

Dentons Flashpoint

Daily Global Situation Report

August 29, 2022

Global Situation Update: August 29, 2022

KEY TAKEAWAYS

An IAEA team is headed to the Russian-controlled Ukrainian nuclear power plant to safeguard the facility.

Central Bankers warn of difficult tradeoffs in fight to stamp out inflation.

Scientists have found a way to charge electric car batteries up to 90 percent in just 10 minutes.

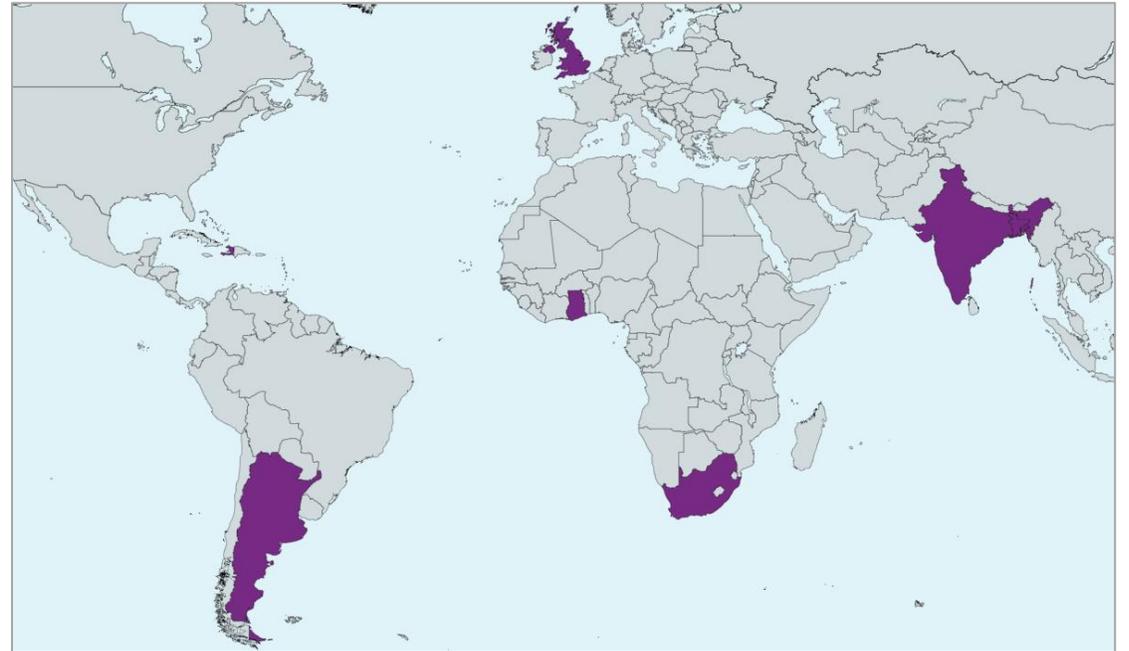
Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

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WHAT WE'RE WATCHING

Today, business owners across Ghana will shutdown for one-day to protest the weakening of the country's currency and spur their government to act against record high inflation. Prices for basic goods and services have doubled over the last couple of months in Ghana, while authorities in Accra blame the pandemic and Russia-Ukraine war for inflation.

Rampant inflation and the rising cost of living are triggering protests worldwide. This past week saw demonstrations against the economic policies of the governments of Argentina, Bangladesh, Haiti, India, South Africa, and the UK. Business may soon become a target of protestors in some countries if wages fail to keep pace with inflation.



Locations of anti-inflation protests – *past one week*

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Global

Speaking at the Federal Reserve annual gathering in Jackson Hole, central bankers warn that the economic landscape is more challenging than they have experienced in decades and will find it harder to root out high inflation without triggering weaker growth and higher unemployment.

- At the UN, Russia blocked the final consensus document at the conclusion of the Tenth Review Conference of the **Nuclear Non-Proliferation Treaty**, objecting to language that referenced the grave radiological risk at the Zaporizhzhia Nuclear Power Plant in Ukraine. This marked the second failure of its 191 state parties to produce an outcome document. The last review conference in 2015 ended without an agreement because of serious differences over establishing a Middle East zone free of weapons of mass destruction.
- A team from the IAEA has received Russian permission to visit the **Zaporizhzhia nuclear power facility** this week. The team plans to assess physical damage, evaluate the conditions in which staff are working at the plant and determine functionality of safety & security systems. It will also "*perform urgent safeguards activities*," a reference to keeping track of nuclear material.
- Over the weekend, Moscow and Kyiv traded fresh accusations of shelling around the Russian-occupied **Zaporizhzhia nuclear power plant** in Ukraine, amid international concern that fighting in the area could trigger a disaster.

