

Dentons Flashpoint

Daily Global Situation Report

May 17, 2022

Global Situation Update: May 17, 2022

KEY TAKEAWAYS

The US reactivates military deployments to Somalia to combat terrorists.

Lebanese Hizballah and allies lose parliamentary majority.

The EU lowers Eurozone growth forecast for 2022, down to 2.7 percent, from a previous estimate of 4 percent, citing the Ukraine war.

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WHAT WE'RE WATCHING

The US and European Union will work together to boost production of scarce semiconductor chips and avert a "subsidy race" as they scramble to meet demand. The announcement was made at the second meeting of the US-EU Trade and Technology Council (TTC) in Paris.

A significant international shortage of semiconductor chips is disrupting production in the automotive and electronic industries which rely on them. Officials on both sides of the Atlantic will coordinate so that efforts to curb the supply shortages do not result in unnecessary competition. The TTC will adopt an early warning system to identify and mitigate harmful shortages of semiconductors in the future.



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

Global

Russia backtracked on Finland and Sweden joining NATO, with Russian Foreign Minister Sergei Lavrov said on Tuesday that Finland and Sweden joining NATO would probably make "not much difference" as the two countries had long participated in the alliance's military drills.

- United Nations Secretary-General Guterres is pursuing a deal with Russia, Turkey and other nations to open up Ukrainian food exports to world markets and stave off a potential **global food shortage**.
- Russia became the fourth-largest **oil supplier to India** in April, with volumes set to rise further in coming months with India exploiting fire sale prices, tanker tracking data showed.
- A retired Russian colonel told Russia state media on Monday that the **invasion of Ukraine** is not going the way Russia is portraying it, and that the global isolation facing the country is more daunting than Russian leaders are letting on.

Markets & Business

India is allowing “*some relaxation*” of its order restricting wheat exports to allow traders to meet prior commitments, according to the trade ministry.

- Private equity firm **Carlyle** has agreed to buy **ManTech International** in a deal that values the US defense contractor at \$4.2 billion.
- **British International Investment (BII)** and **Citigroup Inc** have signed a \$100 million risk-sharing facility aimed at boosting lending to small businesses across Africa by up to four times that amount.
- Britain's competition watchdog will conduct an investigation into the **London Stock Exchange's** acquisition of **Quantile Group**.
- **JetBlue Airways Corp.** launched a hostile takeover attempt for discount carrier **Spirit Airlines Inc.** after Spirit rejected JetBlue's \$3.6 billion offer in favor of an existing deal with **Frontier Airlines**.

