

Dentons Flashpoint

Daily Global Situation Report

June 24, 2022

Global Situation Update: June 24, 2022

KEY TAKEAWAYS

The British ruling party lost two parliamentary seats, intensifying doubts about the future Prime Minister Johnson.

Germany warns gas shortages may cause some industries to shut down come the winter.

The US pledges more artillery as Ukrainian forces retreat from key city in the Donbas, overwhelmed by Russian firepower

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WHAT WE'RE WATCHING

A pro-Iran bloc is now the largest in Iraq's parliament. New lawmakers were sworn in yesterday to replace members of parliament loyal to Muqtada Al-Sadr who resigned en masse earlier this month. The pro-Tehran group now controls approximately one-third of the chamber's 329 seats and has the exclusive right to nominate the prime minister and form the next government in Baghdad.

Out of Iraq's parliament for the first time since 2005, Al-Sadr is likely to try to sabotage the new government from the outside through civil unrest and bureaucratic conflict. Foreign organizations should anticipate civil unrest in the capital Baghdad and southern provinces in the coming months.



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

Global

The risks of the US and Europe sliding into recession have picked up sharply, economists have warned ahead of the G7 summit that begins this weekend in Bavaria.

- **Commonwealth leaders** met in Kigali, Rwanda, today to discuss cooperation on topics from trade to health to climate, against a backdrop of criticism of host Rwanda's human rights record and of a British policy to deport asylum seekers there. The Commonwealth, a club of 54 countries most of which are former British colonies, encompasses about a third of the global population and presents itself as a network of equal partners with shared goals such as democracy, peace and prosperity.
- Late-stage data on an experimental **COVID-19 vaccine** from Sanofi/GSK shows the shot gives protection against the Omicron variant of the virus. The companies hope to make the vaccine available later this year.

Markets & Business

Global merger and acquisition deals are dropping off as inflation and a stock market rout curb many corporate boards' plans to expand through acquisitions. In Q2, the value of announced deals dropped 25.5 percent year-on-year to \$1 trillion, according to Dealogic data.

- US companies **Cisco Systems** and **Nike** plan to fully exit Russia, as the pace of Western firms departing accelerates.
- **Britain's Central Bank** will remove bank notes worth 14.5 billion pounds, or nearly \$18 billion, from circulation by September 30, as it seeks to retire its remaining paper currency in favor of polymer bills.
- Algeria, Niger and Nigeria held talks this week on the revival of a decades-old project to **pipe gas across the Sahara**, a potential opportunity for Europe to diversify its gas sources.
- **H&M** shut its flagship Shanghai store, its latest closure in China where consumer demand has slumped amid COVID-19 lockdowns and the fast-fashion retailer has borne the brunt of a backlash against companies that refuse to use Xinjiang cotton.

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Environment, Sustainability & Governance

Britain's six-year drive to increase the number of women in senior management at financial firms is "*stagnating*" for the first time, a review for the finance ministry said.

- The Biden administration is partnering with 11 East Coast states to accelerate development of **offshore wind facilities** and create jobs by supporting a domestic supply chain for the industry.
- Officials from some G7 countries, including Germany and Britain, will reportedly push for temporary **waivers on biofuels mandates** to combat soaring food prices when leaders from the group of wealthy nations meet on Sunday.
- Five additional US-based companies, including networking provider Verisign Inc and resort operator Las Vegas Sands Corp, have agreed to disclose their **political spending** under agreements reached with the New York State Common Retirement Fund.

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Africa

- **South African** President Ramaphosa received the last of four reports investigating public corruption during the tenure of his predecessor, Zuma, and said he would make a determination on whether to follow the report's recommendations in four months; Zuma's original trial for corruption sparked the country's largest protests in decades.
- Hundreds of **Senegalese** supporters of the opposition banged pans and honked car horns in the capital of Dakar in protest against the incumbent party ahead of upcoming elections.
- The UN reported that violence in the Darfur region of **Sudan** has displaced 84,000 this month alone.
- **South African** state power company Eskom said it would be forced to widen electricity cuts on Friday and over the weekend as labor protests linked to deadlocked wage talks disrupt operations.