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Markets & Business

The US dollar climbed to a 20-year high against other major currencies today after Federal Reserve Chairman Powell signaled interest rates would be kept higher for longer to bring down soaring inflation.

- The US and China reached an agreement allowing US auditors to inspect China-based accountants, the first step in a process that could prevent around 200 Chinese companies being delisted from **American stock exchanges**.
- Facebook parent **Meta Platforms Inc.** agreed to settle a lawsuit that accused the social-media platform of allowing third parties, including **Cambridge Analytica**, to access private user data.
- **TotalEnergies** is selling its stake in Terneftegaz, which operates Siberian Termokarstovoye gas and condensates field, to joint venture partner **Novatek**. The announcement came after days of controversy over Terneftegaz, which *Le Monde* newspaper said supplied condensate gas which was later transformed to kerosene used in two Russian army bases.
- US computer firm **Dell Technologies Inc.** has ceased all Russian operations after closing its offices in mid-August, the latest in a growing list of Western firms to exit Russia.

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Environment, Sustainability & Governance

US government researchers have found a way to charge electric car batteries up to 90 percent in just 10 minutes. The method is likely five years away from making its way into the market but would facilitate the shift toward EV adoption.

- More than 115,000 workers at Britain's Royal Mail went on a **four-day strike** on Friday in a **pay dispute**, which is likely to cause significant disruption for customers.
- Around 60 flights were cancelled at Lisbon airport on Sunday, the last day of a **strike** began on Friday by handling workers, adding to disruptions to summer travel at Portugal's main airports.
- A Texas oil company agreed to plead guilty to criminal negligence charges and pay nearly \$13 million for a **crude oil spill** that killed wildlife and fouled southern California beaches in October 2021.
- A group of Swiss politicians has formed 'Stop Blackouts', which will launch a petition seeking a revision to the country's energy policy to guarantee adequate **power supplies** and keep **nuclear** as part of the mix.

Africa

- Unidentified gunmen killed six people and wounded two others in an attack on a convoy from the Boungou gold mine in eastern **Burkina Faso**. The attack underscores the dangers of operating in Burkina Faso, where since 2018 Islamist militants affiliated with Islamic State and al-Qa'ida have taken over large areas of the north and east, killing thousands and displacing over a million.
- **Japan** pledged \$30 billion in aid for development in **Africa** at the Japan-Africa summit in Tunisia, saying it wants to work more closely with the continent, with the rules-based international order under threat after Russia's invasion of Ukraine.
- The UN's **Africa** Climate Week launches this week in Gabon. With severe drought, raging floods, and extreme weather bearing down on Africa's 54 nations, the five-day meeting will focus on the major elements required to lessen the dangerous effects of the rapidly changing climate.



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Asia

- Two **US** warships passed through international waters in the **Taiwan Strait** on Sunday, the first since Speaker Pelosi's visit, with the US exercising free and open access to the Indo-Pacific, per a White House official.
- **India** will commission its first domestically built aircraft carrier, the INS Vikrant, on September 2. The new commission is part of India's efforts to bolster its navy as it paces **China**, which launched its third aircraft carrier in June.
- **Taiwan's** defense ministry said it detected 23 **Chinese** aircraft and eight Chinese ships operating around Taiwan on Sunday, as Beijing continues its military activities near the island.
- **India** is reporting reduced rice planting due to poor rainfall and a mysterious "*dwarfing*" disease affecting padis that could potentially have global ramifications. India is the largest rice exporter globally with a market share of 40 percent. It exported 17.71 million tons of rice last year to 150 countries.



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How do You Manage Incident Response?

2022 has already seen business disrupted by extreme weather, ransomware attack, the ongoing pandemic and more. The common refrain “It’s not if, but when” rings truer than ever for disruptive incidents that will impact business as usual.

Working with Dentons, you can effectively develop an organizational incident-behavior adopted by all your team members. Dentons will help you build muscle memory through tabletop exercises, which are crafted to fit the business strategy of every client.