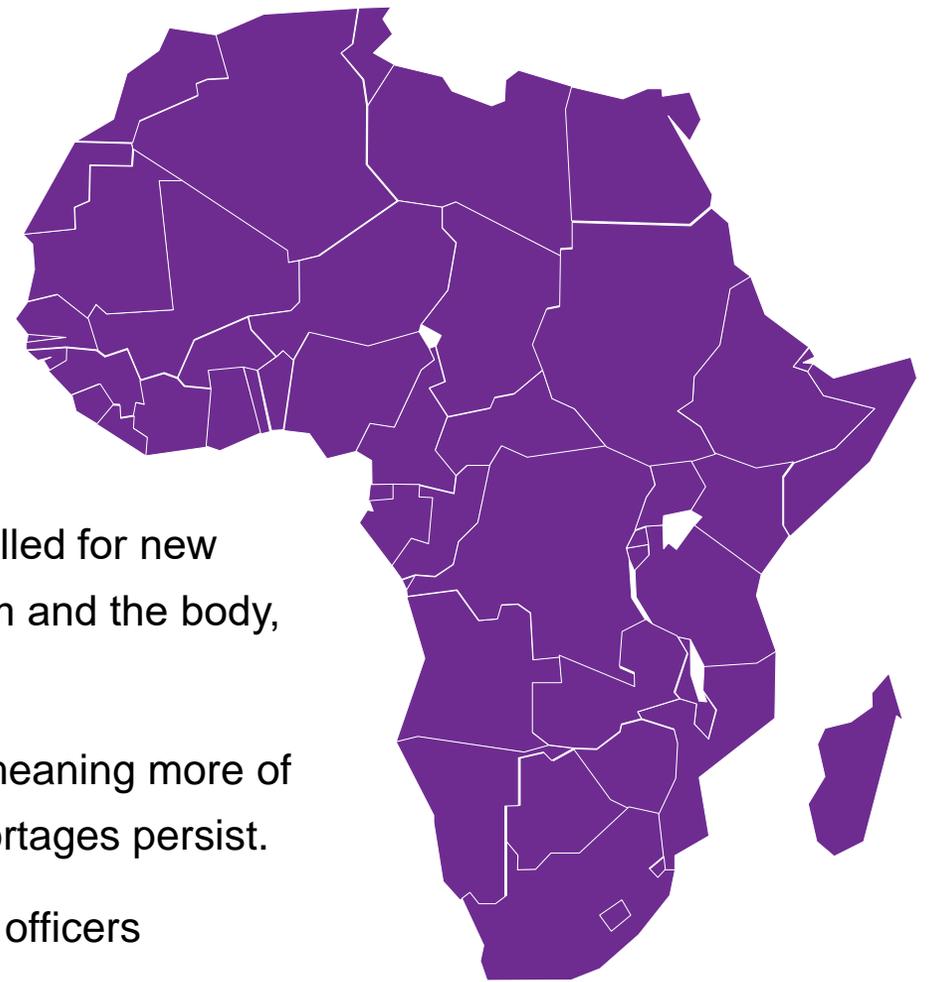
Environment, Sustainability & Governance

Greenhouse gas emissions from economic activities in the EU returned to levels slightly higher than before the start of the coronavirus pandemic in the last quarter of 2021, per Eurostat.

- US Treasury Secretary Janet Yellen said she will release a new report this week at a G7 finance minister on steps that international financial institutions are taking to address growing **food insecurity** brought on by Russia's invasion of Ukraine.
- Germany said it will oppose EU plans to include **nuclear energy** as a sustainable investment in its "taxonomy" policy for labelling **green investments**.
- A state court judge found California's law requiring publicly held companies to include women on their boards unconstitutional, dealing another blow to the state's push to **diversify corporate leadership**.

Africa

- The US reactivated a ground deployment mission in **Somalia**, allowing for several hundred **US** troops to deploy to help combat al-Shabaab. The decision reverses a Trump-era withdrawal.
- **Guinea-Bissau's** president dissolved the country's parliament and called for new elections, citing "*persistent and unresolvable differences*" between him and the body, which is held by an opposition party, and corruption as the reasons.
- **South African** utility Eskom raised its power cuts status to Stage 4, meaning more of the country will be without power during overnight cuts, as energy shortages persist.
- **Mali's** interim government on Monday said "Western-backed" military officers attempted a coup last week, without providing details or evidence.



