

Dentons Flashpoint

Daily Global Situation Report

July 25, 2022

Global Situation Update: July 25, 2022

KEY TAKEAWAYS

The US military's top officer accused China of aggressively intercepting military aircraft.

Melting glaciers and flash floods threaten China's Xinjiang, a major dam and cotton production.

German business confidence falls with fear of pending recession.

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WHAT WE'RE WATCHING

Today, a vote will be held in Tunisia to approve a new draft constitution that would grant President Kais Saied more power. His supporters contend that constitutional changes are necessary to overcome political instability and rampant inflation, while the opposition argues they will weaken the independence of the judiciary and other state institutions amid a backslide away from democracy.

The referendum takes place one year after Saied dissolved parliament in Tunis, the birthplace of the Arab Spring in 2011. Adoption of the new constitution will cause resentment among opposition parties that are concerned about their potential exclusion from the new political setup and frequent protests and strike action will ensue.



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

Global

Russian Foreign Minister is in Congo today as part of Russia's Africa charm offensive that also takes Lavrov to Egypt, Uganda and Ethiopia, designed to counter accusations that Russia is exporting food insecurity.

- As global price of gas soars, EU countries are seeking to soften the bloc's plan to require them to **use less gas** as Europe prepares for a winter of uncertain supplies, with countries seeking exemptions for multiple reasons.
- China on Sunday launched the second of three modules to its permanent **space station**, in one of the final missions needed to complete the orbiting outpost by year's end.
- The WHO has decided that the rapidly spreading **monkeypox** outbreak represents a global health emergency. The determination is designed to trigger a coordinated international response and could unlock funding to collaborate on sharing vaccines and treatments.

Markets & Business

China Evergrande Group announced that its chief executive officer and finance head have resigned after a preliminary probe found their involvement in diverting loans secured by its publicly listed unit to the group.

- **British Airways** staff accepted a new pay offer and called off a planned strike at London's Heathrow airport.
- Ground staff at **Deutsche Lufthansa** will stage a strike on Wednesday amid a wage dispute, further adding to travel disruptions during the busy summer travel season.
- **Rogers Communications Inc** (will invest C\$10 billion (\$7.74 billion) over the next three years in Artificial Intelligence and more testing and oversight, just weeks after the company reported network issues that caused widespread disruptions across the country.
- Paris-listed **Eutelsat and OneWeb**, the space-based internet pioneer rescued from collapse by a \$1 billion British-led bailout in 2020, are close to agreeing an all-share merger deal to boost their ability to compete in the rapidly growing market for space-based connectivity.
- German-owned discount supermarket group **Aldi UK** is awarding its store staff a second pay rise this year in another indication of Britain's tight labor market.
- China is preparing a system to sort **US-listed Chinese companies** into groups based on the sensitivity of the data they hold, in a potential concession by Beijing to try to stop American regulators from delisting hundreds of groups.

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Environment, Sustainability & Governance

A subsidiary of Hyundai Motor Co has used child labor at a plant that supplies parts for the Korean carmaker's assembly line in nearby Montgomery, Alabama, according to area police.

- The China Meteorological Administration warned that the **glacial melting** in Xinjiang poses a high risk of dam failure on a tributary of the Aksu River near China's border with Kyrgyzstan. Xinjiang province is reporting **flash floods and mudslides** and risks to agriculture and cotton production as heatwaves swept across the region.
- Chile's environment ministry is spearheading a new law that would commit the country to **net zero carbon emissions by 2050**, matching a previously stated goal by state-owned copper giant Codelco to become copper neutral. Chilean company Reborn Electric Motor is planning to produce 200 electric busses a year, enough to keep some 65,000 tons of carbon out of the atmosphere.

Africa

- French energy company TotalEnergies begun production from the Ikike field in **Nigeria**, which is expected to deliver peak production of 50,000 barrels of oil equivalent per day by the end of 2022.
- The EU is seeking additional gas supplies from **Nigeria** as the bloc prepares for potential Russian supply cuts. The EU imports 14 percent of its total LNG supplies from Nigeria and there is potential to more than double this. Oil and gas output in Nigeria is being reduced by theft and vandalism of pipelines, leaving Nigeria LNG Ltd's terminal at Bonny Island operating at 60 percent capacity.
- The **US** development agency USAID said it would give **Kenya** \$255 million in emergency assistance to tackle severe drought, with 4.1 million people are facing acute food shortages, child malnutrition surging by half in parts of the country to 942,000 in the last three months.
- **Chad** rebels said they would renew their participation in peace-building talks with the interim authorities, after breaking off negotiations last week. The Chadian authorities have set August 20 as the date for the national dialogue, but conditions for participation of armed groups have not yet been agreed on.