Our team plays events and incidents of different severities and complexities and accounts for real-world factors such as inconclusive evidence, mistakes by responders, and the business impact of eradication steps. Our tech-savvy lawyers continuously revise the playbooks per the evolving sector-specific threat landscape.

Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

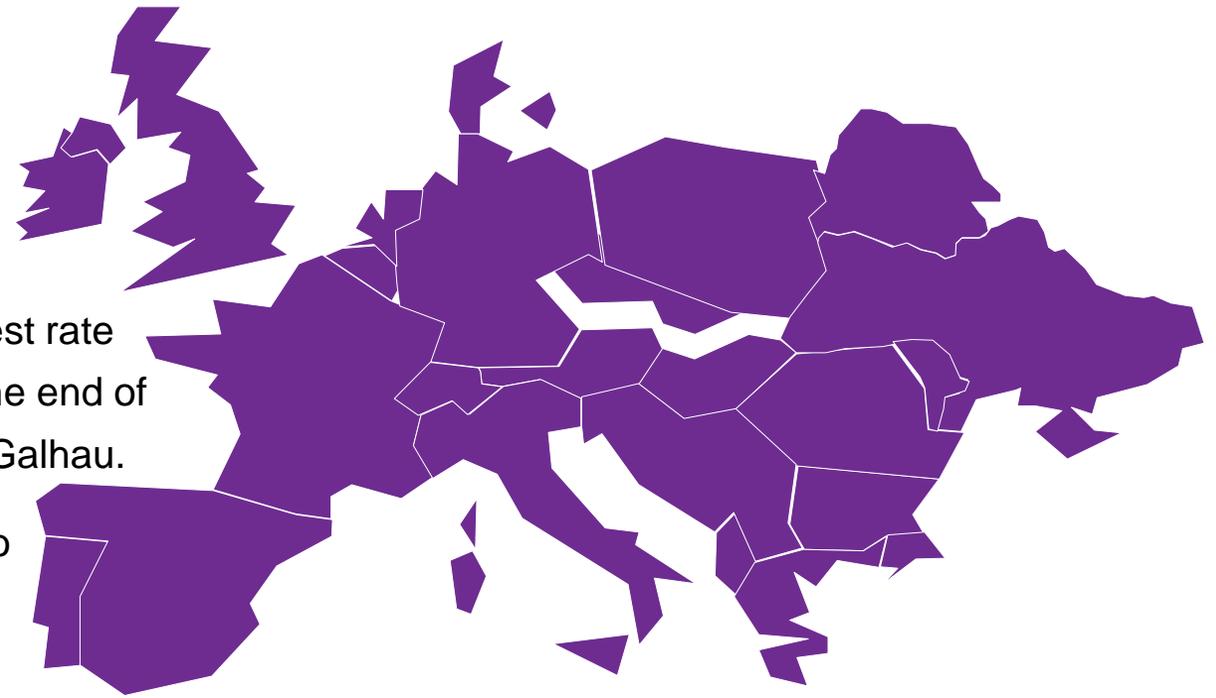
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Europe

- The **European** Central Bank needs another significant interest rate hike in September and should hit the "neutral" level before the end of the year, per French central bank chief Francois Villeroy de Galhau.
- The **EU** has brokered a deal between **Serbia and Kosovo** to ease travel restrictions, removing an issue that had raised tensions in the western Balkans.
- **British** Prime Minister Johnson said the government would announce additional support for consumers struggling with energy bills, targeted at the most vulnerable rather than all households.
- **EU** foreign ministers will likely suspend the bloc's visa facilitation agreement with Moscow in an effort to curb the number of travel permits issued after **Estonia and Lithuania** threatened to unilaterally close their borders to **Russian** tourists.
- Efforts to expand grain exports from **Ukraine** continue. Kyiv will allow Ukrainian merchant sailors to leave the country, to address manpower shortfalls. Ukrainian men aged 18-60 have largely been barred from leaving Ukraine under a state of martial law. **Britain's** defense ministry announced plans to give six underwater drones to Ukraine to help clear its coastline of mines and make grain shipments safer.



