

Dentons Flashpoint

Daily Global Situation Report

July 20, 2022

Global Situation Update: July 20, 2022

KEY TAKEAWAYS

Russia signals Nord Stream 1 gas to Europe will resume with reduced flows.

Climate change-driven heatwave continues to punish Europe.

Coronavirus cases have tripled across Europe in the past six weeks, accounting for nearly half of all infections globally.

Global Situation Update: July 20, 2022

WHAT WE'RE WATCHING

Yesterday, the government of Cuba told citizens that there would be “no quick fixes” to hours-long power outages that have grown in length and frequency amid record-high temperatures and a global energy crisis. The outages, caused by damages to many provincial power plants and a shortage of reserve fuel, come as the country is also dealing with food and medicine shortages.

The announcement comes just a week after the one year anniversary of the country’s largest-ever anti-government protests, which were in part spurred by poor economic conditions and persistent power outages. Deteriorating conditions have already prompted scattered demonstrations and could prompt wider-scale protests in coming days or weeks.



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

Global

Russian President Putin said there was “some progress” on grain exports, which were a key point at meetings in Tehran between the Russian leader and Turkish President Erdogan.

- **Climate change-driven heatwave** continues to punish Europe. Britain recorded its hottest day ever yesterday, with the temperature exceeding 40C (104F) as a heatwave gripping Europe intensified, forcing train tracks to buckle and fueling fires across London. A Greek wildfire fueled by gale-force winds raged in the mountainous region of Penteli near Athens on Tuesday, prompting authorities to order the evacuation. Portugal has reported more than 1,000 deaths due to the current heat wave. The brutal heat dome is due to move through Central Europe today.
- Russian President Putin signaled that Europe will start getting **gas again through Nord Stream 1** pipeline but warned that unless the disagreement over sanctioned parts is resolved, flows will be tightly curbed. The EU is set to propose a voluntary 15 percent cut in natural gas use by member states starting next month on concern Russia may halt supplies of the fuel.
- **Oil prices** fell after a three-day climb as investors weighed data that pointed to a rise in US inventories and the outlook for the dollar.

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Markets & Business

Russian car manufacturer Avtovaz is preparing to restart production lines to produce a limited number of Lada Largus models, after Western sanctions halted production lines due to lack of parts.

- **Google** faces a London court case with an estimated 920-million-pound (\$1.1 billion) damages claim after a court authorized a lawsuit that alleges the Alphabet-owned tech giant overcharged 19.5 million customers for app store purchases.
- **Zoox**, a self-driving technology firm owned by Amazon.com Inc is applying for a permit in California to test drive robotaxi, self-certifying that its vehicle with no pedals or steering wheel meets US federal regulations.
- British bank **Barclays Plc** has received approval from Taiwanese authorities to set up a subsidiary, providing brokerage and underwriting services to its global and Taiwanese corporate and institutional clients.
- Qatari telecommunications firm **Ooredoo** is in talks to sell its Myanmar unit in what would mark the exit of the country's last foreign telecoms operator.

Environment, Sustainability & Governance

The share of battery-electric cars among new registrations in Europe grew to 9.9 percent in April to June from 7.5 percent a year prior, as fossil-fuel powered cars lost market share and total sales dropped.

- President Biden is reportedly considering calling a **climate state of emergency** as early as this week after progress on a climate bill stalled in Congress.
- Investors resumed deposits into **US sustainable funds** last month, marking a return to the norm after net withdrawals in May broke a three-year streak of monthly inflows, researcher Morningstar reported.
- The **Vatican** issued an overarching **investments policy** to ensure they are ethical, green, low-risk, and avoid weapons industries or health sectors involved in abortion, contraception or embryonic stem cells. The policy will require all Vatican departments to close their investment accounts or stock holdings in foreign banks and transfer them to the Vatican Bank.

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Africa

- The death toll from days of intensified tribal clashes in **Sudan's** Blue Nile province rose to 79.
- The IMF agreed to an immediate \$235.6 million disbursement to **Kenya** and greenlit a \$1 billion loan to **Tanzania**.
- **South Africa** extended its national state of disaster, triggered by extreme weather in the south of the country, into mid-August.
- State-run **Nigerian** National Petroleum Corporation formally became a commercial company known as NNPC Ltd, a move junior petroleum minister Sylva said would deliver more profitability and accountability.