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Asia

- After dismantling part of a protest camp, **Sri Lanka's** new President said non-violent protests against his government will be allowed to continue, including in the commercial capital Colombo.
- **Thai** Prime Minister Prayuth Chan-ocha and 10 cabinet ministers survived no-confidence votes in parliament, in Prayuth's last major test ahead of a general election due within 11 months.
- **Myanmar's** military junta executed four democracy activists accused of helping to carry out "terror acts," the country's first executions in decades.
- The **US** will host a virtual meeting on Tuesday of officials representing the 14 countries that have joined the **Indo-Pacific** Economic Framework, as Washington seeks to expand its engagement with Asia.
- **China's** new Belt and Road Initiative (BRI) investments in **Russia** have fallen to zero for the first time, signaling Beijing's reluctance to incur sanctions in the wake of the **Ukraine** war.



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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:

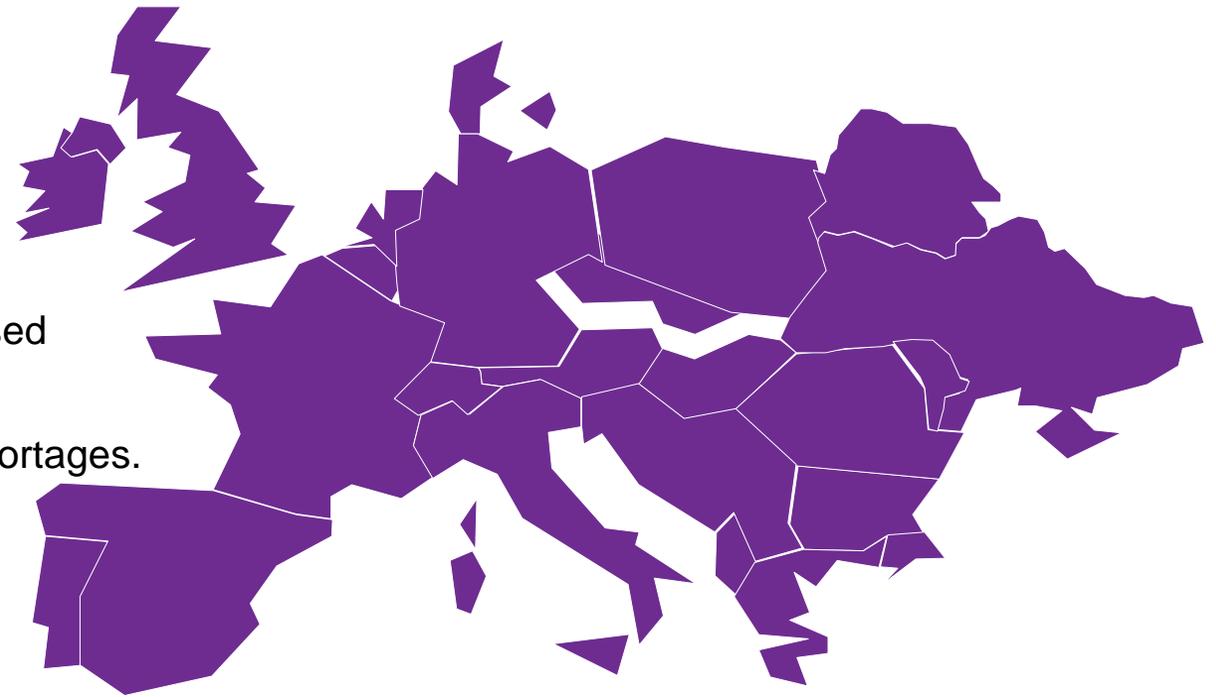
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