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Asia

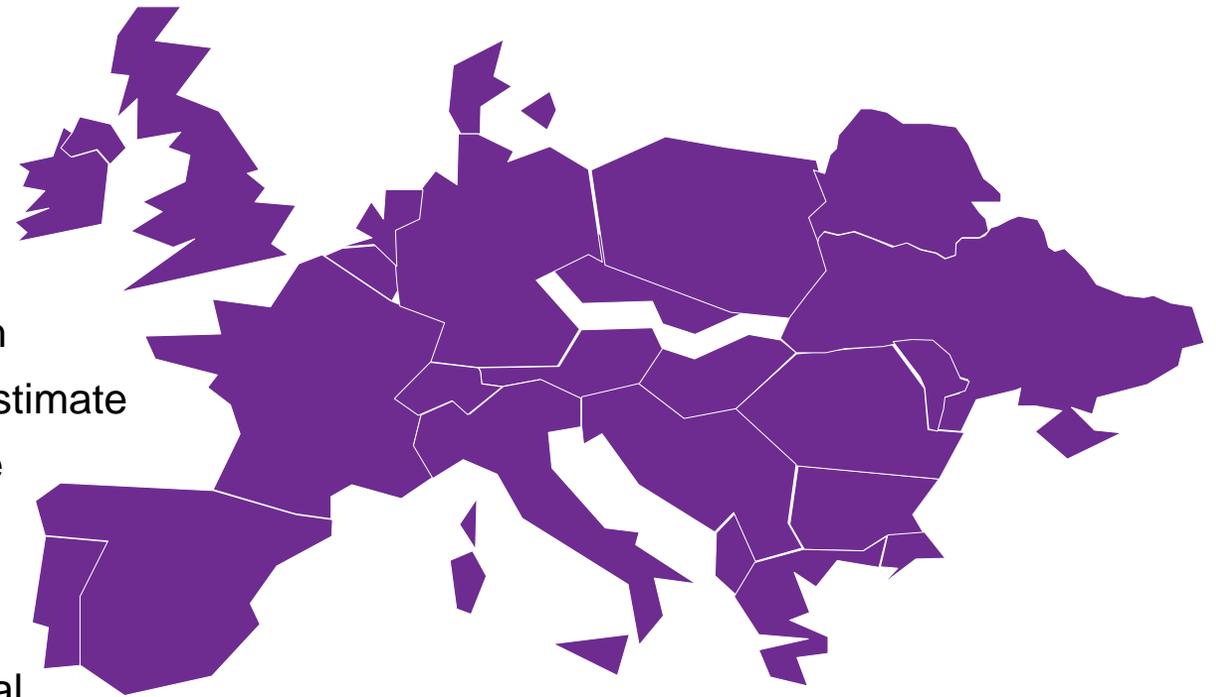
- **Sri Lanka's** new prime minister said the country was down to its last day of petrol. Lengthy fuel queues that have galvanized weeks of anti-government protests.
- **Japan** will start conducting "*test tourism*" in the form of limited package tours in May as a way of gathering information prior to a full re-opening of the country to tourism.
- Hundreds of **Indonesian** smallholder farmers staged a protest in the capital Jakarta and in other parts of the country, demanding the government end a palm oil export ban that has slashed their income.
- **US** officials have warned businesses against inadvertently hiring IT staff from **North Korea**, saying that rogue freelancers were taking advantage of remote work opportunities to hide their true identities.



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Europe

- The European Commission lowered its **Eurozone** growth forecast for 2022 down to 2.7 percent, from a previous estimate of 4 percent. The EU cited fallout from the war in Ukraine and rising energy prices as the main culprits
- **Finland and Sweden** will send in their applications for NATO this week in a move that will redraw the geopolitical map in Europe and help boost security in the Nordics and Baltics. **Turkey** has reiterated its opposition to admitting the two countries, while NATO leaders state Turkish concerns will be addressed.
- **French** President Macron named his labor minister Élisabeth Borne as prime minister, opting for an experienced technocrat from the political left to take charge of the domestic agenda for his second term.
- **Britain** will set out steps to address post-Brexit trade issues in **Northern Ireland** today but will not introduce a new law this week, dialing down a row with the EU that could threaten a trade war.



How do You Manage Incident Response?

2021 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.