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Asia

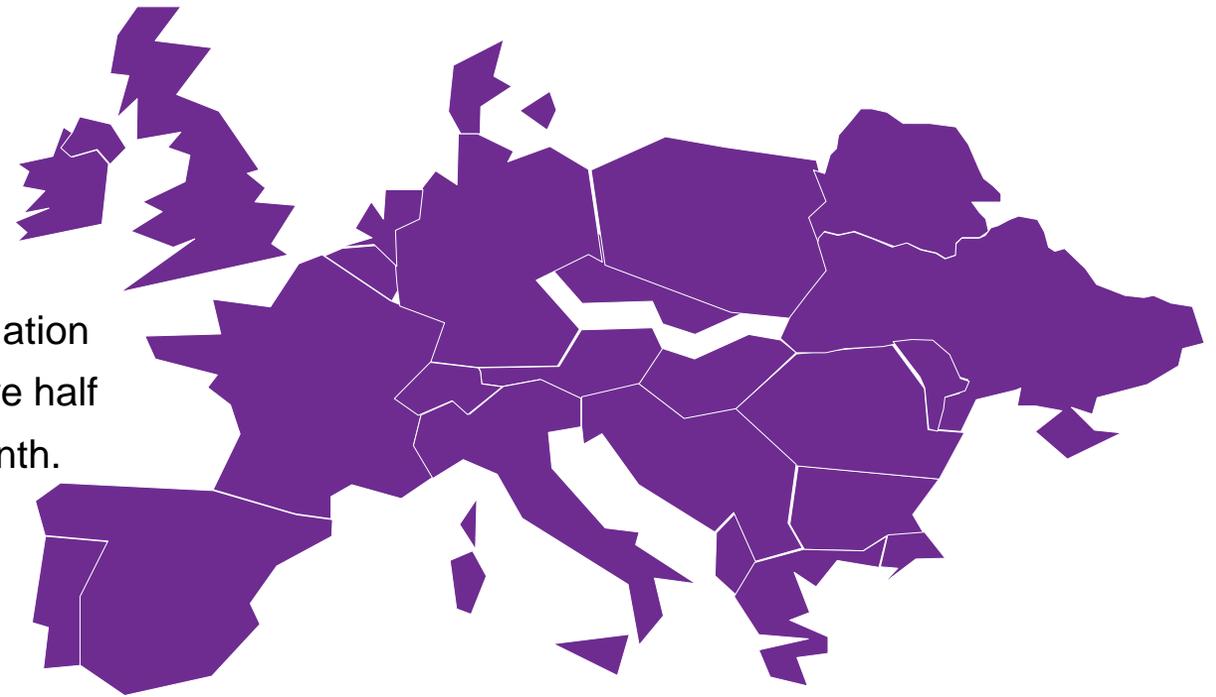
- **China** is asking the United Nations human rights chief to not make public a highly-anticipated report on human rights violations in Xinjiang.
- For a second month, in June **Russia** is **China's** top oil supplier of oil as Chinese buyers cashed in on lower-priced supplies, cutting back on more costly shipments from **Saudi Arabia**
- **Sri Lankan** lawmakers voted in acting President Ranil Wickremesinghe as the new president today, pinning hopes on his long experience in government to help pull the country out of a crippling economic and political crisis.
- **Australian** authorities urged businesses to let staff work from home and recommended people wear masks indoors and get booster shots urgently amid a major coronavirus outbreak which is sending Australians to the hospital in near record levels.



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Europe

- Surging petrol and food prices last month pushed **British** inflation to its highest rate in 40 years, bolstering the chances of a rare half percentage-point Bank of England interest rate hike next month.
- **Italian** Prime Minister Mario Draghi will address the upper house Senate today on a political crisis that could bring down his government and trigger early elections.
- As **Ukraine** faces a record external debt payment in September of almost 57 billion hryvnias (\$1.93 billion) and the state budget revenues cover only a third of the country's financial needs, Kyiv announced plans to postpone repayment of its Eurobonds and payments of interest on them for 24 months.
- The **US** warned that **Russia** is beginning to roll out its plans to annex large parts of southern **Ukraine** by installing proxy officials and preparing to hold stage-managed referendums.