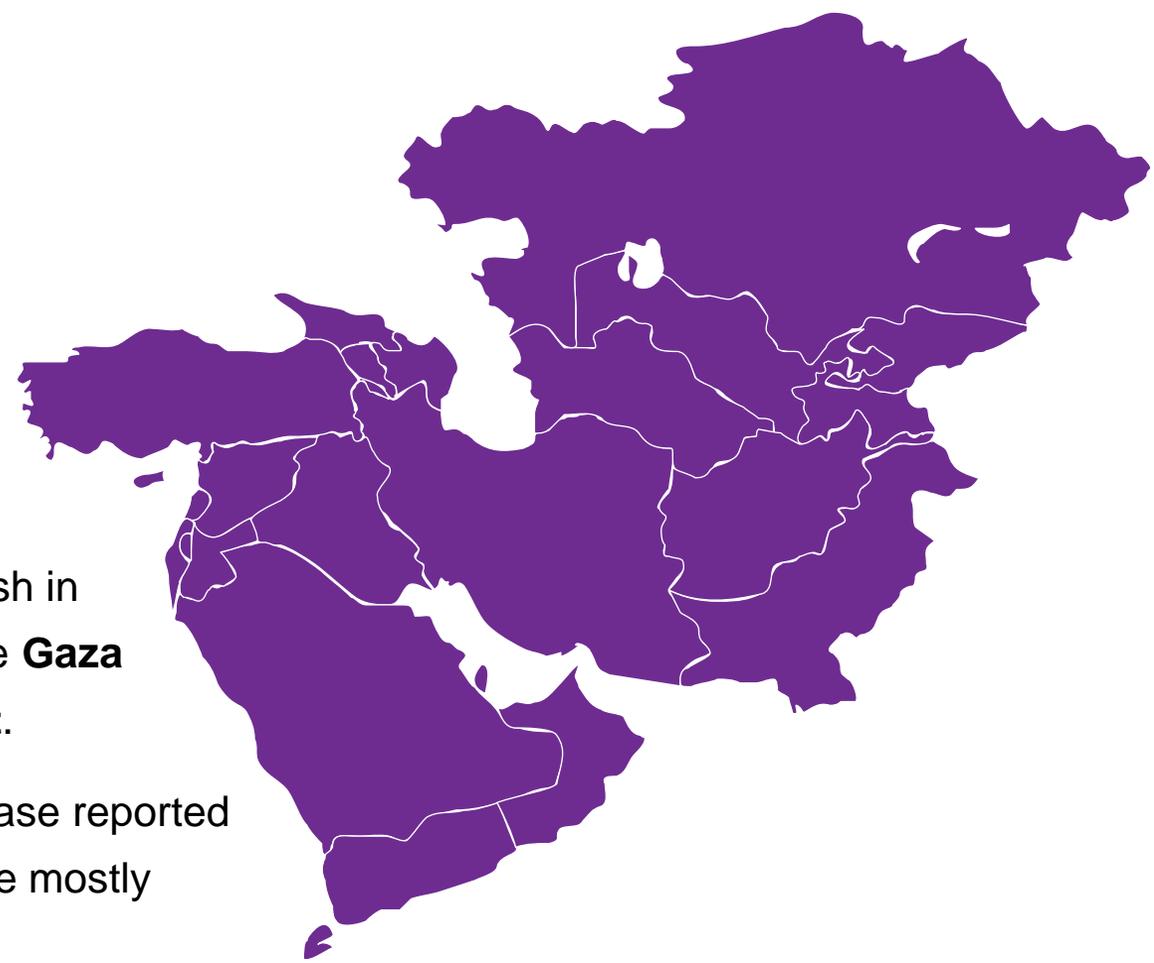
Europe

- Despite the **Russian** missile strike on Odesa, **Ukraine** pressed ahead on Sunday with efforts to restart grain exports from its Black Sea ports under a deal aimed at easing global food shortages.
- **Greek** firefighters battled wildfires in multiple islands and the mainland in the north, evacuating nearby settlements as the heat wave continues to fuel outbreaks.
- **Turkish** foreign ministry summoned the **Swedish** charges d'affaires in Ankara to convey its "*strong reaction*" to what it called "*terrorist propaganda*" during a Kurdish group's protest in Stockholm. Turkey has renewed its threat to block Sweden from joining NATO.
- **German** business confidence has fallen to its lowest for more than two years in the latest sign that Europe's largest economy is on the brink of recession driven by a Russian gas crisis and soaring prices.
- The **French** government is set to force all air-conditioned shops to close their doors and switch off illuminated advertising overnight, in a bid to cut energy use.



