

Dentons Flashpoint

Global Situation Report

December 14, 2022

Global Situation Update: December 14, 2022

KEY TAKEAWAYS

Amid violent street protests, Peru's new president seeks to hold early elections.

Trade tensions escalate as the US adds more restrictions on chip exports to China, and Beijing lodges complaint at the WTO.

As China begins dismantling its tough "zero-COVID" controls, the WHO is warning of "very tough" times ahead.

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WHAT WE'RE WATCHING

The corruption scandal rocking the European Union (EU) could soon uncover more incidents of bribery among parliamentarians in Brussels and in local governments. Arrests, office raids and seizures of cash and electronics have followed news that Qatar paid to influence EU politics ahead of the World Cup. However, this might just be the tip of the iceberg as evidence is emerging that other nations may have also bribed EU politicians.

There is a risk that the general publics of member states could further lose trust in European democracy and the bloc's central administration, while businesses and organizations could expect that soon there will be more strict and transparent laws for the lobbying of parliamentarians in Brussels.



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

Global

US and Russia intelligence officials have held a series of meetings in Turkey to discuss negotiating an end to the Ukraine war. On Monday, Russia's RIA news agency quoted Russian Deputy Foreign Minister Vershinin as saying that Moscow does not yet see a "constructive" approach from the US.

- In response to unrelenting bombardment of Ukrainian critical infrastructure by Russian forces, the US is finalizing plans to send the Patriot missile **defense system to Ukraine**. EU foreign ministers agreed to provide an extra 2 billion euros (\$2.1 billion) in funding for the European Peace Facility, a program used to reimburse member states for sending weapons to Ukraine.
- OPEC expects to see robust **global oil demand** growth in 2023 with potential economic upside coming from a relaxation of China's zero-COVID policies, with global demand rising by 2.25 million barrels per day (bpd), or about 2.3 percent.
- A week after China began dismantling its tough "**zero-COVID**" **controls**, the WHO has warned of "very tough" times ahead as fears grow that its hospitals could soon become flooded with cases.

Markets & Business

Sam Bankman-Fried, the founder of the collapsed cryptocurrency exchange FTX, was arrested Monday in the Bahamas after US prosecutors filed an indictment against him, charging him with engineering “one of the biggest financial frauds in American history.”

- **Twitter Inc.** disbanded its Trust and Safety Council on Monday night, the council, composed of civil-society groups, that advised Twitter on how to enforce its policies on content such as hate speech before the social-media site was purchased by billionaire Elon Musk.
- **Amgen Inc.** plans to acquire **Horizon Therapeutics PLC** for \$27.8 billion, the biggest acquisition this year by a major pharmaceutical company seeking new revenue sources to offset patent expiries.
- The US Federal Reserve’s aggressive pace of interest rate increases in decades is set to trigger a **surge of defaults** over the next several years in the \$1.4 trillion market for risky corporate loans, according to Wall Street banks and rating agencies.
- **Binance** registered \$1.9 billion of withdrawals in 24 hours, blockchain data firm Nansen reported on Tuesday, as the world's biggest crypto exchange said it had "*temporarily paused*" withdrawals of the USDC stablecoin.

Environment, Sustainability & Governance

Pension funds across the EU would lose billions of euros from their investments in polluting industries without action to mitigate the impact of climate change, the bloc's first stress test of its kind showed.

- The EU struck a political deal to impose a **carbon dioxide emissions tariff** on imports of polluting goods such as steel and cement, a world-first scheme.
- New US **solar installations** are on track to fall by nearly a quarter this year, with panel imports stalled by a ban on goods from China's Xinjiang region over forced labor concerns.
- **Average pay** for British public sector workers fell to a 19-year low in October, amid widespread strikes.
- HSBC will stop **funding new oil and gas fields** and expect more information from energy clients over their plans to cut carbon emissions.