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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:

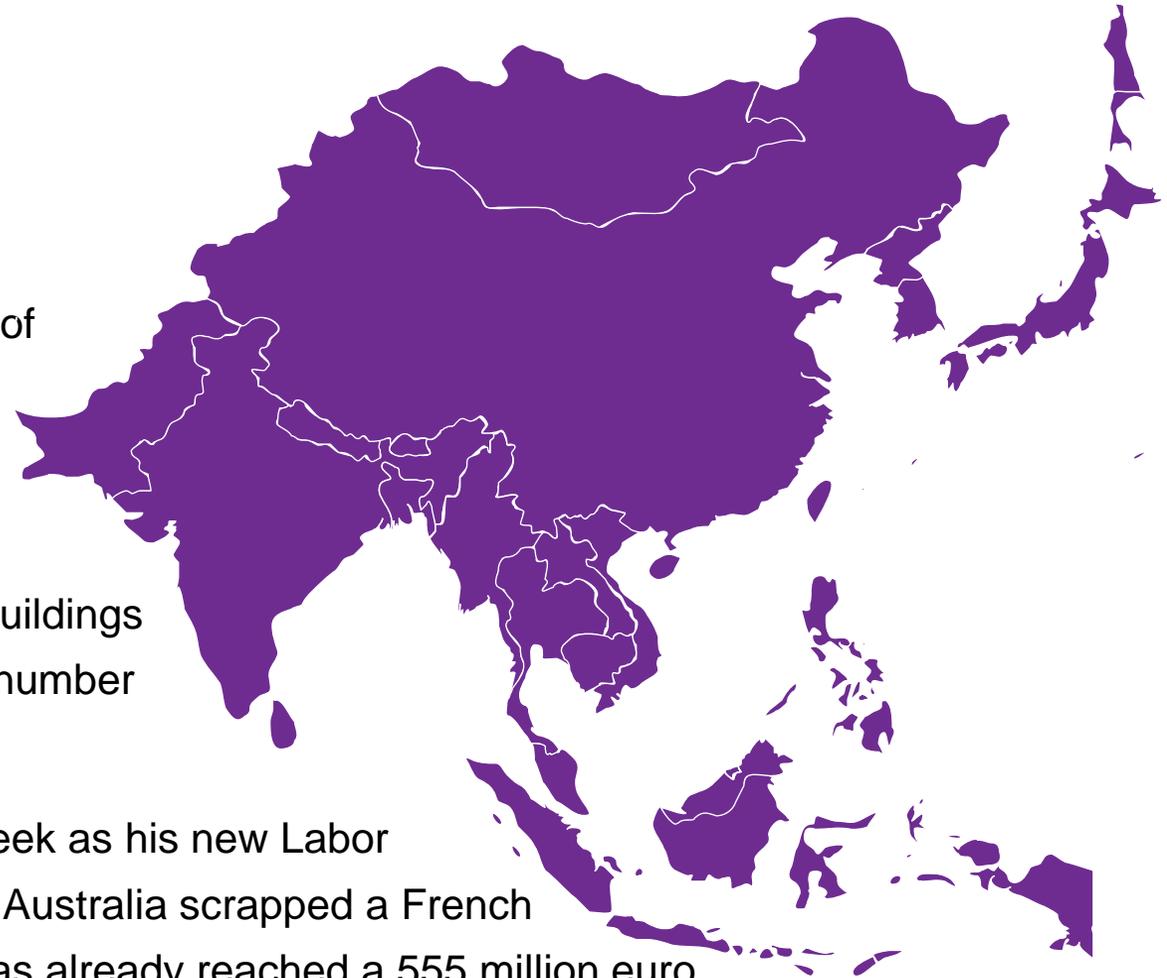
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Asia