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Middle East

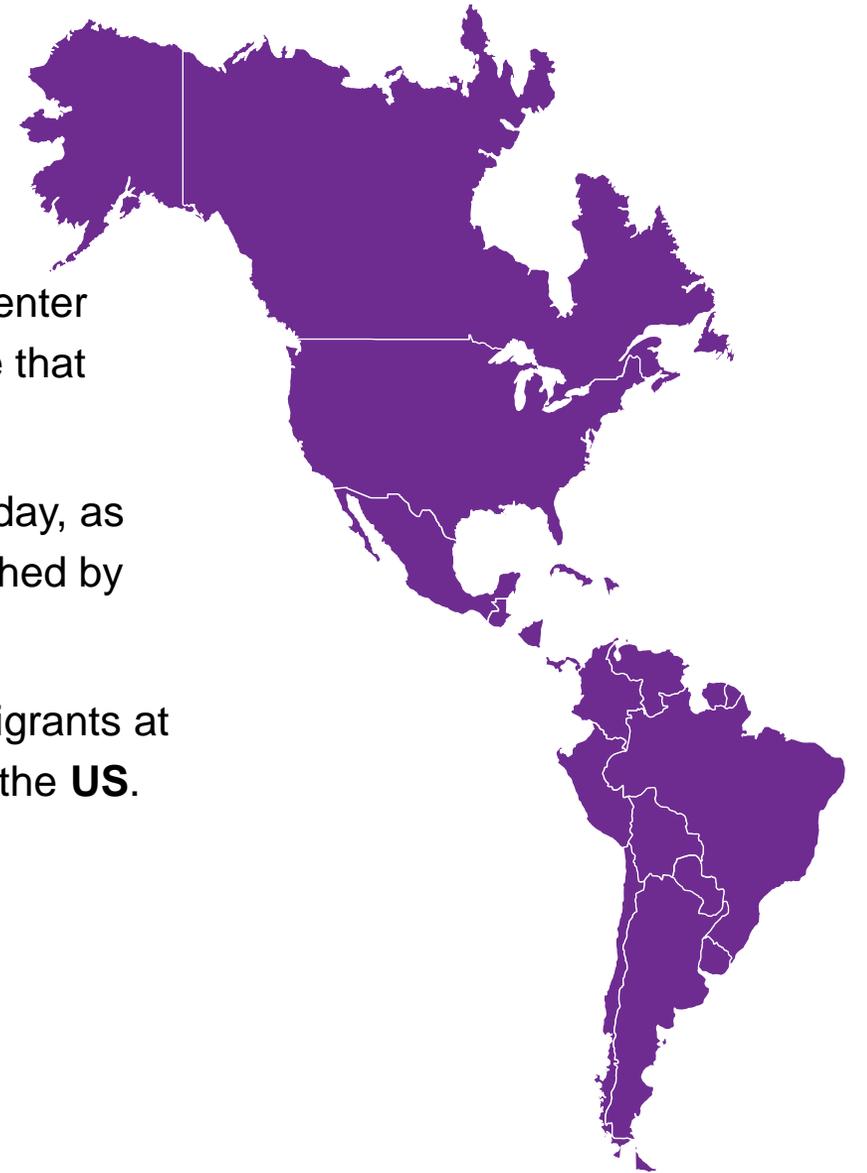


- Hundreds of **Tunisian** protesters gathered in central Tunis on Saturday to demonstrate against a referendum to be held on Monday on a new constitution that they reject as illegal.
- **Israeli** forces killed two Palestinian fighters in a pre-dawn clash in the **West Bank** on Sunday and, attacked a fishing boat off the **Gaza** coast, suspected of smuggling in Hamas supplies from **Egypt**.
- **Pakistan's** polio count for the year has risen to 13 with one case reported on Friday as the South Asian nation looks to contain a disease mostly eradicated elsewhere.
- **Iran** will keep the UN nuclear watchdog's cameras turned off until a 2015 nuclear deal is restored, per the head of the country's Atomic Energy Organization.