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Middle East



- **Morocco** recalled its ambassador to **Tunisia** after Tunisian President Saied received the head of the Polisario Front movement that is seeking independence for **Western Sahara**, territory which Morocco claims.
- **Russia** forces based in **Syria** said four **Israeli** jets had launched a total of four cruise missiles and 16 guided aerial bombs against a research facility in the city of Masyaf last Thursday. Western officials and media reports have long associated the CERS facility with the production of precision surface-to-surface missiles, including the process of casting solid rocket motors, as well as chemical weapons.
- In **Libya**, battles raged across the city throughout Saturday as forces aligned with the parliament-backed administration of Fathi Bashagha failed to take control of the capital and oust the Tripoli-based government of Abdulhamid al-Dbeibah.
- **Pakistan** pleaded for financial help to deal with "*overwhelming*" floods. Unusually heavy monsoon rains have caused devastating floods in both the north and south of the country, affecting more than 30 million people and killing more than 1,000. Pakistan's Balochistan province lost communication with rest of the country after torrential rains.

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Americas

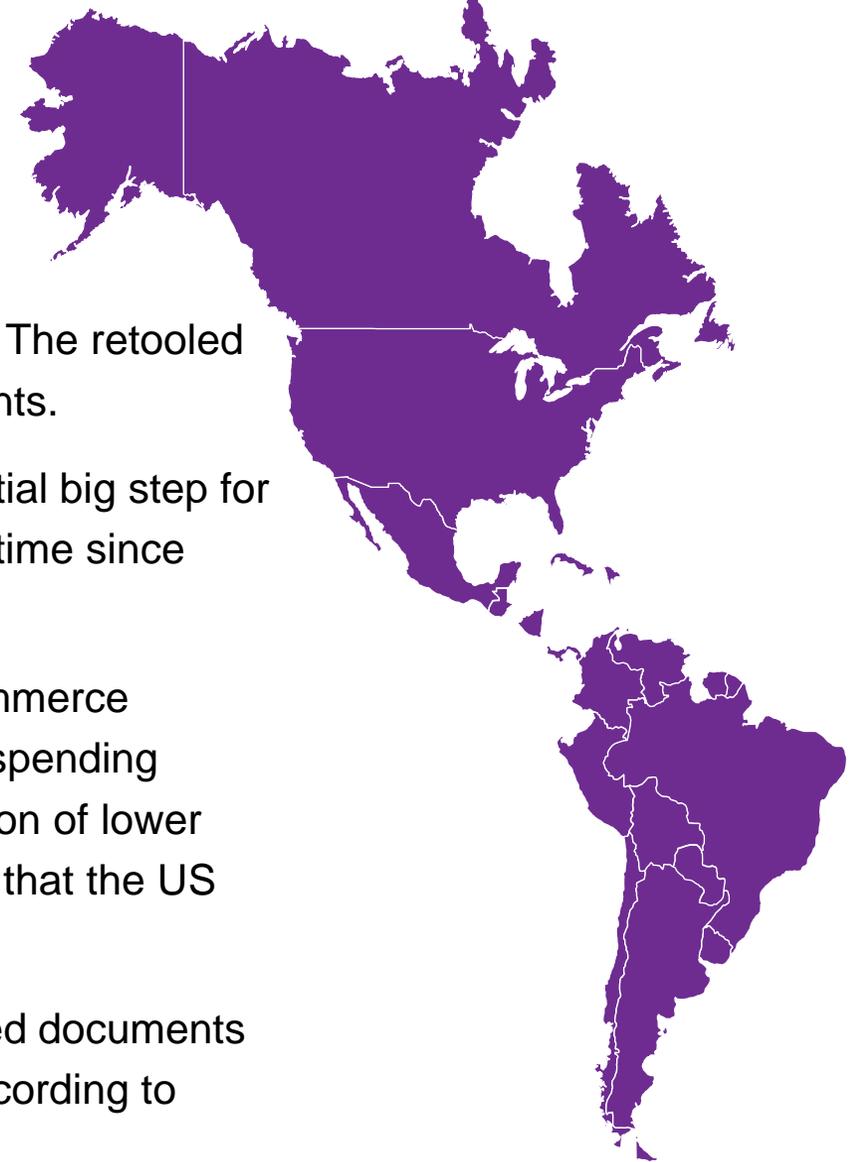
- **Chilean** authorities warned that the area around a copper mine where a sinkhole suddenly appeared is at high risk of further collapse and has set up a security perimeter. Chile is studying what caused the appearance in late July of the mysterious hole that spans 36.5 meters (120 feet) in diameter.
- Newly elected **Colombian** President Petro proposed a multilateral ceasefire to all illegal armed groups operating in the country as part of an effort to promote peace and end decades of internal conflict.
- **Cuba** sought **US** technical assistance in cleaning up after a massive fire at an oil storage facility that killed 16 fire fighters.
- Hundreds of miners blocked a stretch of **Peru's** Interoceanic Highway near the border with Brazil on Friday, after a clash between police and protesters left at least one dead and more than a dozen injured.