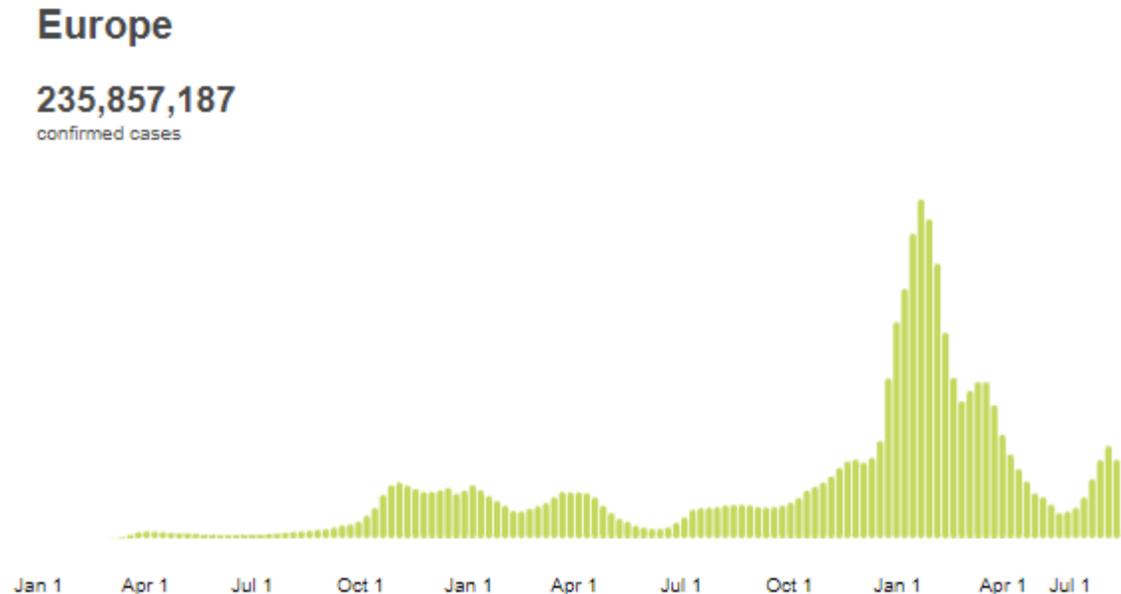


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Europe

The WHO warned that European nations must accelerate vaccine uptake and bring back mask wearing to tackle a surge in COVID-19 cases driven by an Omicron offshoot to avoid stricter measures later in the year.

- Coronavirus cases have tripled across Europe in the past six weeks, accounting for nearly half of all infections globally, while hospitalization rates have also doubled.



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How do You Manage Incident Response?

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

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

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

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

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

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

Middle East



- A **Lebanese** judge accompanied by security personnel raided Lebanon's central bank, escalating an ongoing money laundering and corruption investigation into the central bank governor.
- **Israel** said that it had launched strikes into the **Gaza Strip** onto a Hamas enclave after reporting gunfire out of the area.
- **Iraq's** judiciary opened an investigation into leaked voice recordings attributed to former Prime Minister Nouri al-Maliki; in the recordings, al-Maliki threatens violence against populist leader Moqtada al-Sadr.
- **Russian** President Putin, in Tehran, praised his talks with the presidents of **Iran and Turkey**, speaking after a three-way summit. He said the three leaders adopted a joint declaration, pledging to strengthen cooperation in the interests of the "*normalization*" of the situation in Syria.