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Africa

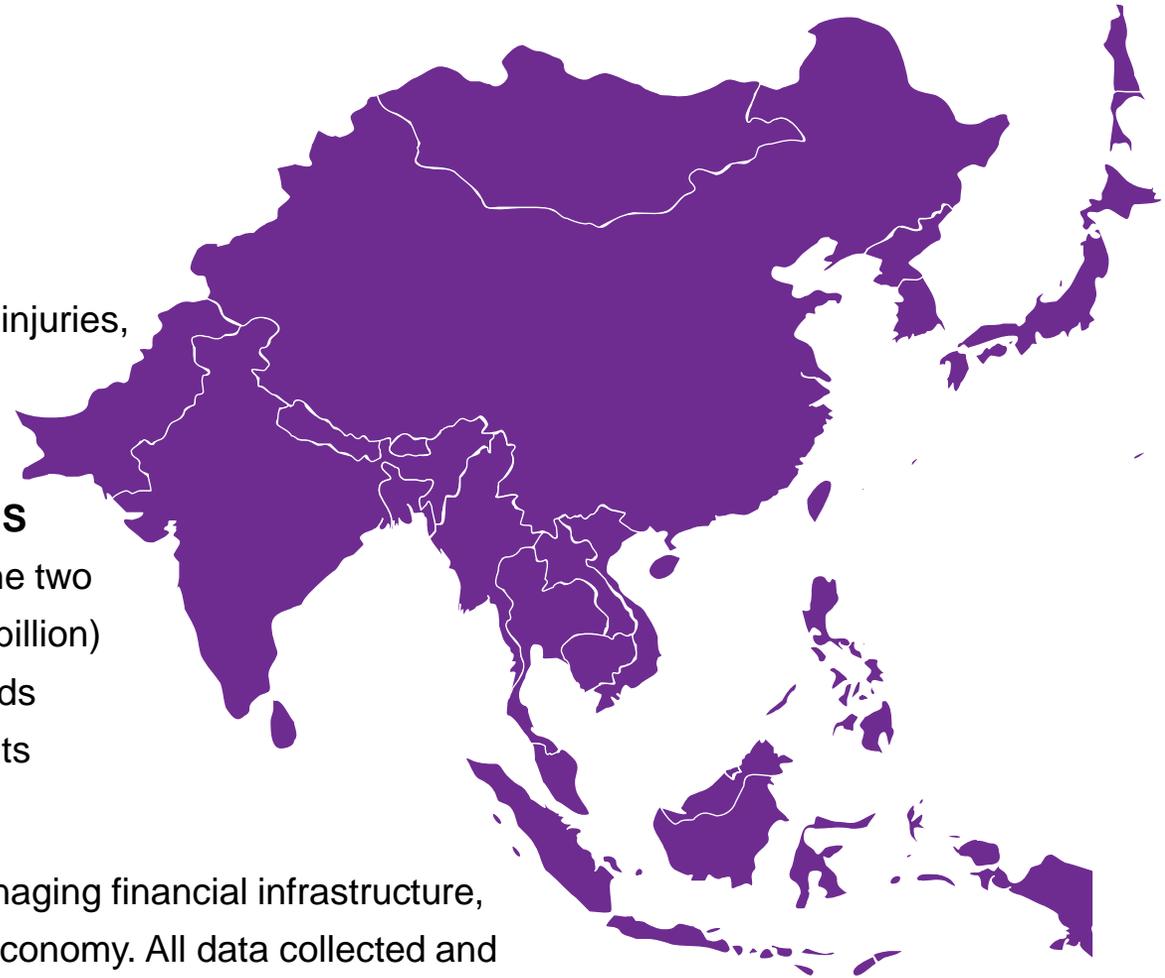
- **South Africa's** parliament voted against impeaching President Ramaphosa over allegations that he concealed ill-gotten cash at his farm.
- Over 120 people have been killed and more injured by widespread floods and landslides caused by heavy rains in **Congo's** capital, Kinshasa.
- A group of 11 Islamist militants based in eastern **Democratic Republic of Congo** were killed in clashes with **Ugandan** forces overnight during a cross-border raid, Uganda's army said.
- **Nigeria** removed COVID-19 testing requirements for international travelers.
- The US announced that it will pledge \$55 billion to African states during the **US-Africa** summit currently underway.