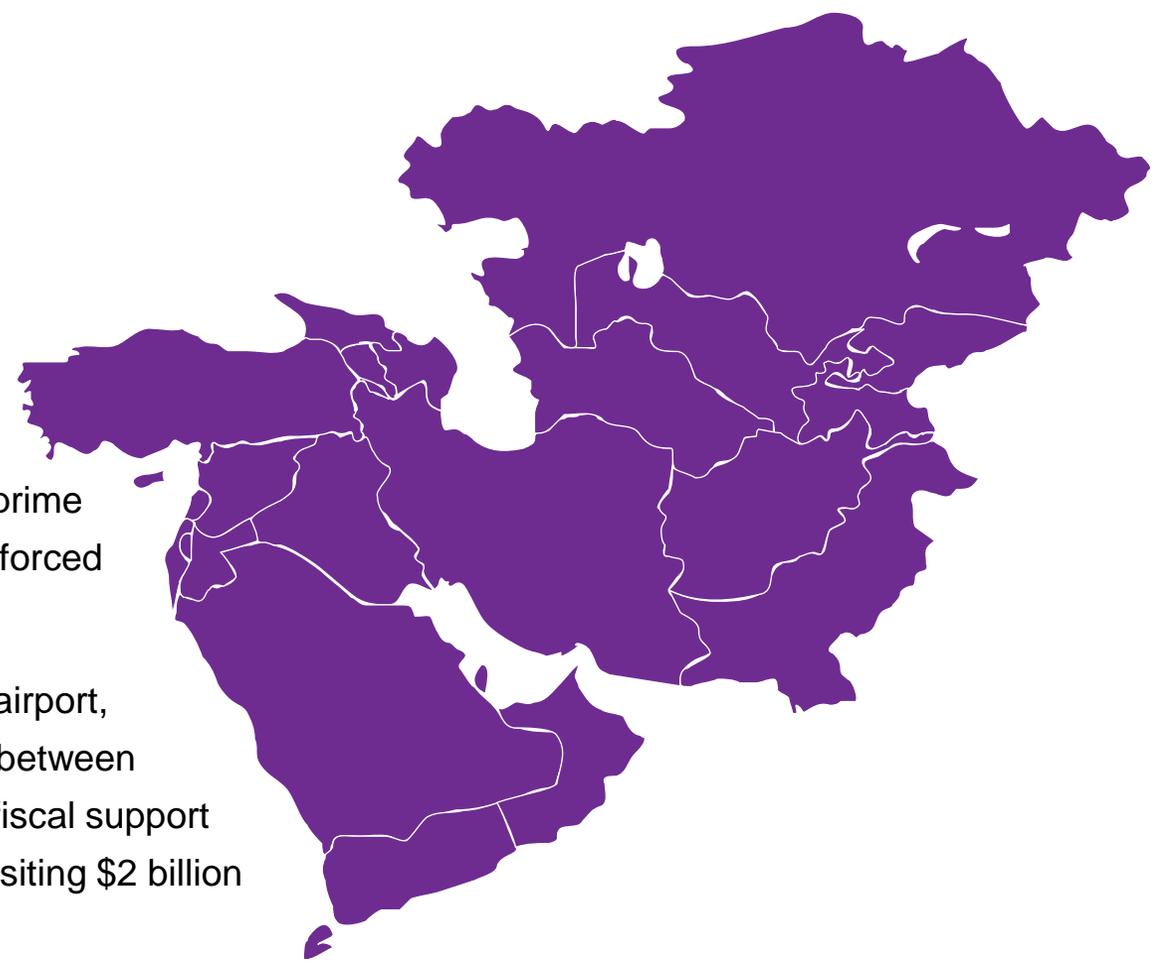
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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



- **Lebanese** Hezbollah and allies who support its armed presence have lost the parliamentary majority they held since 2018 in Lebanon.
- Clashes erupted in **Libya's** capital today as the parliament-appointed prime minister, Fathi Bashagha, tried to take over government there but was forced back by a rival administration that refuses to cede power.
- The first commercial flight in six years departed from **Yemen's** Sanaa airport, which is held by Houthi rebels, a hopeful sign amid a two-month truce between the rebels and the Saudi-led coalition. The **Saudi** government a 2018 fiscal support agreement to the internationally-recognized Yemeni government, depositing \$2 billion in its central bank to support the country's currency.
- **Iraq's** Sadrist movement announced on Sunday that it would shift to the "*national opposition*" for a period of no less than 30 days after attempts to form a new government failed. Iraq's oil ministry stopped three prospective deals last year that would have handed **Chinese** firms more control over its oilfields and led to an exodus of international oil majors that Baghdad wants to invest in its sagging economy.

