security**. Kazakhstan is expected to sell some of its crude oil to Europe through Azerbaijan's biggest oil pipeline from September, bypassing Russia.
- Svalbard, a cluster of Arctic islands famed for populations of polar bears, experienced its hottest June on record. A record 40 billion tons of ice from the archipelago had melted into the ocean by the end of July. A new study suggests that **warming in the Arctic** is happening at a much faster rate than many scientists had expected.

# Markets & Business

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**The pharma industry is warning that the Inflation Reduction Act, if passed as is, will shake-up US drug pricing, crippling innovation and development of life-saving medicines, if the federal government has the power to negotiate prices drugs purchased by Medicare.**

- **Twitter Inc** will revive features on the social media site to promote accurate information about the November US midterm election and clamp down on false and misleading posts.
- The world's biggest asset manager, **BlackRock Inc**, launched a spot bitcoin private trust for institutional clients in the US.
- **McDonald's Corp** announced plans to reopen its restaurants in Ukraine over the next few months in an early sign of western businesses returning to the country.
- **Johnson & Johnson** will discontinue production of its talc-based baby powder in 2023 as it battles almost 40,000 legal claims that the product caused cancer in users.
- Australia's Federal Court ordered **Alphabet Inc's Google** unit to pay A\$60 million (\$42.7 million) in penalties for misleading users on collection of their personal location data.

# Environment, Sustainability & Governance

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## Power plant developers in the US added less than half of the planned solar photovoltaic capacity in the half first of 2022, per the US Energy Information Administration.

- Africa is getting just 12 percent of the finance it needs to manage the impact of **climate change**, a report by the Climate Policy Initiative found.
- Mining industry watchers assess that miners will struggle to expand operations in the US in record time to meet a deadline for **sourcing key minerals domestically** or from select countries as set out by a bill likely to be passed today.
- Britain said it is considering ways to support combining **electricity generated using biomass**, such as wood pellets, with technology to capture and store the resulting carbon emissions.
- The US FTC is strongly considering adopting new rules to prohibit harmful commercial surveillance and lax data security to protect Americans from unknowingly **sharing personal data**.

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# Africa

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- **Ethiopia** started electricity production from the second turbine at its controversial mega-dam on the Blue Nile.
- Human Rights Watch accused **Cameroonian** troops in the Northwest Regions of killing at least 10 people in a crackdown against Anglophone separatists.
- Thousands of **Sudanese** protesters renewed demonstrations in the capital of Khartoum to call on the military junta to end military rule. While military-civil negotiations for a transition framework are under way, the major protest blocs have called the talks a “ruse.”
- At least 27 people – 21 civilians and 6 police officers – were killed in anti-government protests in **Sierra Leone**. The government instituted a nationwide curfew to curb further violence.
- Supplies of child rotavirus vaccine have either run out or are close to running out in **Kenya, Tanzania, Senegal and Cameroon**; the WHO estimates that about 200,000 children a year die of the infection.



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# Asia

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- New Delhi will enforce a mask mandate again after COVID-19 infections rose in the past two weeks. People caught without masks in public in the **Indian** capital will be fined 500 rupees (\$6).
- Ferry services between Macau and the southern **Chinese** city of Shenzhen will be suspended from today due to increased COVID-19 infections.
- **Taiwan** rejected the "*one country, two systems*" model proposed by **China** in a white paper published this week, with the foreign ministry saying only Taiwan's people can decide its future.
- A hacker has claimed to have obtained the personal information of 48.5 million users of a COVID health code mobile app run by the **Chinese** city of Shanghai.



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# How do You Manage Incident Response?