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Americas

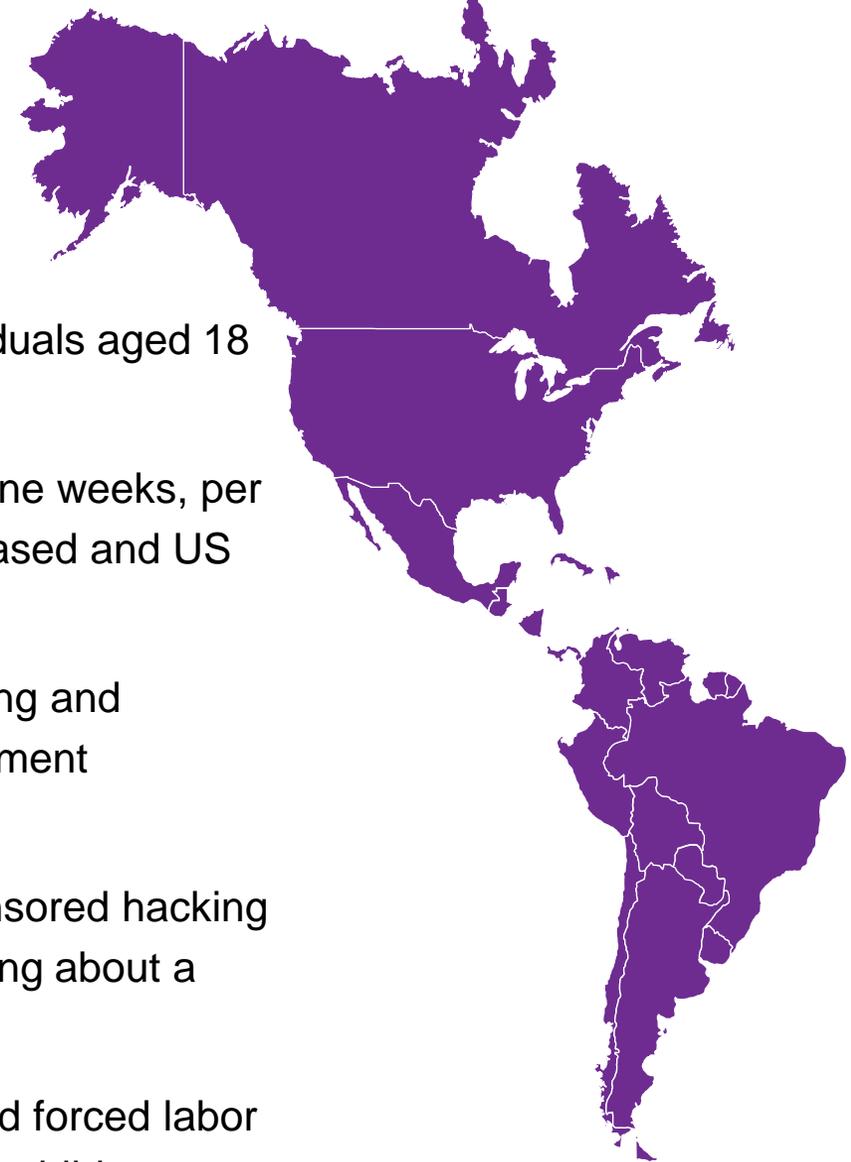
- The **Cuban** government announced that there is no quick fix to the rising power outages throughout the country due to low fuel supply. Outages were a major cause of last year's anti-government protests.
- **Mexico's** Credito Real said it had requested to enter the US Chapter 15 bankruptcy procedure as the company struggles to meet its financial obligations.
- The CAF-Development Bank of Latin America has approved \$1.65 billion in financing for **Argentina, Brazil, Paraguay, Peru and Trinidad and Tobago**, with the funding rounds to be carried out in seven operations.
- The **US** said **Mexico's** nationalist energy policies violate North America's free-trade deal and has requested dispute-settlement talks under the agreement.



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Americas: US

- The CDC recommended use of Novavax Inc's **COVID-19 vaccine** for individuals aged 18 and above.
- The US average **retail gasoline price** fell below \$4.50 for the first time in nine weeks, per data from the American Automobile Association, as overall supply has increased and US demand has moderated to some extent, in part due to higher rates.
- President Joe Biden signed an executive order on Tuesday aimed at deterring and punishing wrongful **detention of US citizens abroad** by authorizing government agencies to impose sanctions and other measures.
- American law-enforcement authorities disrupted a **North Korean** state-sponsored hacking campaign that targeted hospitals and other medical facilities in the US, seizing about a half-million dollars in ransom payments.
- The US placed **Russia** on lists of countries engaged in human trafficking and forced labor or whose security forces or government-backed armed groups recruit or use child soldiers.