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Asia

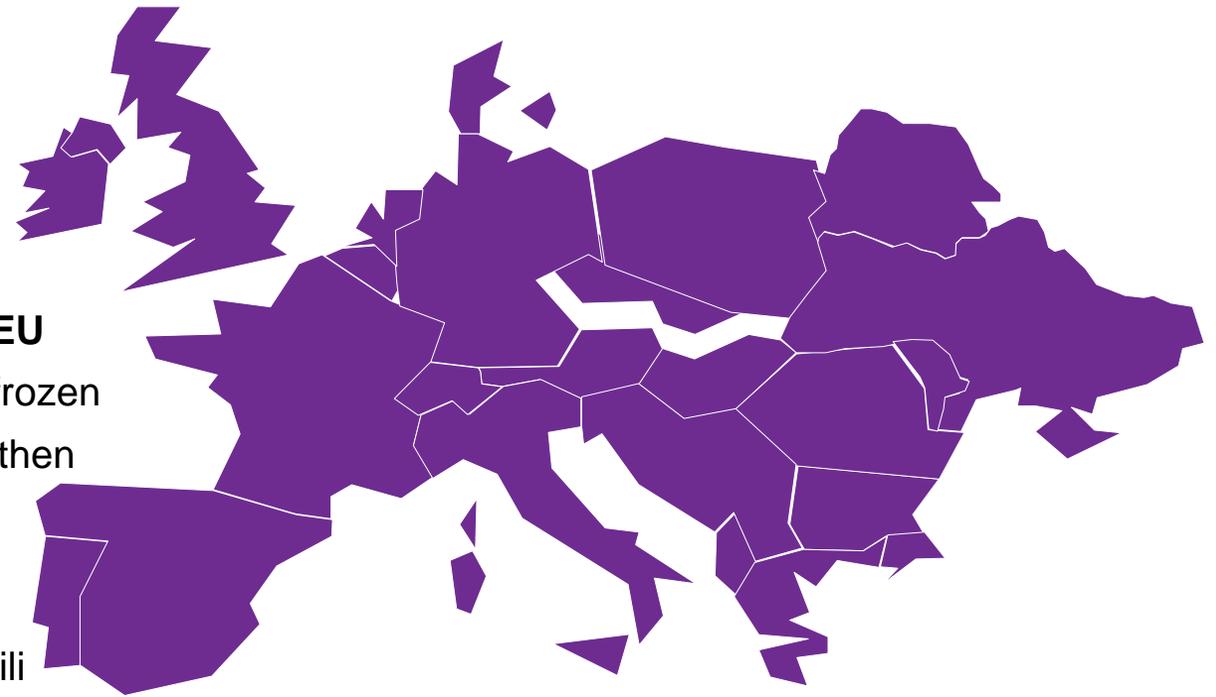
- **Indian and Chinese** troops have clashed in recent days, resulting in injuries, marking the most serious incident along their contested mountainous border since 2020.
- **China** has filed a complaint with the WTO in response to sweeping **US** export controls on chips, amid the escalating the tech war between the two countries. China is also working on a more than 1 trillion yuan (\$143 billion) support package for its semiconductor industry, in a major step towards self-sufficiency in chips and to counter U.S. moves aimed at slowing its technological advances.
- **China's** central bank issued draft rules today on supervising and managing financial infrastructure, in a move it said would push finance groups to better serve the real economy. All data collected and produced during such operations within Chinese territory must be stored within the country, under the regulations.
- **Hong Kong** is ending some of its remaining pandemic restrictions on people arriving in the city, in a further rolling back of virus controls as **China** rapidly unwinds its zero-Covid policy. China is ending a nationwide mobile tracking app that collects data on users' travel movements, dismantling a symbol of draconian state surveillance, and will stop counting asymptomatic COVID-19 cases while accelerating vaccinations



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Europe

- **Hungary** has agreed to lift its veto on sending €18 billion in **EU** aid to **Ukraine** after the EU agreed to reduce the amount of frozen funding to Hungary because of inadequate reforms to strengthen the rule of law.
- **Greek** MEP Eva Kaili was stripped of her position as a vice president in the **European** Parliament. The decision over Kaili is related to a corruption probe that involves **Qatar**. Four people arrested, including Kaili, have been charged with corruption and money-laundering.
- A major aid conference with 70 countries and institutions convened in Paris on Tuesday to mobilize urgent aid to help **Ukraine** get through freezing winter temperatures as **Russian** forces target civilian infrastructure across the country.
- Leaders from the **EU** and the 10-member Association of Southeast Asian Nations (**ASEAN**) are holding their first ever in-person summit in Brussels, seeking better economic ties to help European producers in Asia diversify away from China.



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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.