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*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:*

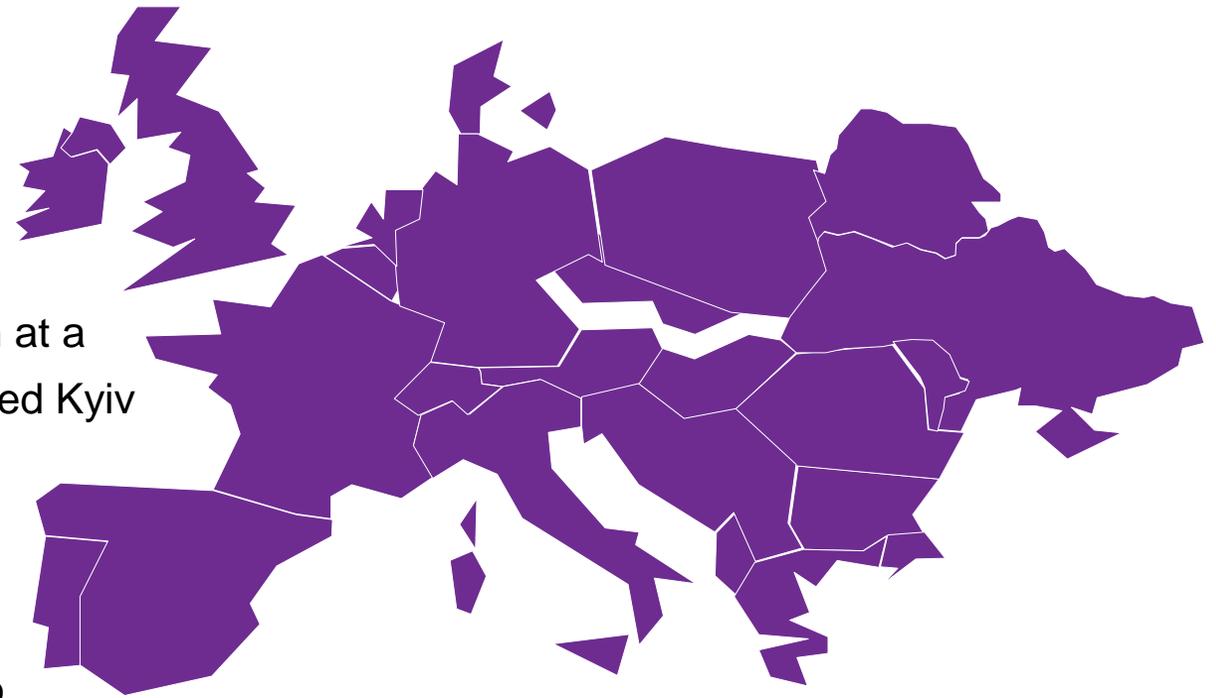
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

*All interaction with Dentons is attorney-client privileged*

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

# Europe

- Satellite pictures released yesterday showed devastation at a **Russian** air base in Crimea, hit in an attack that suggested Kyiv may have obtained new long-range strike capability with potential to change the course of the war. **Ukraine** has not publicly claimed responsibility for the attack.
- **Sweden's** government has decided to extradite a man to **Turkey** wanted for fraud, responding to Turkey's demand for a number of people to be extradited in return for allowing Stockholm to formally apply for NATO membership.
- **Latvia and Estonia** withdrew from the "16+1" group, a cooperation group between **China** and over a dozen Central and Eastern European countries, saying it was no longer consistent with their strategic objectives in the current international environment.
- A group of 26 countries pledged more than 1.5 billion euros (\$1.55 billion) in aid to boost **Ukraine's** military capabilities in its war against **Russia**.



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# Middle East

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- **Egypt's** cabinet approved a plan to ration electricity to save natural gas that it will instead divert to the export market to generate foreign currency.
- **Iraq's** government agreed to extend an agreement supplying **Lebanon's** electricity company with heavy fuel oil for another year, alleviating pressure on Lebanon's struggling power grid.
- Torrential rains have caused floods in the area of **Yemen's** capital, Sanaa, killing at least 38 people in 2 days.
- **EU** diplomats trying to break a deadlock in talks over an **Iran** nuclear accord have proposed a significant new concession to Tehran aimed at ending a UN investigation into the Islamic Republic's past atomic activities, the latest demand by Iran.