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Americas

- **Brazilian** Senate leaders have arranged meetings with Supreme Court justices in a bid to provide support to the judicial branch as incumbent President Bolsonaro has stepped up his skepticism of the country's electoral process, raising fears that he could dispute the election and prompting the courts to request more legislative support.
- **Mexico** will waive import duties for one year on a range of household staples, most of them foodstuffs, in a bid to curb inflation.
- **Mexican** President Obrador will meet on Wednesday with a delegation of organizers of the US-hosted Summit of the Americas, to press for the inclusion of all countries in the region to take part in the summit. US officials said last month that **Cuba, Nicaragua** and the government of **Venezuelan** leader Nicolas Maduro were unlikely to be invited to the summit.
- **Brazilian** sugar cane mills are cancelling some sugar export contracts and diverting production to ethanol to cash in on high energy prices, according to people with direct knowledge of the deals, raising concerns of a sugar shortage.



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Americas: US

- The FDA is expected to authorize booster shots of the Pfizer-BioNTech **coronavirus vaccine** for children ages 5 to 11 as soon as today.
- The US brought criminal charges against a Venezuelan cardiologist who taught himself computer programming and sold software that was used by an **Iranian hacking group** to attack Israeli companies.
- The US Air Force has conducted a successful test of a **hypersonic weapon**, which flew at five times the speed of sound.
- Two top US defense intelligence officials will testify today on Capitol Hill about what the government knows of **unidentified flying objects**, in the first public congressional hearing concerning UFOs in more than 50 years.
- The Biden administration announced it is loosening some restrictions on flights to and from **Cuba** and re-establishing a family-reunification program that had been suspended in recent years.



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The Future of Agriculture: Smart Farming, Organic Farming and Risk

By Matthew Gardell

As the world faces increased food insecurity due to Russia's invasion of Ukraine, policymakers and business leaders are beginning to think critically about the future of agriculture. New methods of agriculture, such as smart farming and organic farming, are being considered but may result in business risk.

There is a burgeoning movement to leverage digital transformation and new technology to change the way we harvest crops. The goal is to make agriculture more efficient, climate-friendly and sustainable, but beyond the environmental purpose, smart farming could help alleviate the global food crisis. Smart farming, which is sometimes referred to as precision agriculture or digital farming, uses drones, Internet of things (IoT), blockchain and big data to augment traditional production methods. The use of modern technology is designed to optimize the production chain, collect large sets of data to inform planting and irrigate and fertilize the crops at

exactly the right time; due to these technological breakthroughs, smart farms could help countries deliver bigger yields, localize their supply chains and meet their climate benchmarks. Organic farming is also part of this new wave of agriculture, which focuses on biodiversity and renewable resources while eliminating synthetic pesticides, fertilizers and hormones. While organic farming clearly has environmental upsides, there are distinct risks as evidenced by Sri Lanka's failed experiment to transition to organic farming and the often-inefficient yields—a perilous proposition during the war-induced global food crisis.

Government and Business Adoption

Countries and businesses are implementing and incentivizing smart farming programs. On Wednesday, President Biden announced that he was increasing technical assistance for technology-driven precision agriculture, and in September, the US Department of Agriculture (USDA) announced a new initiative to finance the deployment of climate-smart farming. Additional USDA investments include \$500 million to support the adoption of water-smart management practices. There is also increasing momentum towards international cooperation on smart farming: the US Agency for

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International Development (USAID) in cooperation with the United Arab Emirates has launched the Agriculture Innovation Mission for Climate (AIM for Climate) that increases investment and enables greater public-private and cross-sectoral partnerships to drive climate-smart agriculture. There are now over 80 partners (including 33 countries) in AIM for Climate, and the hope is that the program will continue to increase food production in developing countries in a time of growing food insecurity. Although the increased technical assistance by the government represents a push to develop smart farms, some producers are hesitant to integrate complex technologies in their operations at a time of low profit margins. It remains to be seen whether these incentives can lead to broader adoption of smart farming by producers.