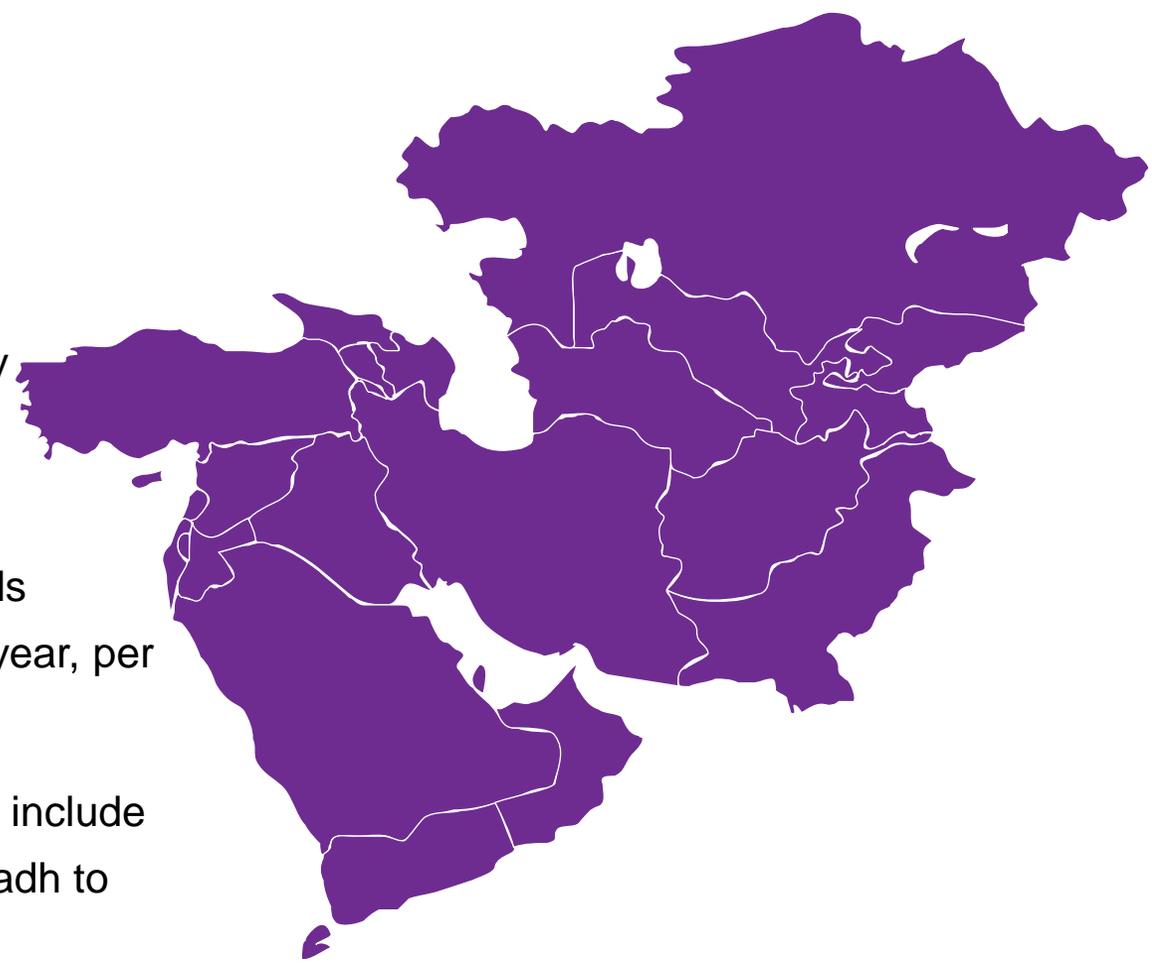
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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](#).

Middle East



- **Israel's** parliament on Tuesday elected a new speaker closely allied to the country's likely next prime minister, Benjamin Netanyahu.
- The **French** company TotalEnergies will begin working towards exploiting **Lebanon's** Block 9 offshore gas project as of next year, per caretaker Energy Minister.
- **Pakistan** is seeking financial help from **Saudi Arabia** that will include doubling the current deferred oil payment facility given by Riyadh to \$2.4 billion per year.
- **Iran's** currency has weakened 18 percent, the lowest number on record, amid unrest. The 54-member UN Economic and Social Council (ECOSOC) will vote today on a US-drafted resolution to "*remove with immediate effect the Islamic Republic of Iran from the Commission on the Status of Women for the remainder of its 2022-2026 term.*" The measure is expected to pass.