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Americas: US

- The FDA is expected to authorize new **COVID-19 booster** shots this week. The retooled shots are similar to the original shots but customized to fight the latest variants.
- NASA plans this morning to launch the uncrewed Artemis I mission, a potential big step for the space agency as it pushes to **put astronauts on the moon** for the first time since 1972.
- **Consumer spending** rose 0.1 percent in July from a month earlier, the Commerce Department reported on Friday. That marked a slowdown from June, when spending increased 1 percent. Americans spent less on gasoline last month, a reflection of lower prices at the pump. Increase in consumer spending is one positive indicator that the US may not drop into recession.
- US intelligence agencies are conducting a **damage assessment** of classified documents recovered from the Florida residence of former President Donald Trump, according to Director of National Intelligence Avril Haines.



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Ukraine War Update: Military and Economic Transitions from Shocks to Resiliency

The Ukraine War, now into the seventh month, appears to be entering the next phase on the battlefield and in the economic zone. Prospects for a negotiated settlement remain dim. Russian President Putin has not scaled back his goal to unseat the Kyiv government and annex Ukraine into Russia. Ukrainian President Zelensky has hardened his position, seeking full liberation of Ukrainian territory, including the Crimea. The shocks of the initial invasion are being absorbed, and the parties are moving to a war footing which will be measured in years, not months. Resiliency is the watchword.

Shifts in Military Strategy

From the early days of the war when Ukraine repelled the Russian offensive on Kyiv, the core of the fighting has been focused on the Donbas and the southern Black Sea ports. Russian troops have tried to break the Ukrainian lines to sweep the area, but has failed, demonstrating superior leadership and combat skills of the Ukrainian forces, which remain outgunned and outmanned by Russia. Significantly, the early fears of NATO being drawn into the war have eased, enabling Western governments to risk dramatic expansion of the type and lethality of weapons being supplied to Ukrainian forces. Supplies went from military equipment dating to the Soviet era with

which the Ukrainian military was familiar to more modern arms on which they could be quickly trained. Now, Western governments have set up training camps outside of Ukraine to provide basic training for new recruits and specialized training for the state-of-the-art systems new to the Ukrainian forces. Unlike in Iraq or Afghanistan, NATO is working with a military accustomed to a Western force model, after years training with the US National Guard's State Partnership Program, where senior officers provide the strategic command and junior officers and non-commissioned officers (NCOs) lead on the battlefield, empowered to make on-the-spot decisions based on the changing facts on the ground. In military terms, NATO and Ukraine speak the same language.

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Weapon systems provided to Ukraine over the past several months have provided Kyiv with longer range artillery, with Ukraine deploying them to target supply depots and command and control centers behind Russian lines, slowing Russian efforts to advance and reducing the scale of Russian shelling. With the momentum of the Russian offensive essentially stalled, Ukrainian forces are increasingly seeking to reclaim territory. Russia currently occupied about 20 percent of Ukraine. Counteroffensives require close-in fighting, with military equipment designed to target dug in forces in strong defense positions. The nearly \$800 million in assistance announced by the United States on August 19 includes weapons that will enable Ukrainian forces to attack from a variety of distances. The package includes bomb-resistant vehicles equipped with rollers that help detonate mines and howitzers which are lighter and more mobile than previously provided artillery. The aid also includes missile launchers with a range less than three miles and recoilless rifles for close-in combat.

Combat aircraft remain off the assistance list, having been considered and rejected earlier in the fighting as a risk too great for NATO to take. As Ukraine moves from stopping the Russian offensive to winning the war, establishing air superiority becomes even more

critical. The ability to generate offensive airpower in the form of close air support and air interdiction will help Ukraine prevail. Expect the debate to support Ukraine's air operations to heat up in the next months, amid hard fought counter offenses that will require fresh infusions of resources and capabilities to maintain resilience.