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# Americas

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- **Canada** said that it would boost its annual foreign aid budget to over \$6 billion to help the most hard-hit countries in **Africa and the Middle East**.
- **Argentina** is planning to give tax and customs benefits to oil companies so they can boost production, the country's new economy "superminister" said.
- The Bank of **Mexico** hiked its benchmark interest rate by three-quarters of a percentage point to a record 8.5 percent.
- **Colombia** will prioritize the diversification of its exports to reduce its dependence on oil, gas and mining and combat its high trade deficit, per its new Finance Minister Jose Antonio Ocampo.

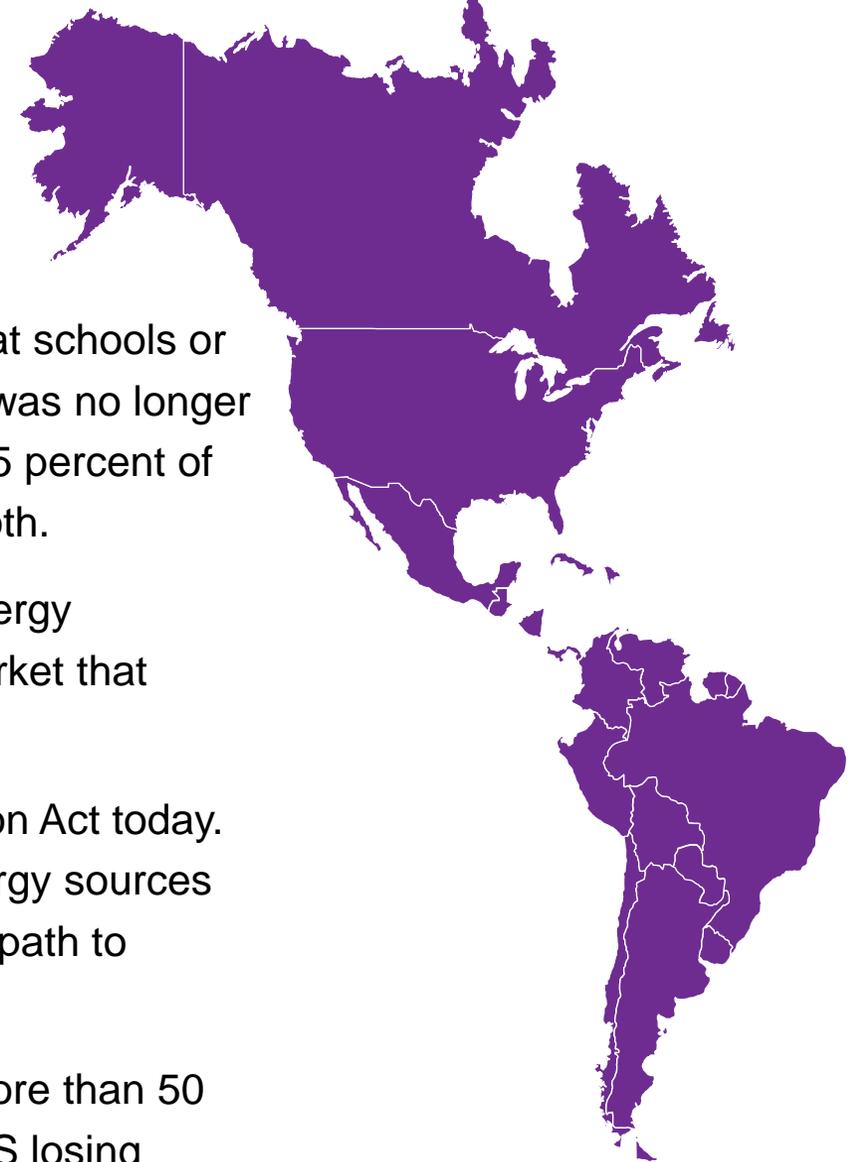


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# Americas: US

- The CDC is no longer recommending quarantines or test-to-stay programs at schools or daycare centers for people exposed to **COVID-19**. The agency also said it was no longer recommending unvaccinated people quarantine after exposure as around 95 percent of the US population has either been vaccinated, had COVID-19 already, or both.
- US **producer prices** unexpectedly fell in July amid a drop in the cost for energy products, while jobless claims rose for a second straight week in a labor market that remains tight.
- The US House of Representatives is expected to pass the Inflation Reduction Act today. The climate provisions will target hundreds of billions of dollars to clean energy sources and speed the US transition away from fossil fuels, putting the country on a path to reduce **greenhouse gases** by 40 percent below 2005 levels by 2030.
- The number of US student visas issued to **Chinese** nationals plunged by more than 50 percent in the first half of 2022 compared with pre-COVID levels, with the US losing ground as the preferred destination for Chinese students to pursue higher education abroad.

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# Ukraine War Update: Accelerating Global Realignment and Risks of Conflict

*After almost six months, the Ukraine war is accelerating a global realignment as countries solidify alliances based on shared strategic interests. The shifting of the global order is creating great uncertainty and increased risks of conflict, not seen since World War II.*