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Americas

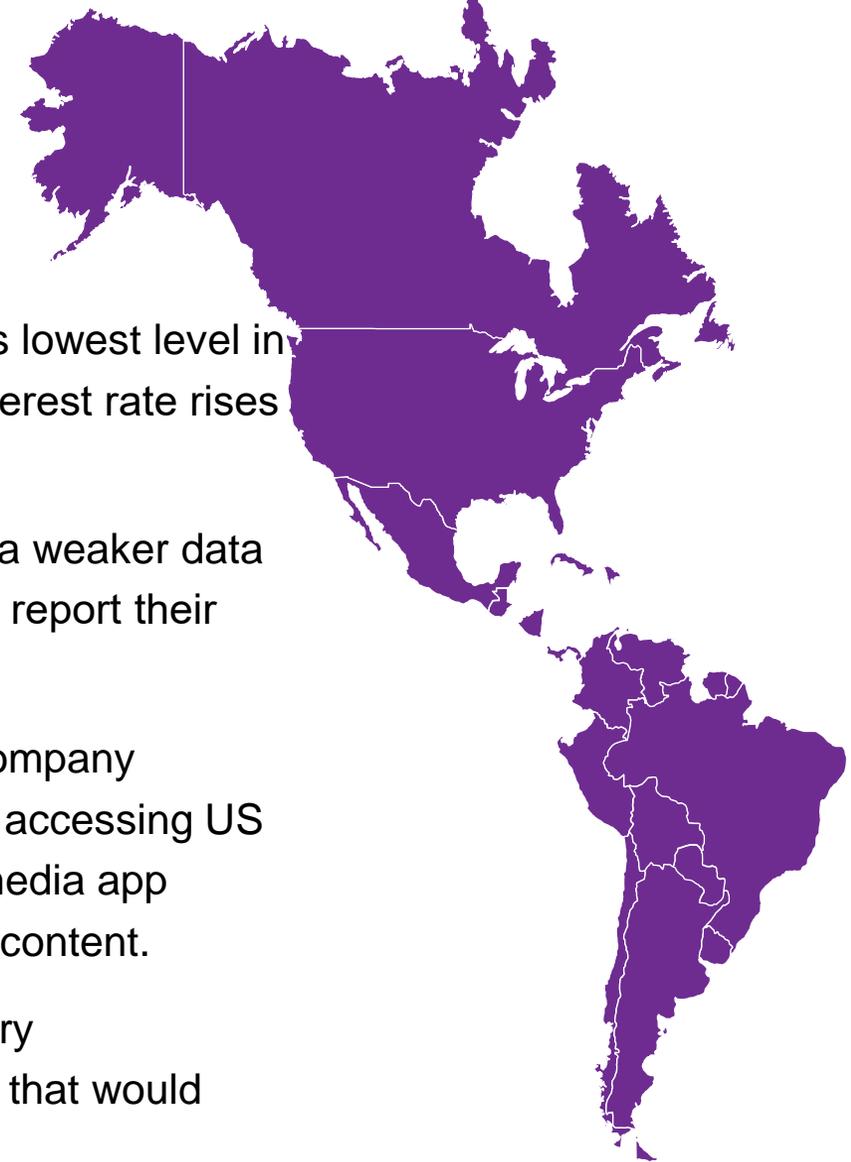
- **Peru's** new president pledged to work with Congress to see if the next election could be held even sooner than previously proposed, as intense street protests killed at least seven. **Mexican** President Obrador condemned Castillo's ouster, saying relations with Peru are on hold.
- Supporters of far-right **Brazilian** President Jair Bolsonaro attempted to invade the federal police headquarters on Monday, the day election results were certified, the latest instance of post-election violence.
- **Chilean** lawmakers announced an agreement to begin drafting a new constitution, three months after a referendum overwhelmingly rejected a progressive first text to replace a dictatorship-era charter.
- A northern **Mexican** state reintroduced the obligatory use of face masks in closed public spaces in a bid to curb rising cases of COVID-19 and other respiratory infections.



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Americas: US

- US **consumer price inflation** eased more than expected in November to its lowest level in almost a year, bolstering the Federal Reserve's plans to slow the pace of interest rate rises this week.
- The FBI reported that **hate crimes** in the US fell in 2021 but acknowledged a weaker data set compared to past years because thousands of police departments didn't report their numbers to the federal government.
- US lawmakers have introduced a bipartisan bill to sanction **Chinese tech** company Huawei Technologies Ltd and Chinese 5G companies, restricting them from accessing US banks. Separate bipartisan legislation seeks to ban China's popular social media app TikTok, amid fears the app could be used to spy on Americans and censor content.
- The Biden administration plans to place Chinese chip maker Yangtze Memory Technologies and 35 other **Chinese firms** on the Entity list, a trade blacklist that would prevent them from buying certain American components.



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The Sino-Saudi Visit and Implications for Great Power Competition

By Anni Coonan

Chinese President Xi Jinping visited Saudi Arabia last week for meetings to bolster the bilateral relationship and Beijing's broader profile in the Arab Gulf. The trip, Xi's first to Riyadh in six years, comprised a bilateral Saudi-Chinese summit and a multilateral gathering of Arab countries (a first), and was largely perceived by the West as a slight aimed at President Biden amid the deterioration of US-Saudi ties.

However, the Sino-Saudi and Sino-Gulf relationship encompass much broader strategic concerns, including economic partnership, energy, technology, defense manufacturing, and – yes - geopolitical counterbalancing to the US. While this summit was more a mile marker along the natural progression of Riyadh and Beijing's increasingly close partnership than a major event, there remain concerns in the West that China is gaining a strategic foothold in the region.