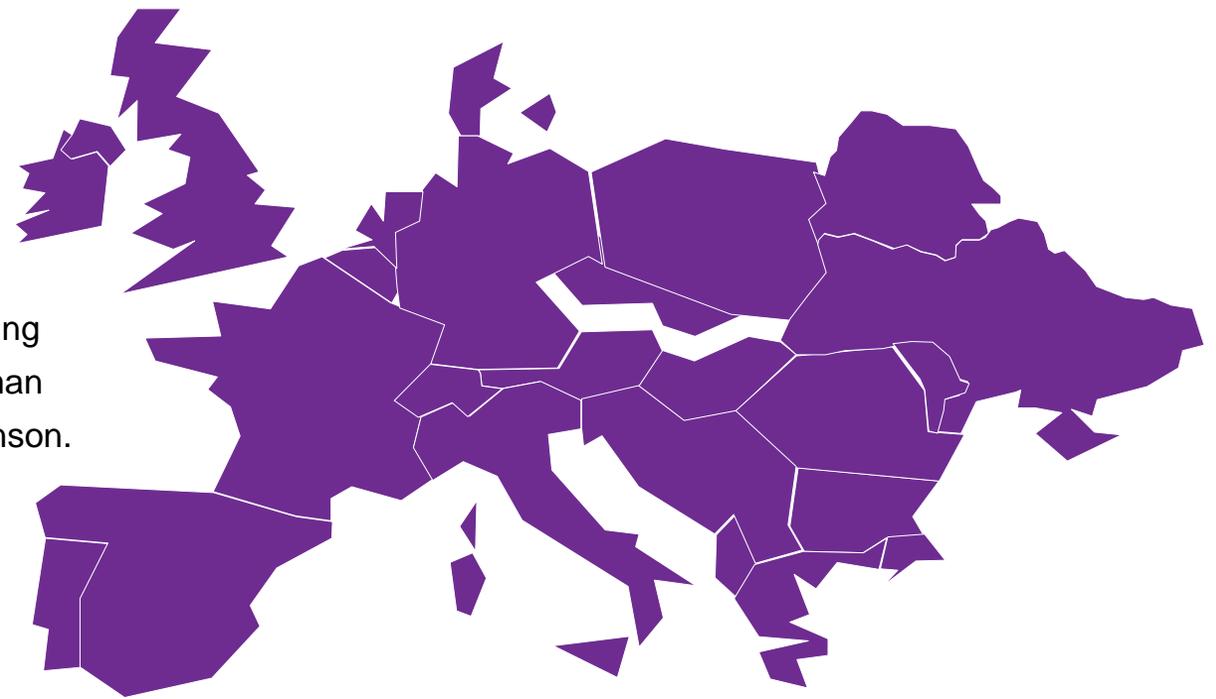
- **North Korean** leader Kim Jong Un ordered a strengthening of the country's defense capabilities as he wrapped up a key meeting with top military officials, raising concerns about its possible addition of tactical nuclear weapons.
- Authorities in **Macau** have locked down several residential buildings as the world's biggest gambling hub tries to contain a rising number of COVID-19 cases that have ground the city to a halt.
- **Australian** Prime Minister Albanese will visit **France** next week as his new Labor government looks to repair relations strained last year when Australia scrapped a French submarine deal. Albanese, in power for just over a month, has already reached a 555 million euro (\$584 million) settlement over the submarine deal. The order was cancelled with a decision to purchase **US** and **British** nuclear subs instead, as part of the AUKUS security agreement.