## ***Liberal Democracies Join Forces***

This week, US President Biden signed the Instruments of Ratifications for the Accession Protocols to the North Atlantic Treaty for Finland and Sweden to join the NATO alliance, becoming the 23rd of the required 30 member states to endorse the enlargement of the most significant military alliance currently in existence. Russia's February 2022 invasion of Ukraine directly contributed to a change in the two Baltic nations' threat perception, seeing their security best ensured through a collective arrangement of fellow liberal democracies than their previous formal non-aligned position that was a holdover of the complex post-World War II security situation. Ukraine has been an object lesson of vulnerability for countries lacking formal military alliances as a bulwark against Russian aspirations to reclaim lands controlled in past eras.

Russian President Putin had miscalculated by assuming European divisions would preclude a united response, just as the case had

been in 2014 with the invasion and occupation of the Crimea and parts of eastern Ukraine and in 2008, with the invasion and occupation through proxy forces of Georgia's South Ossetia region. Russia's desire to redraw the borders of Europe through force hit a strategic nerve in February 2022, compelling regional governments to set aside political and economic squabbles and rally around the flag of the established international order, with its system of rules and norms that preserve the status quo of state sovereignty, the rule of law and no border changes through force.

The US and Europe are not only drawing closer together to coordinate policies – normally neutral Switzerland has even joined in on imposing sanctions on Russia – but Asian democracies are seeking closer politico-military cooperation. Japan and South Korea have increased policy coordination with the US and European countries, with shared interests in keeping the Indo-Pacific free and open, while pushing back against the shared threat perception that China is seeking hegemony in the region through coercive political,

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# Ukraine War Update: Accelerating Global Realignment and Risks of Conflict

military and economic practices. Breach of China's commitments in Hong Kong's status and militarization of the South China Sea are just two examples triggering concern.

New Western-aligned groupings in Asia are proliferating. The US, UK and Australia have formed a new trilateral security pact, AUKUS, to advance strategic cooperation designed to counter the influence of China in the Indo-Pacific region. Multilateral military exercises in the Indo-Pacific among democratic countries are increasing, such as the Maritime Partnership Exercise (MPX) 2021, in which the US, UK, Japan and Australia participated. In a change in policy, the new government in South Korea is seeking additional THAAD anti-missile batteries for self-defense. In the economic sphere, the US has proposed forging a semiconductor industry alliance between the US, Taiwan, South Korea, and Japan in a move to prevent China from gaining dominance over the strategic sector.