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Key Takeaways for the US and Gulf After Biden's Visit

By Anni Coonan

Last week, President Biden visited Saudi Arabia as part of his first presidential trip to the Middle East. Coming on the heels of his first trip to Israel (and involving the first-ever direct presidential flight from Israel to Saudi Arabia), the visit was an attempt to reassert US commitment to the region and make progress on US priorities there.

While President Biden did return with some concrete deliverables (among them Saudi agreements to allow Israeli overflights and to cooperate on 5G/6G tech with the US, a potential counter to Huawei), the key dividend of Biden's visit was a reassertion of realism in his foreign policy that could make it easier to accomplish his foreign policy agenda in the region.

Energy Production

Although increased oil production was widely speculated to be among the top priorities for Biden's visit to Jeddah, he insisted that was not the case and emerged from the visit without concrete deliverables on energy. Biden, who is being battered in opinion polls as US gas prices rise to record highs ahead of fall midterms, likely judged that the political fallout from the visit would be worth any

potential price decreases from output hikes. However, the Kingdom – which, like other producers, has seen historic volatility in the oil market over the last three years – is exceedingly unlikely to break with OPEC+ agreements, which it feels adds stability to the market, and, even if it were to, likely does not possess sufficient spare capacity to significantly alter oil prices in the short term. Saudi Arabia will likely continue to stick to OPEC+ production agreements, at least until their expiration in the fall, auguring no immediate relief for Americans at the pumps.

Arab-Israeli Defense Integration and Saudi-Israeli Normalization

Gulf-Israeli defense integration to guard against Iranian malign behavior was a much-hyped agenda item leading up to the trip, but the parties emerged from meetings in Jeddah

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Key Takeaways for the US and Gulf After Biden's Visit

with little concrete progress on establishing an integrated defense system (much less the long-wished for “Arab NATO,” MESA). While the White House did commit to accelerating cooperation with Saudi Arabia and other regional partners on countering unmanned aerial vehicles and to advancing a more integrated and regionally-networked air and missile defense architecture, no new working groups or task forces were formed. While the region is certainly interested in further integration, there were no breakthroughs last week.

Further hindering the development of a regional defense architecture is the lack of concrete progress on Saudi-Israeli normalization. Despite formally permitting Israeli overflights, Saudi officials were adamant that the Kingdom is nowhere near normalization with Israel, and that any future agreements would hinge on progress on the Palestinian front (which Biden himself acknowledged is unlikely in the near term). There are, of course, bright spots for those hoping for normalization - many in Israel saw the overflight permissions as an optimistic sign, and analysts widely believe that Crown Prince Mohammed bin Salman could make the pragmatic decision to normalize when he ascends to the throne. Nonetheless, the road to

Saudi-Israeli normalization, and much deeper military integration throughout the region, is blocked for the time being.

Great Power Competition

While in Jeddah, President Biden vowed not to abandon the region lest the US create vacuums that could be filled by Russia and China. The statement illustrates a renewed understanding of the risks of pivoting too fully from the region after years of vowing to scale down its presence and assessments that Middle Eastern partners would understand that Russia or China simply could not fill US shoes. Instead, while it remains true that it would be virtually impossible for either country to replace the US security umbrella, both have made soft and hard power gains in the region via a mix of economic investments, strings-free weapons sales, and involvement in regional conflicts.

While the broader picture still shows significant inroads made by Moscow and Beijing – Gulf countries have quietly declined to enforce Western sanctions on Russian interests, for example, and Saudi Arabia appears to be moving forward on missile coproduction with China – one notable positive step was taken last week. Saudi Arabia

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Key Takeaways for the US and Gulf After Biden's Visit