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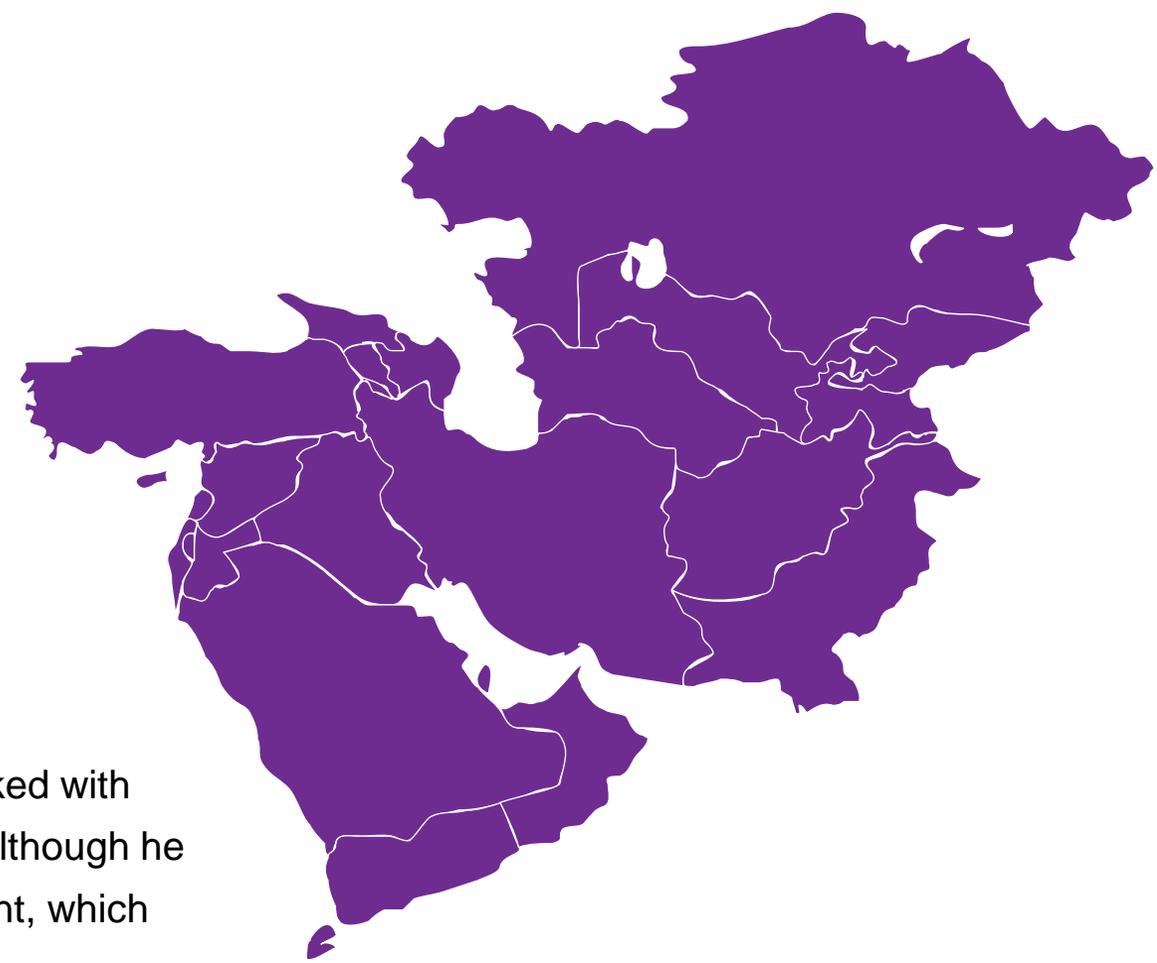
Europe

- **British** Conservatives lost two parliamentary seats on Friday, a crushing blow to the governing party that prompted the resignation of its chairman and intensified doubts about the future of Britain's Prime Minister Johnson.
- **German** Economy Minister Habeck warned his country was heading for a gas shortage if **Russian** supplies remained as low as currently, and some industries would have to be shut down come the winter.
- After delaying the **Russian** advance for a month, **Ukrainian** forces are withdrawing from the city of Severodonetsk, outgunned and taking significant losses. The **US** pledged an additional \$450 million in security assistance to Ukraine, including four additional High Mobility Artillery Rocket Systems (HIMARS), 18 coastal and riverine patrol boats and thousands of rounds of ammunition, per US defense officials.
- Moscow' blamed the **US** for a **Lithuanian** ban on sanctioned goods crossing from the **Russian** mainland to the Russian exclave of Kaliningrad, as Lithuania prepares for Russian retaliation, possibly including Russia disconnecting Lithuania from a regional power grid.
- **Russia** could default on its foreign debt for the first time this century as a pair of overdue interest payments blocked by western sanctions come due to bondholders by Sunday night, the end of a 30-day grace period during which the country must make the payments to avoid defaulting.



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Middle East



- **Israel** said that it recognizes **Morocco's** sovereignty over the contested Western Sahara region, which the US recognized in 2020 as part of Morocco's accession to the Abraham Accords.
- The UN announced that it will host the leaders of **Libya's** rival parliaments in Geneva next week to discuss a constitutional framework for holding elections.
- **Lebanese** caretaker prime minister Najib Mikati was formally tasked with creating a government following recent parliamentary elections, although he will likely struggle to form a coalition in the fragmented government, which may endanger IMF aid.
- The IRGC dismissed its long-serving intelligence chief, an unusual shake-up, following several assassinations of high-profile **Iranian** officials. **Russian** Foreign Minister Lavrov is in Tehran, where he is discussing strengthening bilateral ties, the wars in **Ukraine** and **Yemen**, and the JCPOA nuclear deal. **EU** foreign policy chief Borrell will travel to Iran today to try to urge Tehran to seal an agreement to revive the nuclear deal with world powers

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Americas

- The Bank of **Mexico** increased its benchmark interest rate by a record 75 basis points to 7.75 percent, saying it would hike rates again and by as much if necessary to tame inflation that has surged to double its target.
- **Brazil's** central bank is aiming for inflation in 2023 "around" the 3.25 percent target but less than 4 percent, pointing to another planned rate hike in August after last week's increase.
- **Canada** will provide C\$250 million (\$193 million) to the United Nations to address a food crisis exacerbated by supply chain constraints and high inflation after **Russia's** invasion of **Ukraine**.