## ***China and Russia Draw Closer Together with Shared Threat Perceptions***

In an interview with the Russian state news agency TASS this week, China's ambassador to Moscow accused Washington of backing

Russia into a corner with repeated expansions of the NATO defense alliance, calling the US "the main instigator" of the Ukraine crisis. Since Russia's invasion of Ukraine, the narrative in China on the war has moved to align with Moscow's. Both Russia and China see the US and Europe as expansionary powers. For example, Russia assesses that Europe is seeking to draw Ukraine into the EU orbit through Ukraine's future ascension into the EU and NATO; from Beijing, it appears that the US is trying to separate Taiwan from China through economic and military support.

China's response to US House of Representative Speaker Pelosi's visit to Taiwan reflects the threat perception that the US is challenging Beijing's sovereignty over Taiwan. The extended military drills near and in the Taiwan Strait were a demonstration of political will and military capabilities to protect land that Beijing claims as sovereign territory. The live fire exercises, including the launch of ballistic missiles over Taiwan's capital city, sparked international concern for potential escalation to conflict with the US, which had deployed a US carrier and battle group to the area "to monitor the situation" in a show of deterrence.

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# Ukraine War Update: Accelerating Global Realignment and Risks of Conflict

China also views the NATO alliance as a threat to its security, as NATO's 2022 Strategic Concept states that the "deepening strategic partnership between the People's Republic of China and the Russian Federation and their mutually reinforcing attempts to undercut the rules-based international order run counter to our values and interests." Moscow and Beijing do not deny their relationship. To signal shared views and close partnership, Russia and China flew joint patrols near Japanese and South Korean air defense zones in May 2022 during President Joe Biden's trip to Asia.

While Beijing has been careful not to take actions which might trigger enforcement action for breaching sanctions on Russia, China is providing Moscow a lifeline. Since the start of the war in Ukraine, China has overtaken Germany as the largest purchaser of Russian oil, and in June 2022, Russia replaced Saudi Arabia as China's largest crude oil supplier. China's exports of microchips, other electronic components, and raw materials to Russia have more than doubled in the first five months of 2022, compared to the same period in 2021. Many of these exports have military applications. Russia and China have been growing closer since 2014, and the Ukraine war has only accelerated the process.

## *Contest for Influence among Non-Aligned Countries*

Great power competition for influence has heated up significantly since the start of the Ukraine war. The Middle East, Africa and Pacific Island nations have seen high level, back-to-back visits by Chinese, Russian, American and European officials, each advancing a narrative on the rightness of their government's policies and the benefits of choosing one rival over another, albeit in more subtle language. In many locations, access to strategic resources (oil, gas, lithium, copper, rare earth metals), waterways and ports for commerce and security, and consumer markets underlie the great power competition.

## *Risks to Businesses*

The Ukraine War has aptly demonstrated the spillover effect of armed conflict on global supply chains, trading relations and the overall cost of doing business, with global inflation. Food insecurity and inflation have triggered economic distress which is manifesting in civil unrest and increased labor action as workers demand pay increases. While fighting has remained confined to Ukraine, there remains the