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Americas

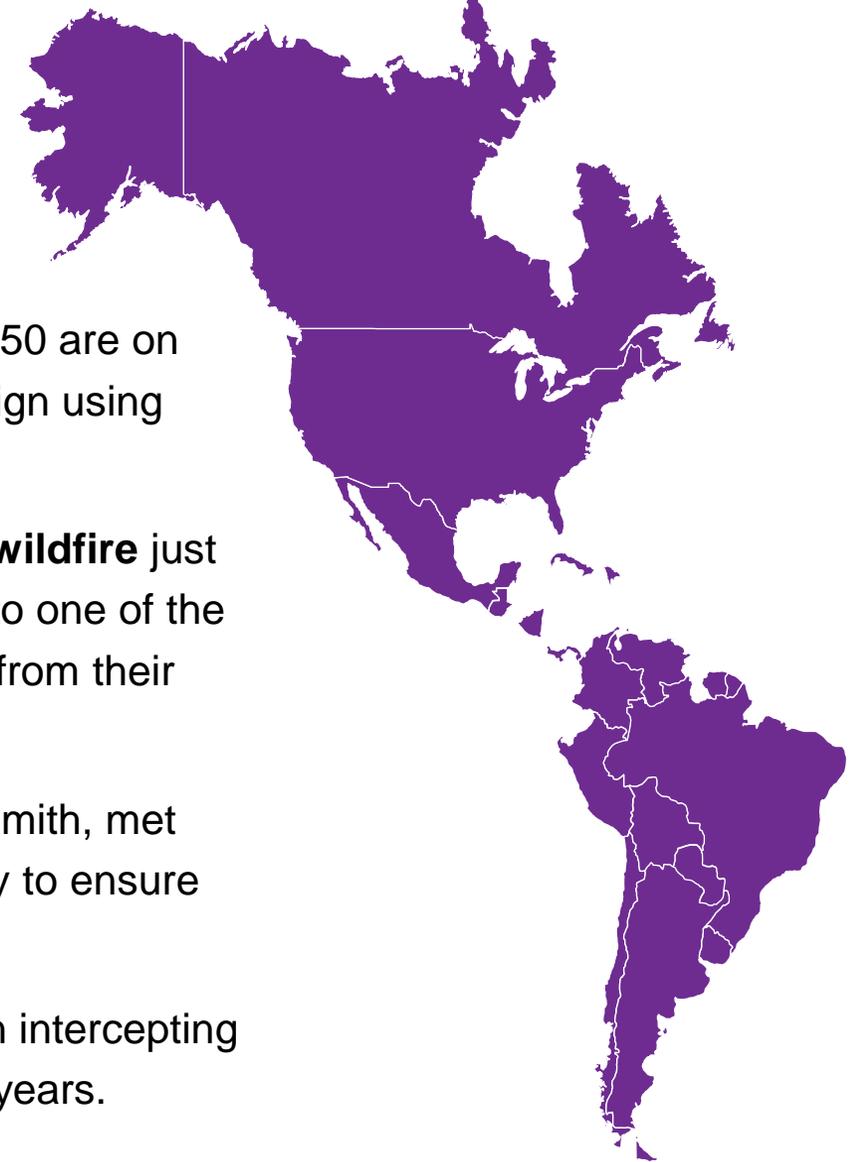
- Pope Francis landed in **Canada** on Sunday for a week-long trip that will center around his apology on behalf of the Roman Catholic Church for the abuse that indigenous children endured at mostly church-run residential schools.
- **Brazilian** President Bolsonaro launched his re-election campaign on Sunday, as the right-wing leader attempts to claw back the commanding lead established by his main rival, former President Luiz Inacio Lula da Silva.
- **Mexican** security officials detained more than 200 mostly **Guatemalan** migrants at a warehouse in central Mexico who were waiting to be smuggled north to the **US**.



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Americas: US

- Second booster shots of the **coronavirus vaccine** for people younger than 50 are on hold as the Biden Administration tries to accelerate a fall vaccination campaign using reformulated shots that target the now-dominant omicron subvariants.
- Fueled by extreme heat and tinder dry forests and underbrush, Oak Fire, a **wildfire** just west of Yosemite National Park spread over the weekend, quickly turning into one of the largest fires of the year and forcing thousands of residents to be evacuated from their homes.
- A senior Congressional delegation, including Intelligence chair Rep. Adam Smith, met **Ukrainian** President Zelenskiy in Kyiv over the weekend and promised to try to ensure continued support in the war against Russia.
- The US military's top officer accused **China** of becoming more aggressive in intercepting military aircraft and undertaking unsafe aerial maneuvers over the past five years.