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Americas: US

- The single largest vaccine supplier in Florida, Publix chain grocery store, announced it will not offer **vaccines to children** younger than 5 “*at this time*” but declined to explain the decision. This resistance to vaccination programs comes as pediatricians are administering the nation’s first coronavirus vaccines for children in that age group after the CDC approved giving the shots to as many as 19 million children across the US.
- A bipartisan package of modest **gun safety measures** passed the Senate late on Thursday even as the Supreme Court broadly expanded gun rights by ruling Americans have a **constitutional right** to carry handguns in public for self-defense. The bill, tighten background checks for would-be gun purchasers, now goes to the House for a vote.
- The fifth day of congressional hearings on the **January 6 attack on the US Capitol** heard testimony on how the then-President Trump pressured the Justice Department to help him hold onto power after he lost the 2020 election.
- Support among top US Federal Reserve officials is growing for another **0.75 percentage point rate rise** at the next policy meeting in July to tackling soaring prices.



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Ukraine War Update: Transformation of Europe and the Transatlantic Relationship

Four months into the Russian war on Ukraine, the political, economic and security infrastructure of Europe has been transformed. The changes are not transient but are being engraved into a new infrastructure that will remain durable during the post-war period – whenever that might be.

What was inconceivable a year ago is now either a reality or will soon be. As difficult as the Ukraine war is, with Russian forces slowly consolidating their hold over the Donbas, Russian President Putin's strategic goals are going unmet and increasingly unmeetable. Most critically, Putin has inadvertently re-vitalized the transatlantic relationship, spurring pro-active support for shared values and the liberal world order. The impact far transcends the fight over Ukraine's sovereignty and will shape the 21st century.

Eastward Expansion of the European Union

On Thursday, the European Union (EU) formally granted membership candidacy to Ukraine and Moldova. It will take years for the two countries to adapt their laws, practices and economic benchmarks for formal accession. Nonetheless, the process will pull the countries into the EU political orbit, creating increased connectivity and shared interests.

The accession process will not be easy. Ukraine and Moldova will need to demonstrate national unity of purpose and commitment towards reform that have been lacking. Even before the Russian invasion, Ukraine was a very poor country. Its GDP per capita below half that of Bulgaria. Since its 2014 association agreement with the EU, progress has been slow, with the country's integration into the single market stalling because it failed to meet EU norms of governance. Moldova is even poorer. Both countries have territory currently occupied by Russia separatists, another barrier to accession.

Russian President Putin has for years sought to sow dissent in Ukraine and Moldova to divide the countries' citizens over identity and politics. The February invasion of Ukraine is a last-ditch effort to keep Ukraine from drifting any further towards Europe and to intimidate Moldova and Georgia into accepting Russian suzerainty.

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Ukraine War Update: Transformation of Europe and the Transatlantic Relationship

The Russian Kyiv offensive and the plan to decapitate the Zelensky government stirred Ukrainian nationalism to the extent that Ukrainians have forged a new national consensus for a future as part of Europe. This is an outcome that Putin sought to preempt. It has also emboldened Moldova and Georgia to stand up for their national aspirations, calling Russia's bluff.

Expansion of NATO Presence and Support

Before the Russian February invasion, President Putin outlined his terms for resolving differences with the West, which included (among other measures) that NATO pull back forces from Eastern Europe and ban Ukraine from ever joining the alliance. Russia also demanded that the US remove nuclear weapons from Europe and withdraw troops and weapons from former Soviet bloc countries that joined the alliance after 1997.

These demands have substantially backfired. For the first time, NATO Response Force deployed on land, at sea and in the air to secure NATO's eastern flank. NATO allies have agreed to establish four more multinational battlegroups in Bulgaria, Hungary, Romania and Slovakia. This brings the total number of multinational

battlegroups to eight, extending all along NATO's eastern flank – from the Baltic Sea in the north to the Black Sea in the south.