For Russia, the senior military command has been focused on managing expectations to deflect criticism of the stalled offensive. Russian Minister of Defense Sergei Shoigu claimed that the slower pace of Russia's military campaign in Ukraine is deliberate to reduce civilian casualties. Western military analysts assess that Russian casualties are the reason. According to the Pentagon, Russia's military has suffered roughly 70,000 to 80,000 casualties since it first attacked Ukraine in late February, including around a dozen top generals. Manpower shortages are evident in the robust recruitment campaign ongoing in Russia and the recent signing by Russian President Putin of a decree to expand the size of the Russian armed forces from 1.9 to 2.04 million. With troop morale reported low, and the Kremlin no longer expecting the war to end quickly, the Kremlin will need to bolster force resiliency through new recruits – either volunteers or conscripts.

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Ukraine War Update: Military and Economic Transitions from Shocks to Resiliency

Absorbing Economic Shocks

The economic tools of war have shocked the global economy, playing out differently in Russia, Europe and the US. Overall, trade has been disrupted, leading to a shock decoupling of the Russian economy from the West. After the initial shockwave, Russia has been able to stabilize the rouble and cushion unemployment through assistant programs and paid furloughs, funded by windfall profits of energy exports, the revenues of which grew due to spiking energy prices. Russia's current account surplus - the difference in value between exports and imports, more than tripled year-on-year in the first seven months of 2022, to a record \$166.6 billion, as revenues soared while sanctions caused imports to plunge. Russia has redirected trade to Asia – notably China and India – whose governments have exploited price discounts. Russia has also shifted away from European imports, buying Asian-sourced consumer goods. The IMF adjusted its estimates for Russia's GDP in 2022 to a contraction of 6 percent, significantly lower than some of the earlier estimates of 12 percent just after the war began.

This does not mean that Russian economy is insulated from the effect of the sanctions. Moscow's fiscal and monetary intervention have

resulted in the first government budget deficit in years. Many economists forecast a growing impact on the Russian economy from the exit of foreign firms, the loss of its long-term oil and gas markets, and its diminished access to critical imports of technology and inputs. Russian domestic production has come to a near standstill with limited capacity to replace lost businesses, products and talent. More resources will need to be diverted to produce military equipment to supply the war effort. Russian consumers will have less disposable income as inflation drives up the prices of necessities. Meanwhile sanctions will not be lifted, and Western governments will increasingly focus on identifying and shutting loopholes and non-compliance by companies seeking to profit from or aid Russia.

Europe too is suffering. Europe is in the throes of an energy shock, with households and industry feeling the bite of soaring electricity and natural gas prices. For example, the UK energy regulator expects that household gas and electricity bills will nearly double again by October. Despite the pain, European governments are not backtracking on the political decision to end their dependency on Russian energy supplies. The Kremlin's curtailing of gas supplies through pipelines is having the opposite effect of Putin's effort at economic blackmail – fortifying Europe's political resolve to diversify

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Ukraine War Update: Military and Economic Transitions from Shocks to Resiliency

to trusted suppliers and invest in renewable energy. Already, governments are adopting new measures to cap energy costs, provide safety nets to the most vulnerable households and tax credits to business to get them through the transition crisis. France is subsidizing the cost of gasoline and diesel fuel and have provided 45 billion euros (\$45 billion) to help hard-hit families. Germany is subsidizing new liquefied gas import terminals and bailed out one of its largest utilities. Programs to reduce consumption are already showing some positive results, but likely not enough to ensure sufficient supplies come winter, per some analysis. Increased energy costs are fueling inflation, not just in Europe, but globally.

Per economic modeling by S&P Global, the eurozone likely to experience a mild recession in late 2022 and early 2023, real GDP growth is projected to slow from 5.2 percent in 2021 to 2.9 percent in 2022. The UK is already in a mild recession. The US is not on track for a recession, per S&P Global, but slowed growth, with real GDP growth projected to slow from 5.7 percent in 2021 to 1.5 percent in 2022 and 1.0 percent in 2023 before picking up to 1.7 percent in 2024.

Numbers aside, the key takeaway is that Russia's economic woes will increase over time while Europe and the US are facing slow growth, with their economies getting on track to expand in 2023.