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Geopolitical Competition and the Global Semiconductor Chip Industry

By Matthew Gardell

A global race for semiconductor chips is taking place between the United States, Europe and Asia. In the US, the Senate advanced a bill last week to provide \$52 billion in subsidies to bolster US computer chip manufacturing. The semiconductor chip drive encompasses many different issues such as national security, innovation and global economic competitiveness.

A semiconductor is a substance that has specific electrical properties that enable it to serve as a foundation for computers and other electronic devices. Semiconductor chips have outsized importance because they are found in so many of the technologies of the future—advanced phones, new computer systems and electric vehicles. Due to this, access to semiconductor chips and a supportive manufacturing industry is seen a competitive advantage. The COVID-19 pandemic induced a semiconductor chip shortage that has forced both governments and companies to scramble to find new sources. Although there are signs that the shortage may have plateaued, governments are aggressively trying to strengthen their semiconductor chip supply chains.

Global Competition and the Risk to Businesses

The race for a strategic commodity like semiconductor chips has the potential to reshape trade alliances and global politics. Great power competition between the US and China is at the heart of this tension. China is now the largest consumer of semiconductor chips and has an integral role in the global semiconductor chip supply chain. China's chip industry is the fastest growing in the world, and despite US sanctions on some of its top chip companies, nineteen of the world's 20 fastest-growing chip industry firms over the past four quarters, on average, hail from China.

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Geopolitical Competition and the Global Semiconductor Chip Industry

Washington policymakers are therefore thinking of ways to counteract China and one idea that is gaining traction is friend-shoring trade. This involves the restricting of trade to friendly partner countries; it is a way of reorientating and insulating supply chains. Last week, US Treasury Secretary Janet Yellin called for friend-shoring during a speech in South Korea. The location of Yellin's speech is significant because the US hopes South Korea will be a key linkage in using friend-shoring to insulate semiconductor trade and investment among allies moving forward. In May, President Biden visited South Korea and announced new actions on semiconductor chips. In addition to bilateral technological cooperation and investment in new plants, the US pushed to formalize semiconductor cooperation with South Korea through the "Chip 4" alliance framework, which includes Japan and Taiwan. While not finalized, the alliance would have major ramifications for the global market and could exacerbate tensions with China.

Taiwan is another key flashpoint in the global competition for semiconductor chips. Taiwan has the world's most advanced semiconductor manufacturing capacity, but the country is caught in the cross-hairs of US-China competition. To that end, Taiwan is concerned about the security of its chip industry and has enacted

new laws to prevent espionage and leaking. Militarily, semiconductor chips are a key component of advanced weapons systems, so a strong domestic capacity is seen as qualitative military advantage. For businesses and major players in the industry, the geopolitical competition carries distinct risks. While there may be increased investments in their companies and plants, they also have to navigate new laws, sanctions and regulations that are constantly evolving. Business have to be cognizant of the origin points of their supply chains and may be forced to reorient their supply chains from away their base country's geopolitical competitor. Due to the sensitive and strategic nature of semiconductor chips, businesses could face espionage and cyber threats; technology sharing will also invite government scrutiny.

Government Intervention and Implications for Businesses

Businesses should expect continued government intervention in the industry in light of geopolitical competition and the pandemic shortages. The CHIPS act that recently passed the US Senate provides for \$52 billion in domestic chip manufacturing. The legislation would also support research investments and give businesses a 25 percent investment tax credit for semiconductor

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Geopolitical Competition and the Global Semiconductor Chip Industry

manufacturing. Although the legislation received bipartisan support, some US chip manufacturers argue that the legislation would disproportionately benefit manufacturers that design and manufacture their own chips, rather than companies that tap partners to make chips.

The European Union is also taking steps to boost its semiconductor manufacturing capacity. Earlier in the year, the European Commission launched the European Chips Act, which would pour massive investment into the industry. The act is also designed to bolster supply chain resiliency in Europe as the commission acknowledged the “geopolitical tensions” that spurred this governmental action. Europe does not have a strong semiconductor manufacturing base and is behind in the latest technology, so this could be an opportunity for US and Asian firms to invest in Europe. The challenge for Europe is building out a home-grown skill base that will allow them to insulate their supply chains.