NATO reaffirmed its NATO Open Door policy, and Finland and Sweden have ending decades non-aligned status by submitting applications to join the transatlantic alliance. Finnish and Swedish NATO accession will bring significant capabilities to, and added defensibility of, the alliance. Now, Russia will have even more NATO presence on its borders, both through the addition of hundreds of miles of NATO territory to the Russian frontier, and through the deployment of Western troop presence in Central Europe.

Putin miscalculated on the extent to which NATO and EU member states would come to the military aid of Ukraine, thinking that risk of confrontation between nuclear powers would deter a western military response. The creation of the Ukraine Defense Contact Group, composed of more than 50 countries working together to provide military assistance to Ukraine, under the leadership of the US, and using the organizational and logistical infrastructure of NATO, has changed battleground dynamics, providing Ukraine with increasing firepower capabilities to resist and roll back Russian forces. This

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Ukraine War Update: Transformation of Europe and the Transatlantic Relationship

coalition of the willing unites countries behind existing international norms respecting national sovereignty, opposing changing of borders through military might, and strengthening the liberal order as established in the immediate post-World War II period. This presents a defeat to Putin's agenda of rewriting the rules to favor military might and Cold War era spheres of influence.

Reconfiguration of Trading Relations

In 2021, Russia was the EU's fifth largest trade partner, representing 5.8 percent of the EU's total trade in goods with the world. Total trade in goods between the EU and Russia amounted to €257.5 billion. EU's imports were worth €158.5 billion and were dominated by fuel and mining products. In 2019, the EU was the largest investor in Russia, with EU foreign direct investment outward stock in Russia amounting to €311.4 billion, while Russia's FDI stock in the EU was estimated at €136 billion. For Russia, the EU was Moscow's top trading partner. The Ukraine war, with the accompanying western sanctions on Russia, has shattered this trading relationship. For example, German exports to Russia in May 2022 dropped by 50 percent compared to May 2021. Over 1,000 western companies have exited Russia, with more likely to leave as the cost of doing

business increases. Companies are taking huge losses, selling their holdings and, as time passes, are less likely to rush back to business as usual, even when sanctions are eased or lifted.

European dependence on Russian energy supplies is also being fractured. Ukraine, after the Russian invasion of the Crimea in 2014, began to create the infrastructure necessary to remove the country from the Russian electricity grid and connect into Europe. Full transition went into effect in February. Lithuania, Latvia and Estonia are still dependent to varying degrees, but are also taking emergency steps for self-sufficiency and longer term infrastructure development to connect into the European power grid.

Ending imports of Russian gas is much more difficult for Europe. However, the Kremlin is giving Europe less choice in the matter, by using gas as a weapon, exposing Europe's vulnerability. European countries are suffering from spiking prices and insufficient supplies as Russia manipulates gas flows as leverage. The result has not been European leaders caving into Russian demands, but a rush to find alternatives, such as LNG shipments from the US and Middle East, return to burning coal, restarting nuclear power plans and increased investment in renewable technologies. Regardless of how

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Ukraine War Update: Transformation of Europe and the Transatlantic Relationship

the Ukraine war ends, Europe will not go back to being dependent on Russia energy.

Russia, to survive, is reorienting trade to China, India and former CIS countries. Being cut off from western technology and financial markets will have long term impact for the development of the Russian economy, the ability to innovate and compete on the global economic stage. This outcome runs counter to Putin's agenda of "restoring" Russia to a global superpower.

Re-awakening of the Transatlantic Relations

Over the past two decades, disagreements and divergence of priorities crept into the transatlantic relationship, as the US turned its focus to the Middle East, and the threat of Islamic terrorism. The relevance of NATO became an open question with the assumption that European wars engulfing the globe were no longer a key risk. The failure of European countries to invest in NATO led to a disenchantment in the US, whose leaders began questioning why the US should be the guarantor of European security if Europe would not pay its fair share of NATO's upkeep. Trade disputes flourished, with retaliatory tariffs souring what had been the most important

trading relationship. Within the EU, disputes also became more important than shared interests, best evidence by the UK's troublesome departure from the EU.

While Russia's invasion of Georgia in 2008 stirred the West's complacency, and the 2014 Crimea invasion prompted increased, but limited action, the 2022 Ukraine invasion has awakened the full force of the transatlantic alliance. Coordination among western alliance countries is reaching levels unseen since the immediate post-World War II level. The US has found its mojo as the leader of the liberal order. Coordination goes beyond the immediate requirements of the Ukraine war and include renewed focus on setting global standards for emerging technologies which will define the third industrial age. Investment in and coordination among democratic institutions is now recognized as a priority – not an option – as western allies evaluate the challenge posed by China and its efforts to reshape political and trade norms.