Bilateral Calculus

Both sides have a wide variety of reasons to seek a closer relationship, with energy at the core of the calculus for each. In 2021, Saudi Arabia sold China about 18 percent of its oil, making it China's top supplier – a spot that it has variously traded with Russia over the last two decades. China is eager to secure stable

access to oil amid the massive energy market restructuring currently under way, while the Kingdom seeks to lock in a still-growing market for its oil as the renewable transition looms and many analysts predict that we are near – or have already surpassed – peak oil consumption. As such, the vast majority of the near-\$30 billion in deals signed during the visit dealt with oil and petrochemicals, as well as with green technologies like hydrogen.

The partnership has other benefits in addition to oil. While the focus of the relationship is not the US, Saudi Arabia is undoubtedly seeking to diversify its international partnerships amid what it sees as American retrenchment from the region as it pivots to Asia. Saudi feelings of abandonment by the US were thrown into sharp relief by the Trump Administration's decision not to immediately respond to Iranian drone attacks on the Saudi oil facilities at Abqaiq, and have

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The Sino-Saudi Visit and Implications for Great Power Competition

deepened as President Biden has chosen to reduce US military presence in the Kingdom (removing several Patriot batteries), partially suspend arms sales, and continue the policy of mostly non-response to Iranian proxy attacks on Saudi Arabia and the UAE. While Saudi Arabia is not looking, as is often pointed out, for China to take on the mantle or primary security guarantor – nor would Beijing want or be able to – it is certainly interested in diversifying its diplomatic and economic partnerships. Security, while not central, does play a role; the Kingdom is a growing purchaser of Chinese drones and established a joint partnership with Beijing earlier this year to domestically manufacture drones.

Saudi Arabia and China are also interested in building relationships unencumbered by the “strings” that the Gulf increasingly sees coming with American ties. Both countries feel unfairly persecuted over human rights concerns; for Saudi Arabia, Washington’s focus on human rights issues has led to stops and starts in security cooperation, arms sale hold-ups, and negative rhetoric in domestic politics. China, for its part, sees the Kingdom as an important partner on Muslim issues, as the leader of the Arab World is sympathetic to China’s counterterrorism concerns surrounding the much-criticized treatment of the Uyghur minority. Saudi Arabia and China have

likened the Uyghur Muslims to the Muslim Brotherhood, which Saudi Arabia and other Gulf Arab countries consider a terrorist group.

The US Perspective

Despite assurances that the US is not looking to “make anyone choose” in its strategic competition with China, Washington watched Xi’s visit to Saudi Arabia with anxiety. In part, for optics: taking place just months after President Biden’s controversial first visit to the Kingdom (and soon after the OPEC+ production cut that roiled the bilateral relationship), Xi’s visit provided an unfortunate foil to the American leader’s trip. Despite the legitimate policy issues on the agenda, the markedly warmer reception (although, notably, Xi was not met at the airport by the Crown Prince) has stung Washington.

The US has more to fear from closer Sino-Saudi involvement than dinged pride. While it is true that bilateral ties between the countries are inevitable, Washington is wary of deals that would represent China gaining a larger strategic foothold in the region, such as deeper investment in telecommunications infrastructure, potential dual-use physical locations, and defense cooperation. Just last year, for example, the US successfully persuaded the UAE to halt construction of a Chinese outpost on an Emirati island that

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Washington feared could be used as a naval base in the future. Some of these fears came to light during Xi's visit: Saudi Arabia signed a memorandum of understanding with Huawei to explore cloud computing and building high-tech complexes in Saudi cities, a rebuke for the US, which has called on parties to phase Huawei out of their 5G and cloud computing systems over espionage concerns. The memorandum also potentially walks back one of the few deliverables from Biden's own visit to Riyadh: a memorandum of understanding to explore cooperation on 5G technology, seen at the time as a concession by Saudi Arabia to entertain non-Huawei 5G infrastructure.

There are also American concerns that China could fuel a regional arms race by enabling Saudi nuclear development if Iran is successful in developing a nuclear weapon. At the GCC-China summit near the end of Xi's visit, a senior Saudi official said that "all bets are off" if Iran achieves a nuclear weapon, hinting that it could seek one of its own. The US fears that China, which has already agreed to work with Saudi Arabia to develop its civil nuclear program (outside of American oversight) could enable the process, either by transferring nuclear material and knowledge itself or coordinating its

transfer from Pakistan. Positively, the agreements themselves made no mention of nuclear material. The meeting also did not result in further agreements on conventional arms, leaving Saudi-Chinese drone cooperation where it is.