China too, is launching a whole of government approach to boost its semiconductor capacity as it tries to meet growing demand for electronic products and develop cutting edge technologies. Given

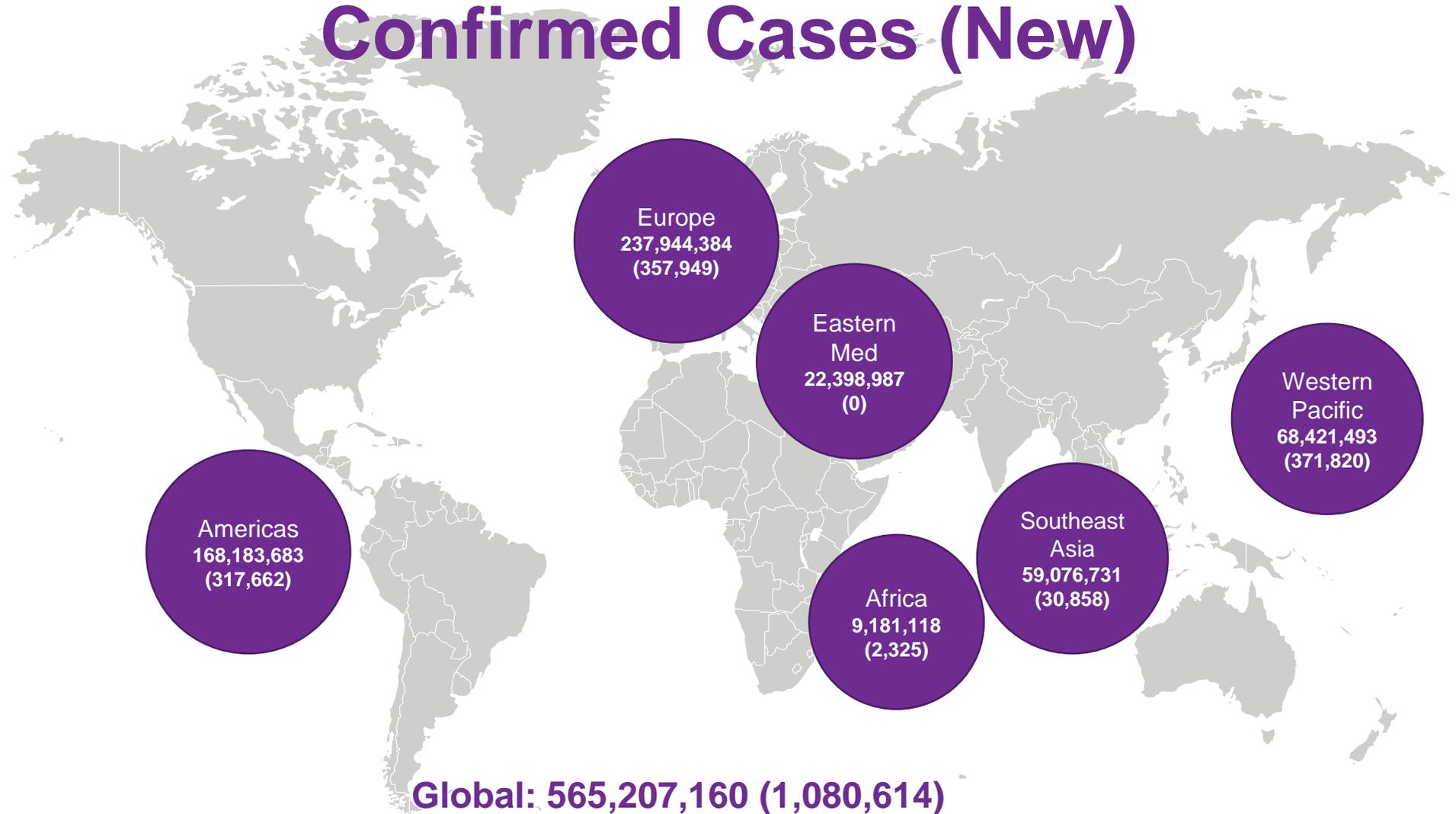
the strategic nature of semiconductor chips, the geopolitical jockeying and governmental intervention in the sector shows no signs of slowing down.