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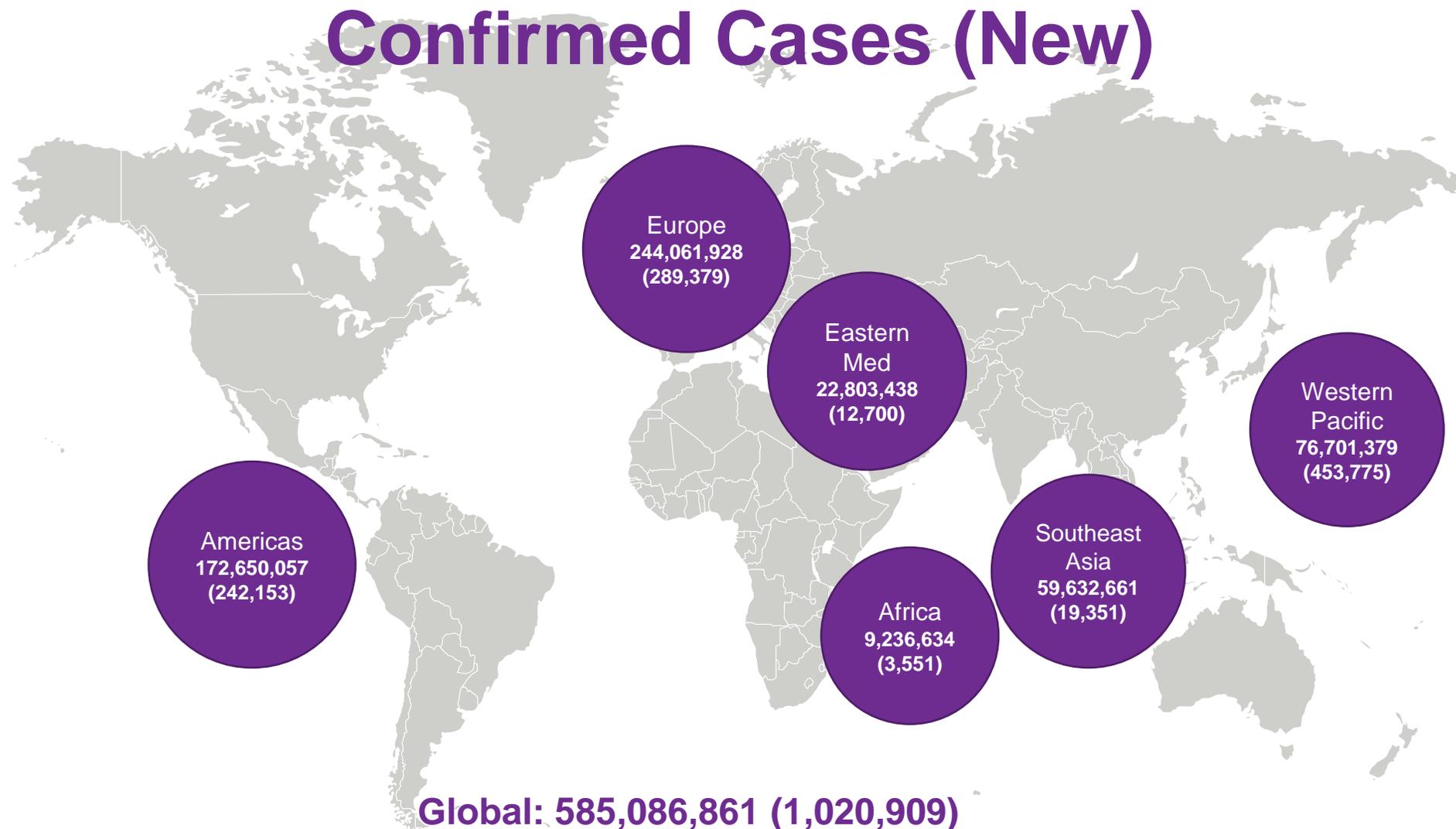
possibility that it too could spill across borders should the trajectory of the war create incentives for escalation. The confrontation over Taiwan this past week, and the charged atmosphere in Asia, created a situation with high risk of miscalculation. While the risk of military confrontation has eased, the confrontation has eased, the repercussions for businesses are likely to be long lasting, Markets are being impacted by new bans on trade between China and Taiwan and increased political and operational risks for companies with business interests in these countries. The movement towards trusted supplier networks and the nationalization of supply chains seems set to expand, presenting new risks and opportunities for businesses. In this age of great power competition, businesses will find it increasingly difficult to operate above the fray and will need to devote more resources to understanding and mitigating downsides of geopolitics.