Businesses are enticed to adopt smart farming practices because of the possibility of running much more efficient operations, thus yielding higher profits.. Major agricultural manufacturer John Deere is integrating innovative technologies such as autonomous tractors and big data in their operations. The smart technology, which also leverages 5G, is designed to empower the farmer to make better decisions. According to Mordor Intelligence, the global precision agriculture market is expected to register a compound annual growth

rate of 14.0 percent between 2022-2027; North America, Europe and Brazil are expected to remain the dominant markets for precision farming in the near future. In addition to John Deere, AGCO Corporation, IBM and Farmers Edge are major players in the industry, while there are a host of start-ups and smaller companies that focus on robotics, aerial spectral imaging and drones.

Business and Political Risks

New waves of agriculture come with inherent risks for businesses. There may be reticence among farmers to move away from traditional methods and adopt technology with which they are unfamiliar. Smart farm operations are also highly costly at a time in which the industry is already facing inflationary, labor and supply chain pressures. There is also the distinct risk of cyber threats and attacks. The IoT infrastructure of smart farms could be vulnerable to cybercrime, data breaches or “hacktivist” attacks. The pandemic has presented opportunities for cyber criminals to attack vulnerable digital systems, and smart farms could be a moving target. Large-scale cyber-attacks could disrupt a farm’s individual operations, leading to wider supply chain issues and more pressures on food markets.

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As countries move to experiment with new methods of agriculture, such as organic farming, there could be adverse knock-on effects. Nowhere is this more apparent than Sri Lanka's failed transition to organic farming. Last year, following a campaign pledge by Sri Lankan President Gotabaya Rajapaksa, Sri Lanka began the transition to organic farming. The Sri Lankan government imposed a nationwide ban on synthetic fertilizers and pesticides without fully preparing the country's farmers for the transition. The organic farming transition resulted in inefficient yields and decreased production of important crops; for example, domestic rice production fell 20 percent and tea production fell precipitously. Food prices also rose in the country during a period of high inflation and economic pressure. The drop in tea production had a profound impact as the crop is Sri Lanka's primary export and a key source of foreign exchange. In November, the Sri Lankan government partially lifted its fertilizer ban on the key export crops and announced \$200 million direct compensation package for farmers to offset losses. Sri Lanka's haphazard transition to organic farming is a cautionary tale on moving too quickly to new methods of agriculture, particularly in developing countries; in addition to causing more economic suffering and likely contributing, as high food prices often do, to the current

political instability in the country, the organic farming move affected world commodity markets and decreased the desirability of investing in Sri Lanka, exacerbating the country's economic pain. New methods of agriculture such as organic and smart farming may be the wave of the future and benefit the environment, but also come with risks during this period of global food insecurity.

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Ukraine War Update: Ukraine Cedes Mariupol Control, Russia Backtracks on Finland and Sweden NATO Membership, Russian Military Commentator Acknowledges Setbacks

Russia backtracked on Finland and Sweden joining NATO, with Russian Foreign Minister Sergei Lavrov saying on Tuesday that Finland and Sweden joining NATO would probably make "not much difference" as the two countries had long participated in the alliance's military drills.

Political Developments

Russian President Putin said that any expansion of military infrastructure on the territory of Sweden and Finland, should they end up joining the NATO alliance, would require a reaction from Moscow. However, that the inclusion of the two Nordic states into NATO would otherwise not pose any problems for Russia.