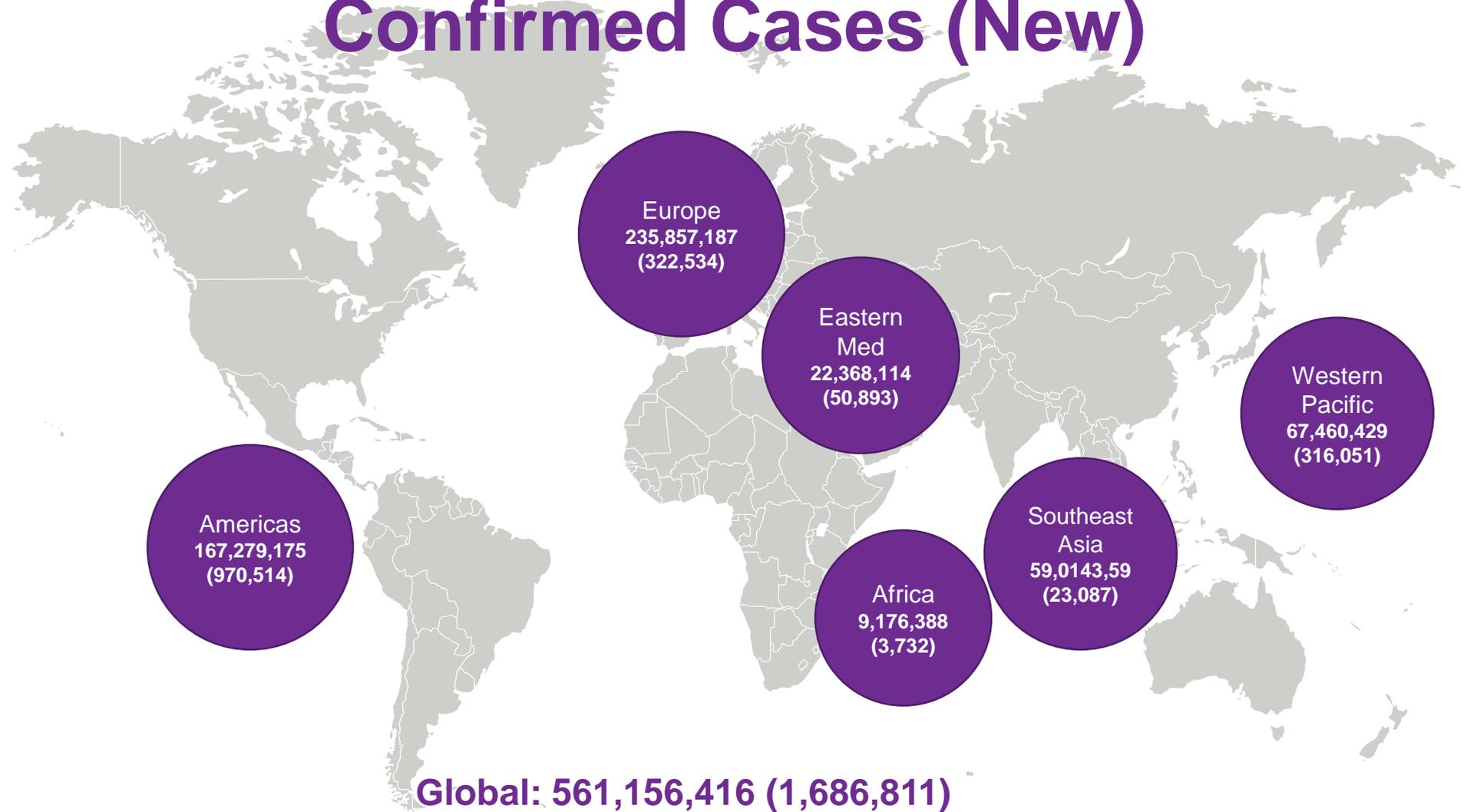
and the US agreed to cooperate on the development and implementation of 5G and 6G built on new cloud-based Open RAN systems, which offer a cost advantage over traditional 5G networks. The agreement, although scant on details and mostly aspirational, represents a significant commitment from Riyadh, which has previously been hesitant to step away from China's Huawei. The agreement presents a potent opportunity to work together, deepening the relationship, and Saudi Arabia's willingness to step back from Beijing on 5G (for whom Saudi Arabia would be its largest Middle Eastern market) is likely seen as a sign of commitment to the partnership in the White House.