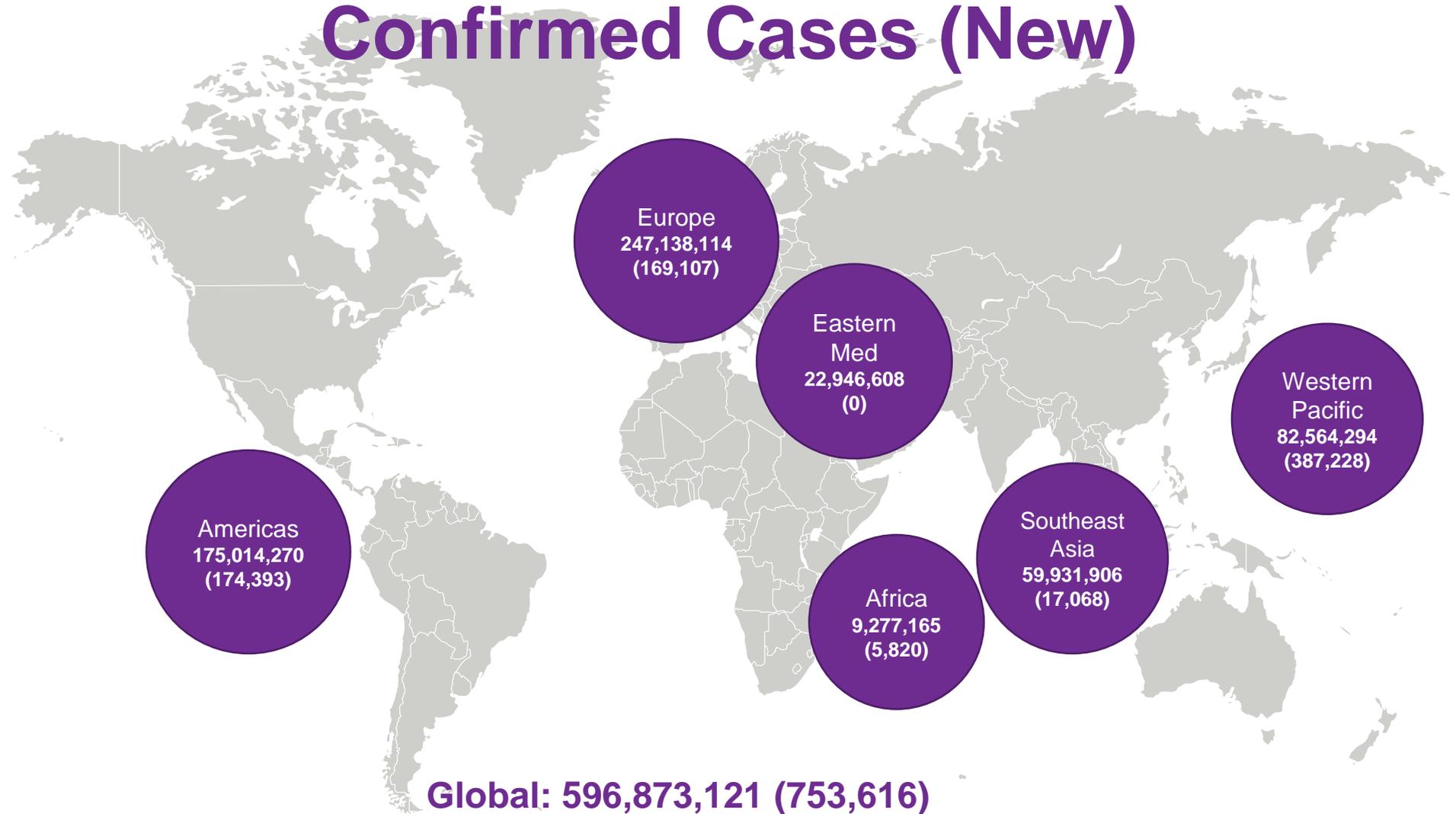
Western economic resilience will enable NATO and allies the means to continue to provide Ukraine with economic and military assistance. Russia's means to fund a war economy will be more limited. The view of Russia as a trusted trading partner has been shattered in the West. Economic decoupling, the longer and deeper it goes, will be difficult to undo, technically and politically. The Kremlin will face depleting its coffers and/or seeking outside economic (and military) support. China is the most likely partner, but it would require Moscow to become dependent upon Beijing as a junior partner – which for historical and strategic reasons – may be seen by Moscow's political and military elite as a sword of Damocles.