A retired Russian colonel told Russia state media on Monday that the invasion of Ukraine is not going the way Russia is portraying it, and that the global isolation facing the country is more daunting than Russian leaders are letting on. *"After all, the main deficiency of our military-political position is that, in a way, we are in full geopolitical isolation, and that, however much we would hate to admit this, virtually the entire world is against us,"* defense commentator Mikhail Khodaryonok said, adding, *"And it's that situation that we need to get out of."*

The Institute for the Study of War (ISW) has been reporting for several days on the writings of Russian military bloggers posting critical analysis on Russia's Ukraine offensive. ISW analysts note that Russian military bloggers continued to post analysis that is skeptical of Russian efforts and increasingly in-line with Western assessments of Russian military failures in Ukraine. The analysts assess that the continued disenchantment of pro-Russian military bloggers with the Russian war effort may fuel dissatisfaction in Russia itself, especially if Moscow continues to press recruitment and conscription efforts that send poorly-trained cannon-fodder to the front lines.

Battlefield Developments

After reaching an agreement with Russia, Ukrainian fighters holed up in the Azostal steel plant in Mariupol are being evacuated to Russian-held towns and Ukraine is ceding control of the city to

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Russia after months of bombardment. Ukrainian Deputy Defense Minister Malyar said 53 injured troops from the steelworks were taken to a hospital in the Russian-controlled town of Novoazovsk, while another 211 people were taken to the town of Olenivka, in an area controlled by Russian-backed separatists. All of the evacuees will be subject to a potential prisoner exchange with Russia. About 600 troops were believed to have been inside the steel plant. Ukraine's military said efforts were under way to evacuate those still inside. Malyar said that the fighters defending Mariupol had given Kyiv critically important time to build up reserves and regroup forces. She added that the most important thing now was to save the lives of remaining fighters.