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Coronavirus Condition Updates

As of 7:12 pm CEST on July 22, 2022

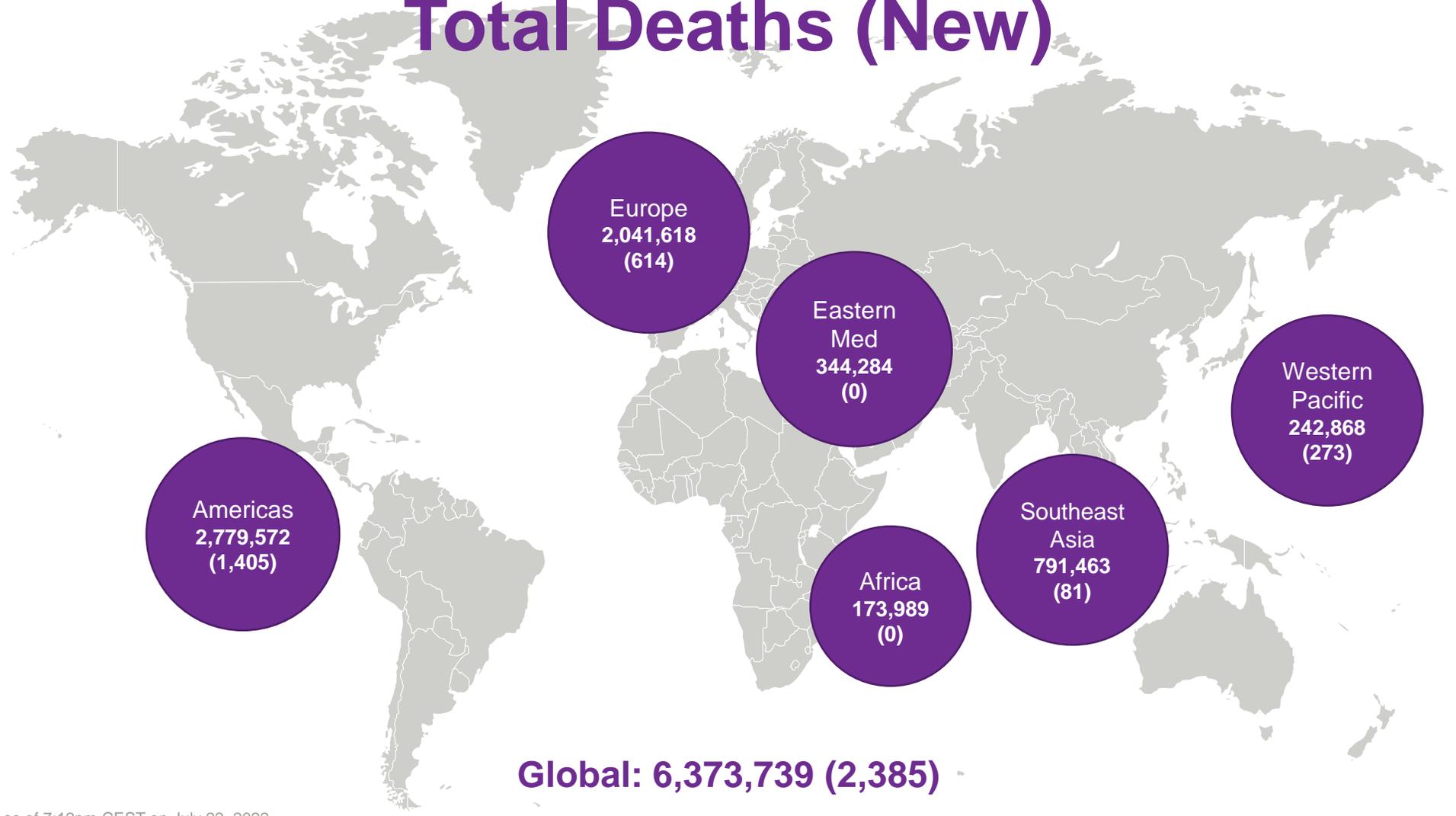
Confirmed Cases (New)



Reflects data as of 7:12pm CEST on July 22, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 7:12pm CEST on July 22, 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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