Implications for Great Power Competition

Increasing Saudi and Chinese closeness, a trend that has been on the rise for the last twenty years, is unlikely to significantly impact the geopolitical landscape over the short term. US and Chinese interests converge in seeking a stable Middle East (although China is unable and unwilling to do the job itself), and Beijing is unlikely to act as a spoiler in any major way. The Saudi-Chinese relationship could also face headwinds, as Russia and Saudi Arabia compete for the Chinese market or as China continues to foster a relationship with Saudi Arabia's regional rival, Iran. Saudi Arabia and other Gulf nations have repeatedly stated that they do not wish to be drawn into the "new Cold War" between the US and its great power competitors, and Washington has in turn asserted several times that it does not wish to force its partners to choose. However, polarization in the international sphere and accelerating economic decoupling between the US and its great power competitors will continue to put other

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The Sino-Saudi Visit and Implications for Great Power Competition

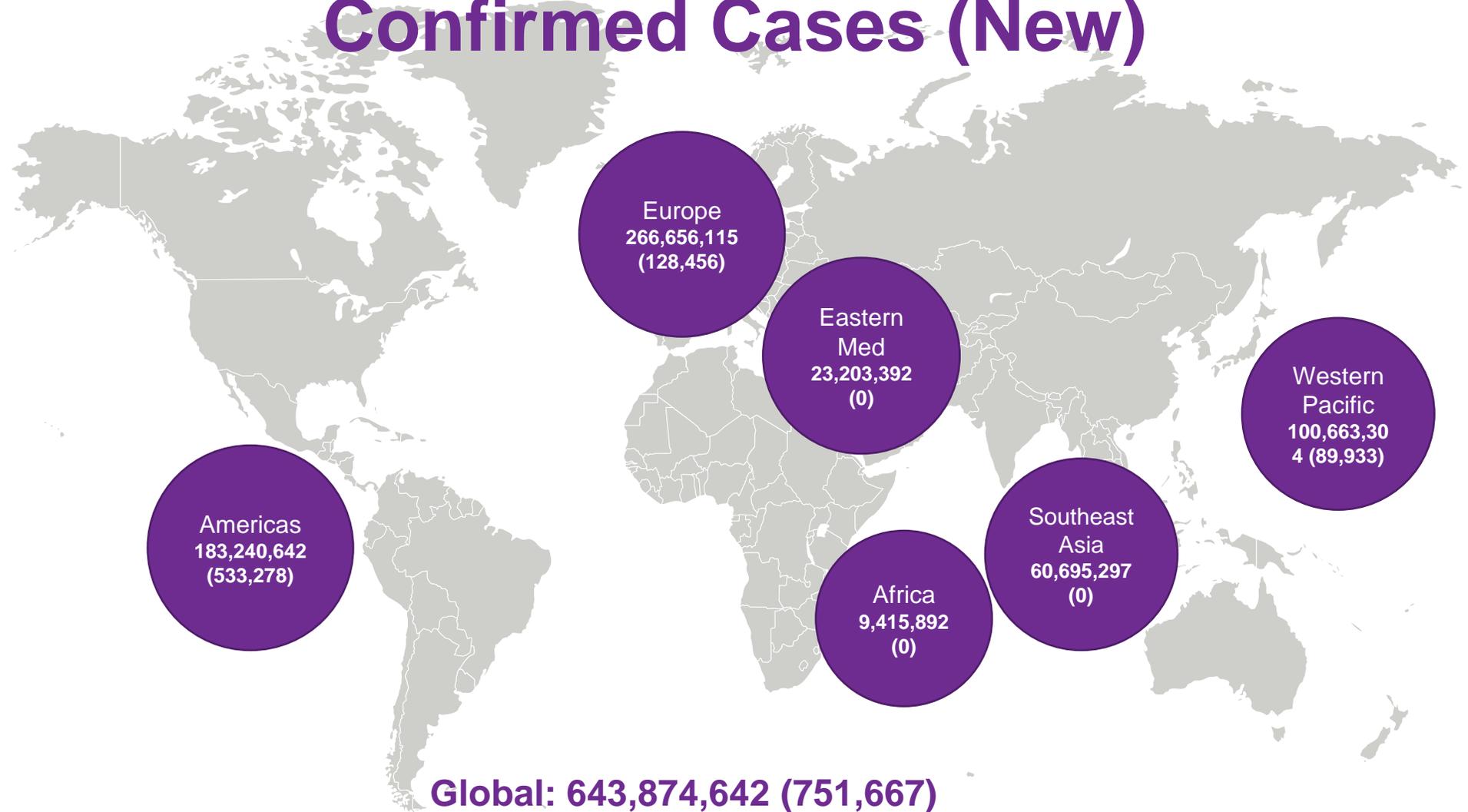
partners in difficult positions. The parties remain mostly where they were when they started: Saudi Arabia, attempting both to gain leverage over the US and make new friends if the US cannot be brought back to the fold, the US, alarmed at rising Saudi-Chinese cooperation but unwilling to either issue ultimatums or increase its cooperation with the Kingdom, and China largely succeeding in gaining a larger strategic foothold without necessitating undue military investment or unduly provoking the US. With increased cooperation on the horizon, however, interests will inevitably be at odds at some point.