Multinational companies, used to navigating different regulatory environments, are now facing increased risks as the international operating environment becomes contested space in the larger struggle over the rules of the road. There will be new opportunities,

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Ukraine War Update: Transformation of Europe and the Transatlantic Relationship

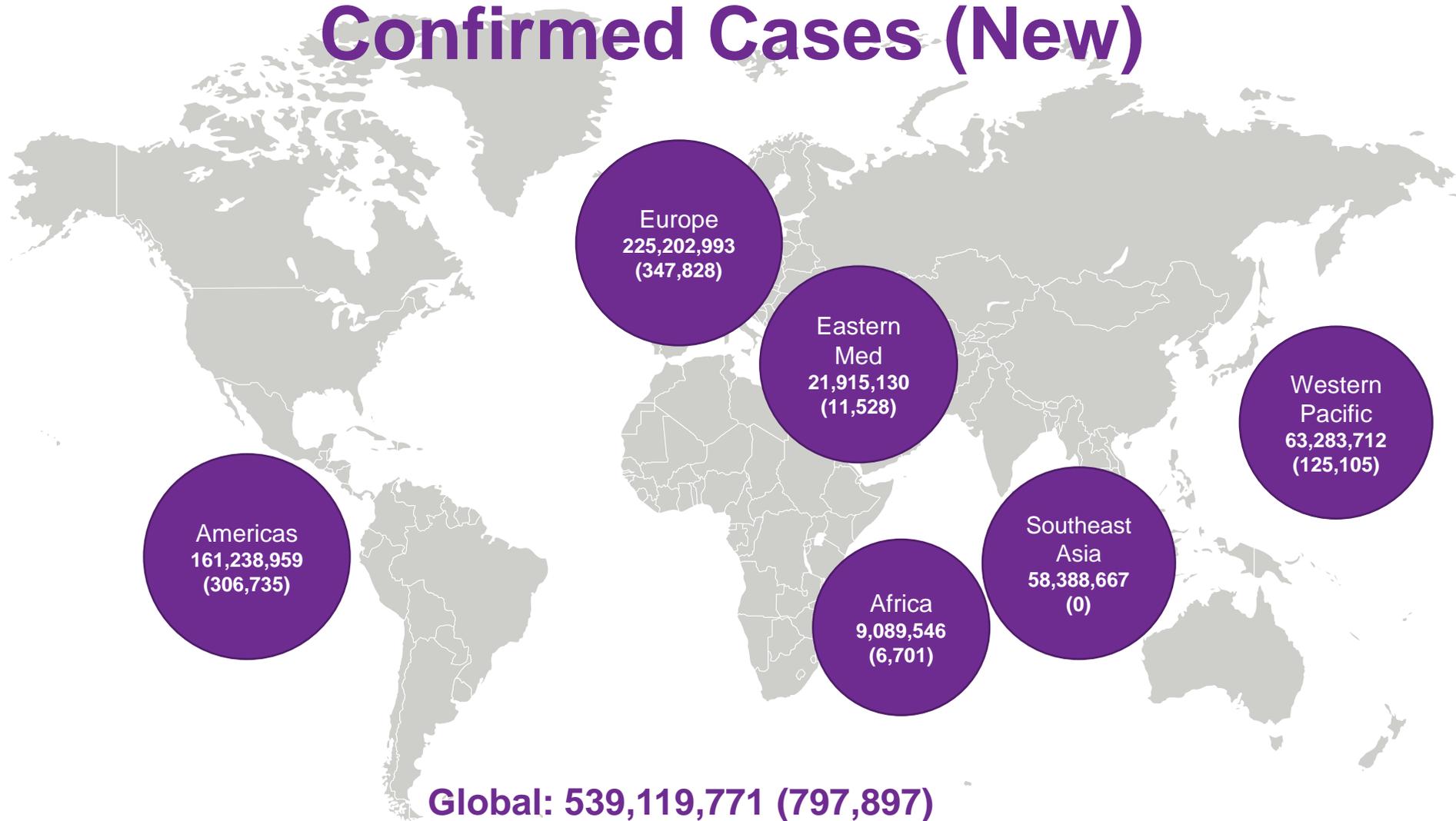
with western alliance countries drawing closer together, reducing trade and non-trade barriers. There will also be headwinds with steep losses, as a trade iron curtain not just shuts off business opportunities in Russia, but disadvantages western businesses in a likely new Sino-Russo trading bloc.