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# Coronavirus Condition Updates

As of 5:01 pm CEST on August 11, 2022

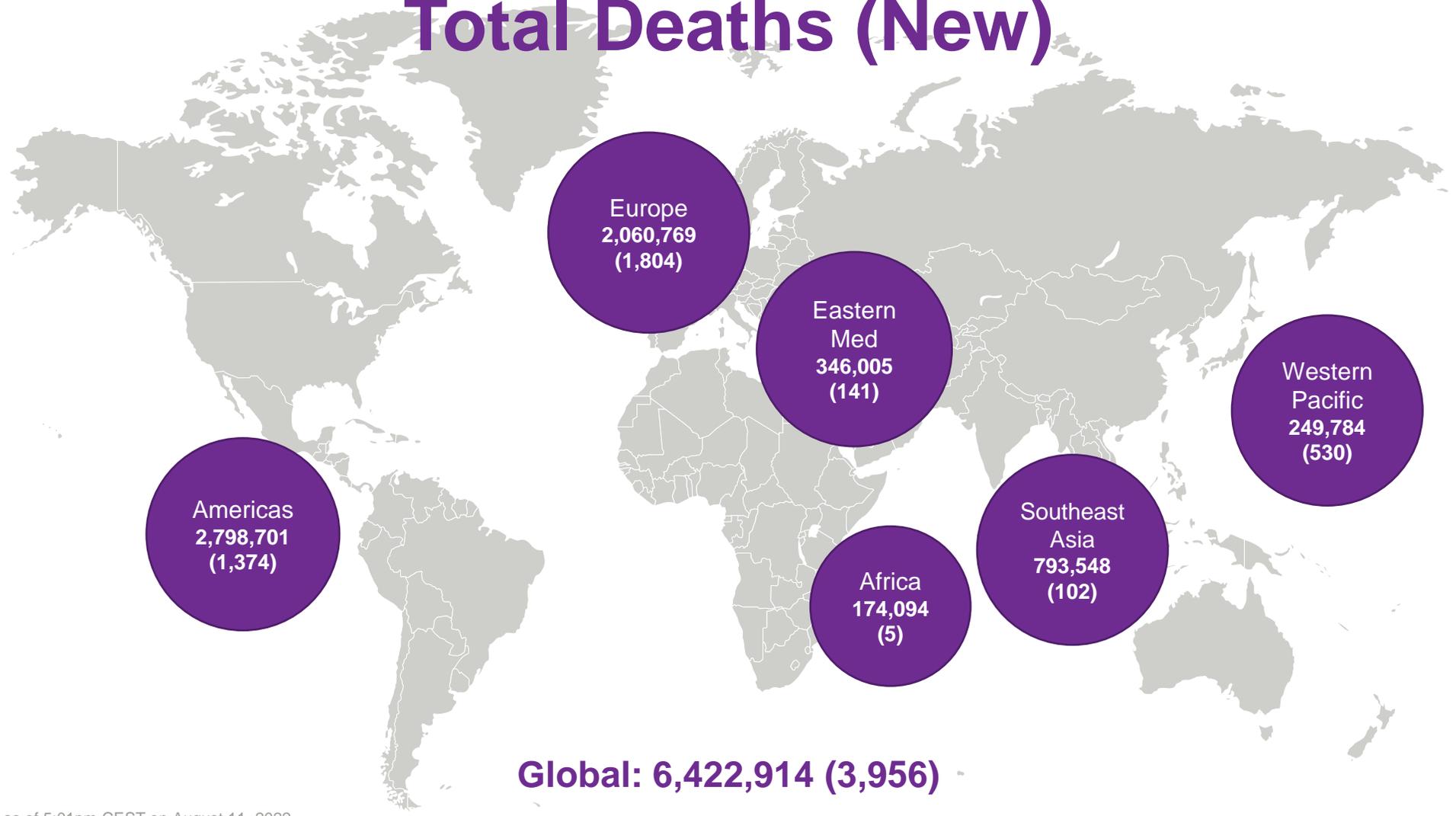
# Confirmed Cases (New)



Reflects data as of 5:01pm CEST on August 11, 2022.  
Data Source: World Health Organization

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# Total Deaths (New)



**Global: 6,422,914 (3,956)**

Reflects data as of 5:01pm CEST on August 11, 2022.  
Data Source: World Health Organization

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# Contacts

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*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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