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Coronavirus Condition Updates

As of 4:38 pm CEST on December 13, 2022

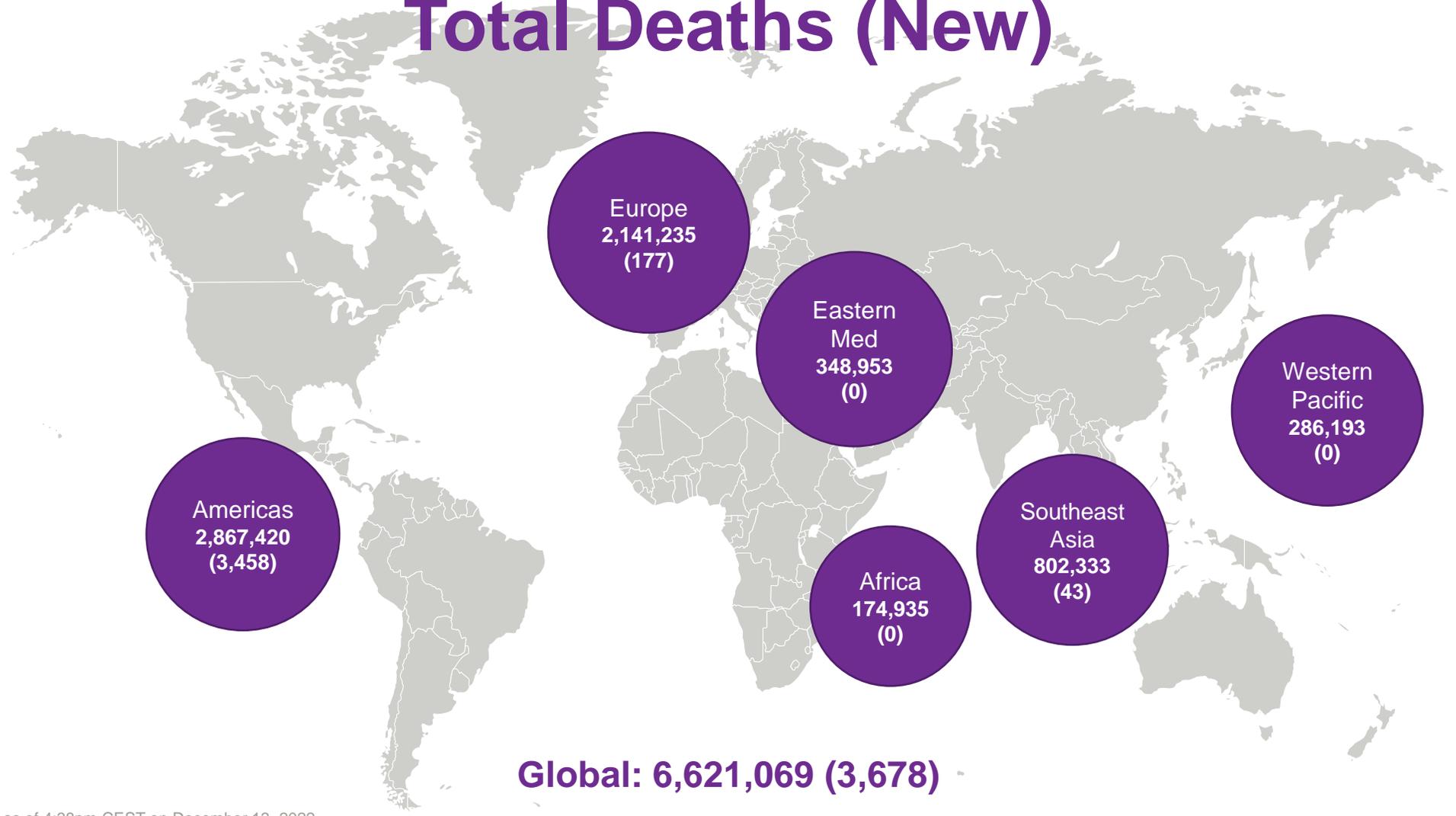
Confirmed Cases (New)



Reflects data as of 4:38pm CEST on December 13, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 4:38pm CEST on December 13, 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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