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Coronavirus Condition Updates

As of 6:49 pm CEST on August 26, 2022

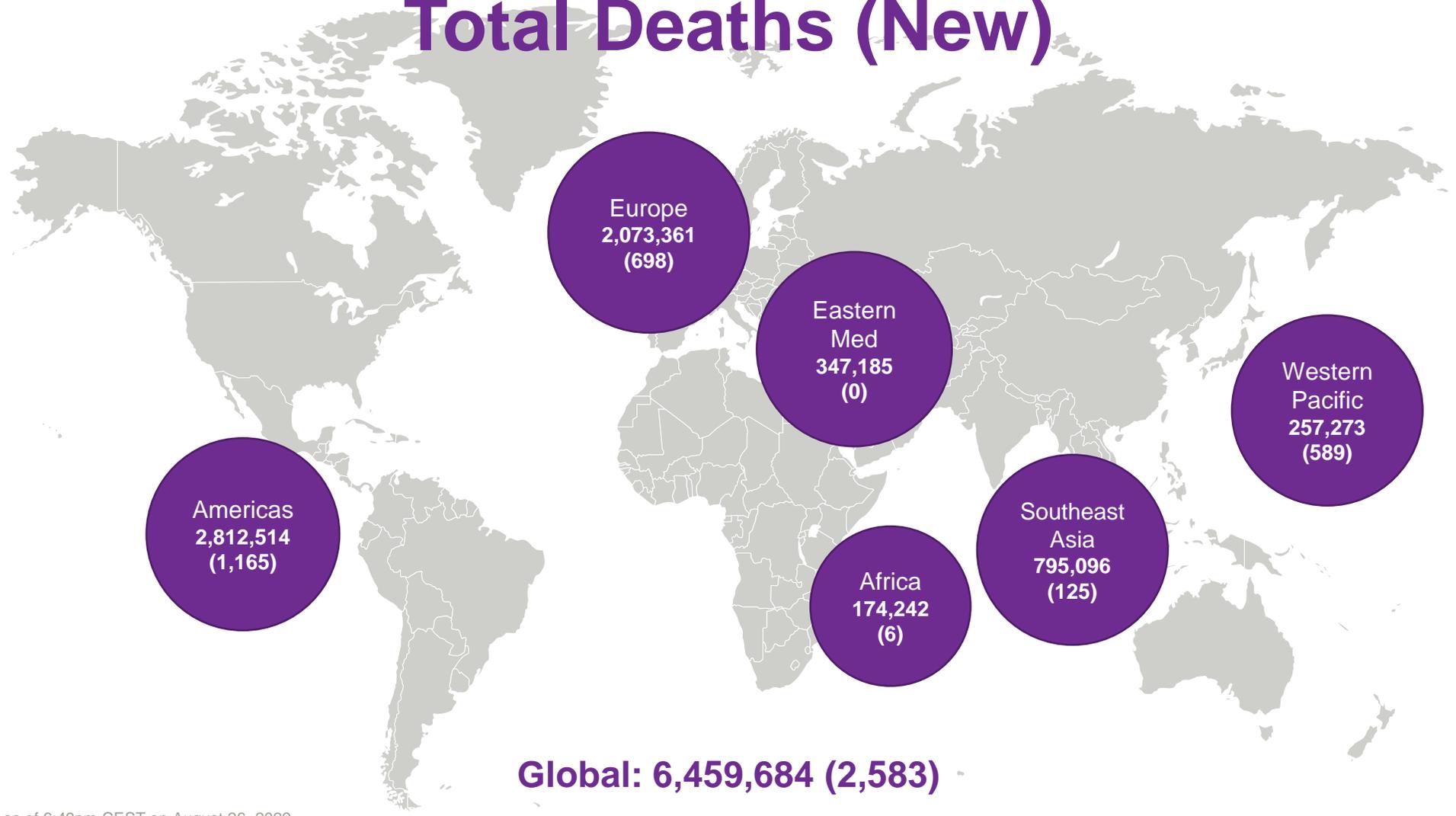
Confirmed Cases (New)



Reflects data as of 6:49pm CEST on August 26, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:49pm CEST on August 26, 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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