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Coronavirus Condition Updates

As of 7:15 pm CEST on July 19, 2022

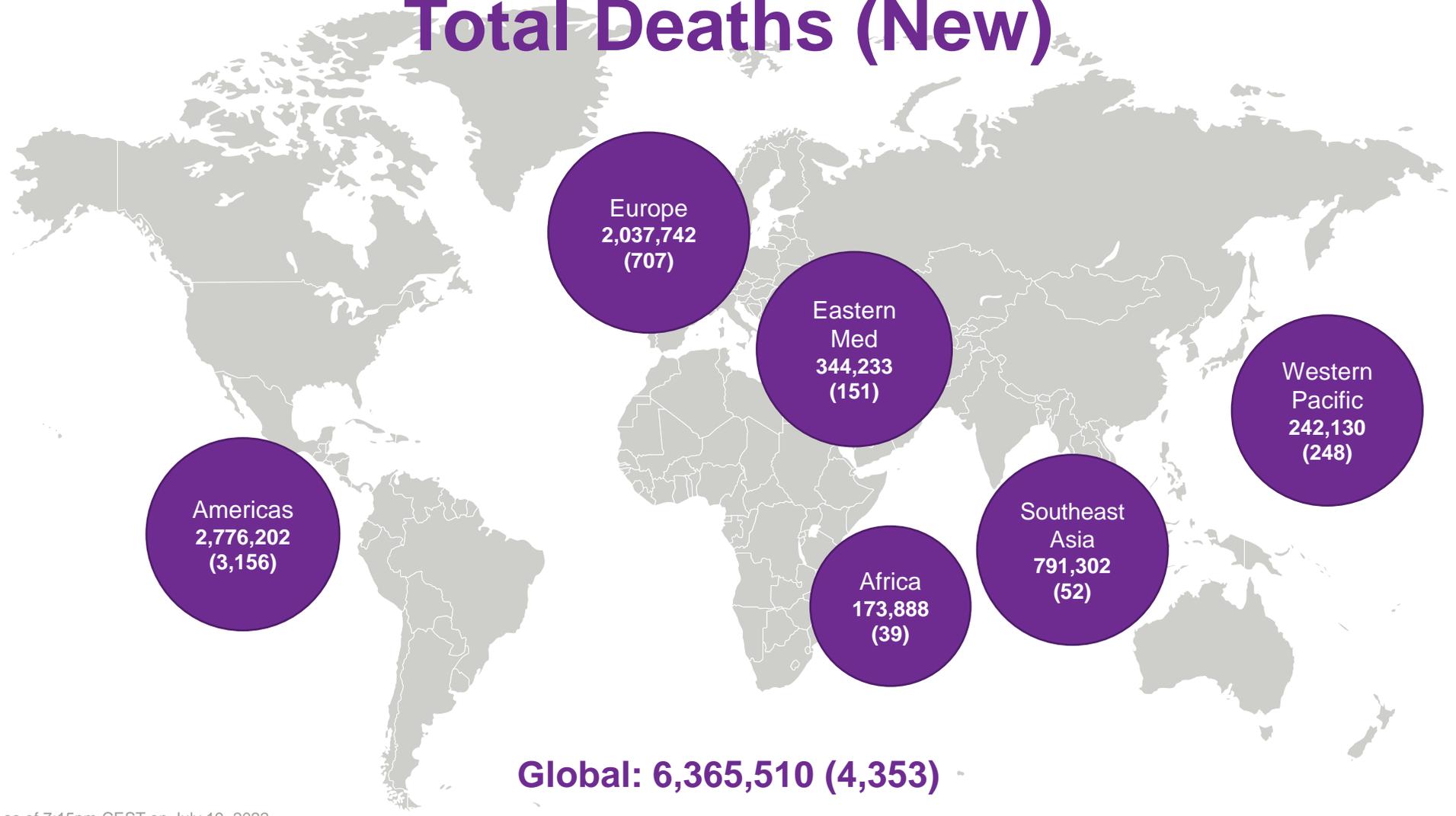
Confirmed Cases (New)



Reflects data as of 7:15pm CEST on July 19, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 7:15pm CEST on July 19, 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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