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Coronavirus Condition Updates

As of 6:43 pm CEST on June 23, 2022

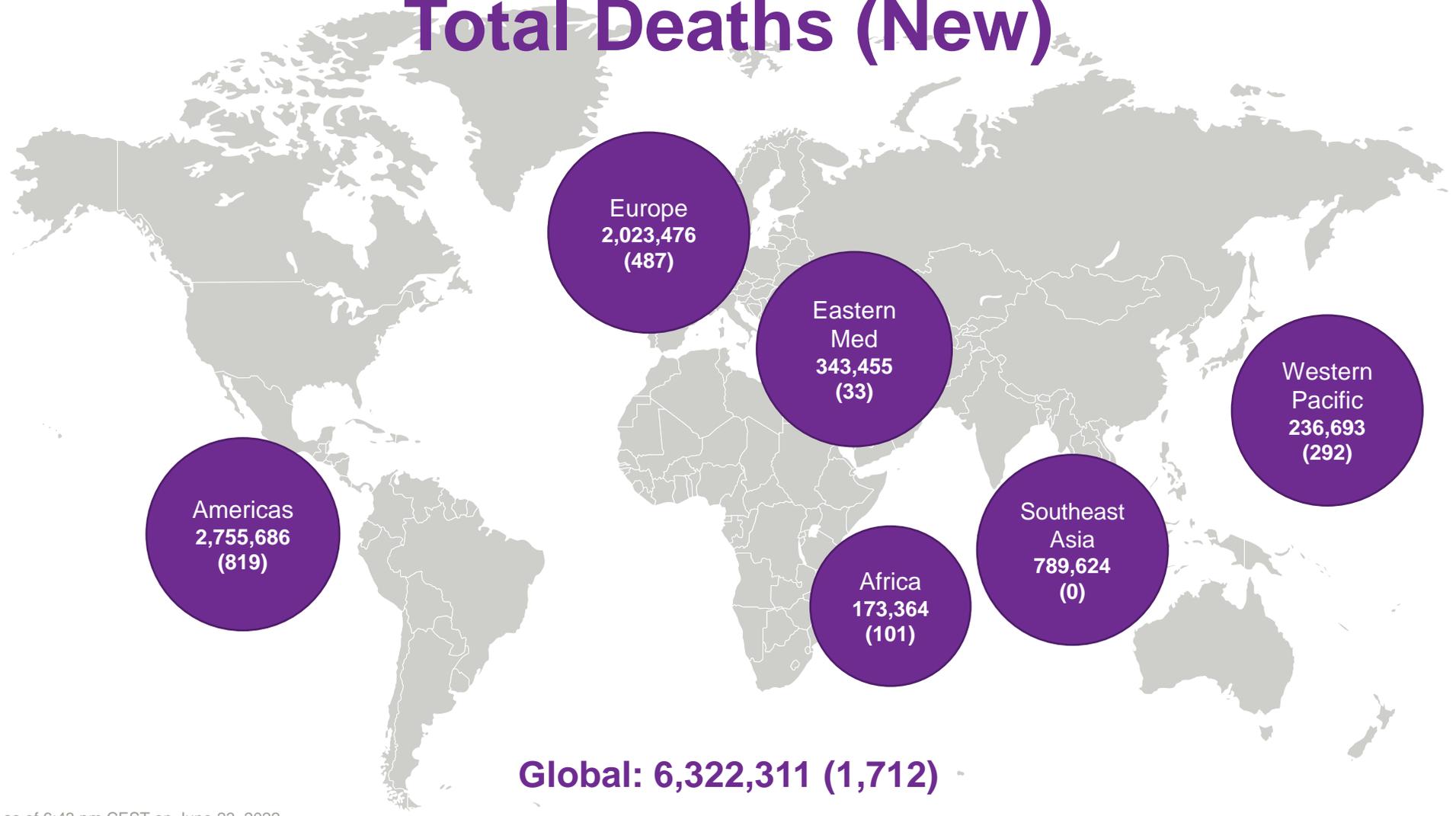
Confirmed Cases (New)



Reflects data as of 6:43 pm CEST on June 23, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:43 pm CEST on June 23, 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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