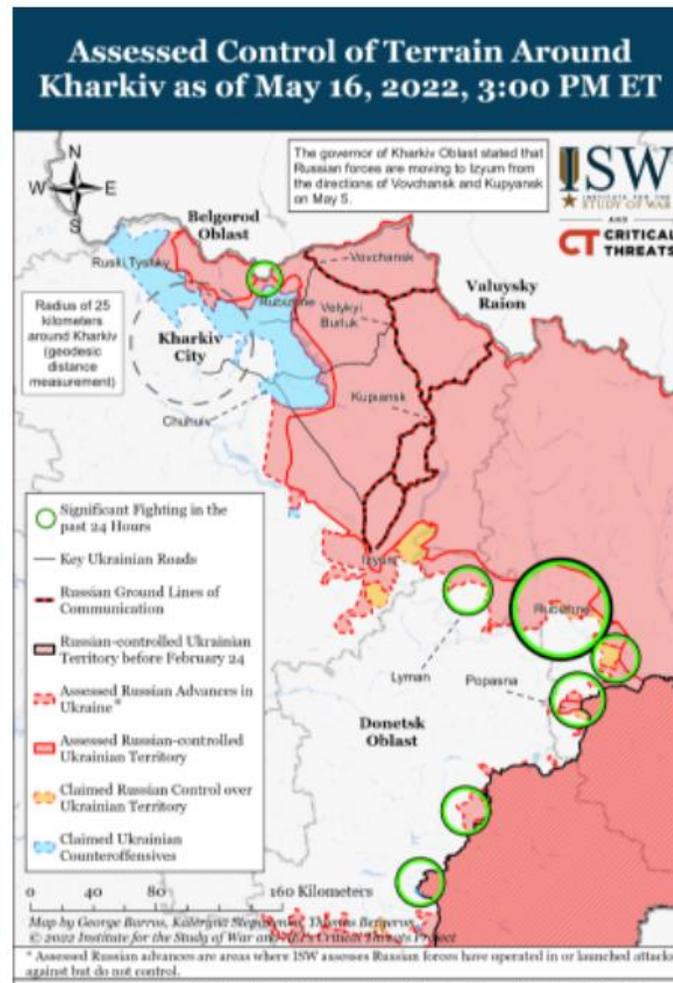
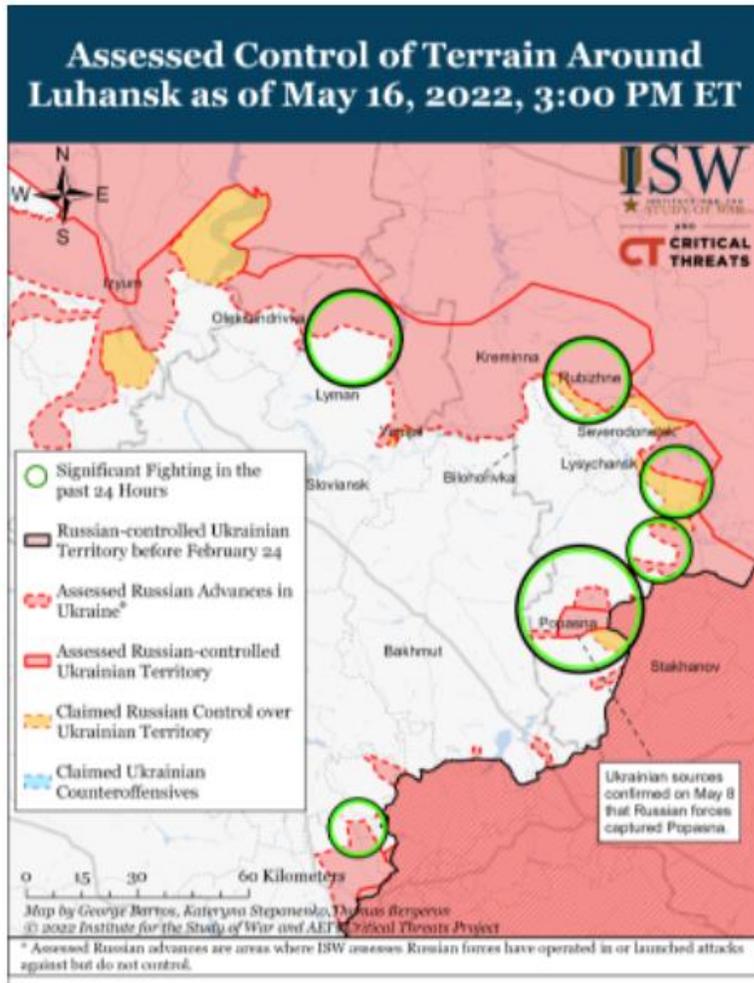
The US assesses that Russia now has 106 battalion tactical groups in Ukraine, and its progress in its attempt to gain full control of the Donbas region in the eastern part of the country had been “uneven, slow, incremental, short and small.” While Russian forces had made some “small gains” to the west of Donetsk, they were struggling despite repeated attempts to cross the Donets river in the region.

UK Defense Ministry assessed Russian forces are shelling residential buildings “with minimal regard to discrimination or proportionality.” The increasing reliance on indiscriminate artillery bombardment is likely due to Russia's unwillingness to fly fighter jets beyond its frontlines, as well as a limited ability to detect and locate targets. The intelligence report warned that these tactics could become more frequent as Russia pushes its advance in the Donbas region.



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Source: [Institute for the Study of War](https://www.instituteforthestudyofwar.org/)

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The Institute for the Study of War reported that Russian forces conducted limited and largely unsuccessful ground offensives along the front line in Ukraine on May 16. The Russian grouping around Kharkiv City is notably trying to hold the border and prevent Ukrainian troops from advancing further north.

A Russian missile damaged railway infrastructure in western Ukraine on Monday night with strikes on Yavoriv, located in the Lviv area, where a Ukrainian military base is located.

Economic Developments

United Nations Secretary-General Guterres is pursuing a deal with Russia, Turkey and other nations to open up Ukrainian food exports to world markets and stave off a potential global food shortage. While Turkey has responded with proposals for mine clearing operations in the Black Sea, Russia has been largely unresponsive.

Russia became the fourth-largest oil supplier to India in April, with volumes set to rise further in coming months with India exploiting fire sale prices, tanker tracking data showed.

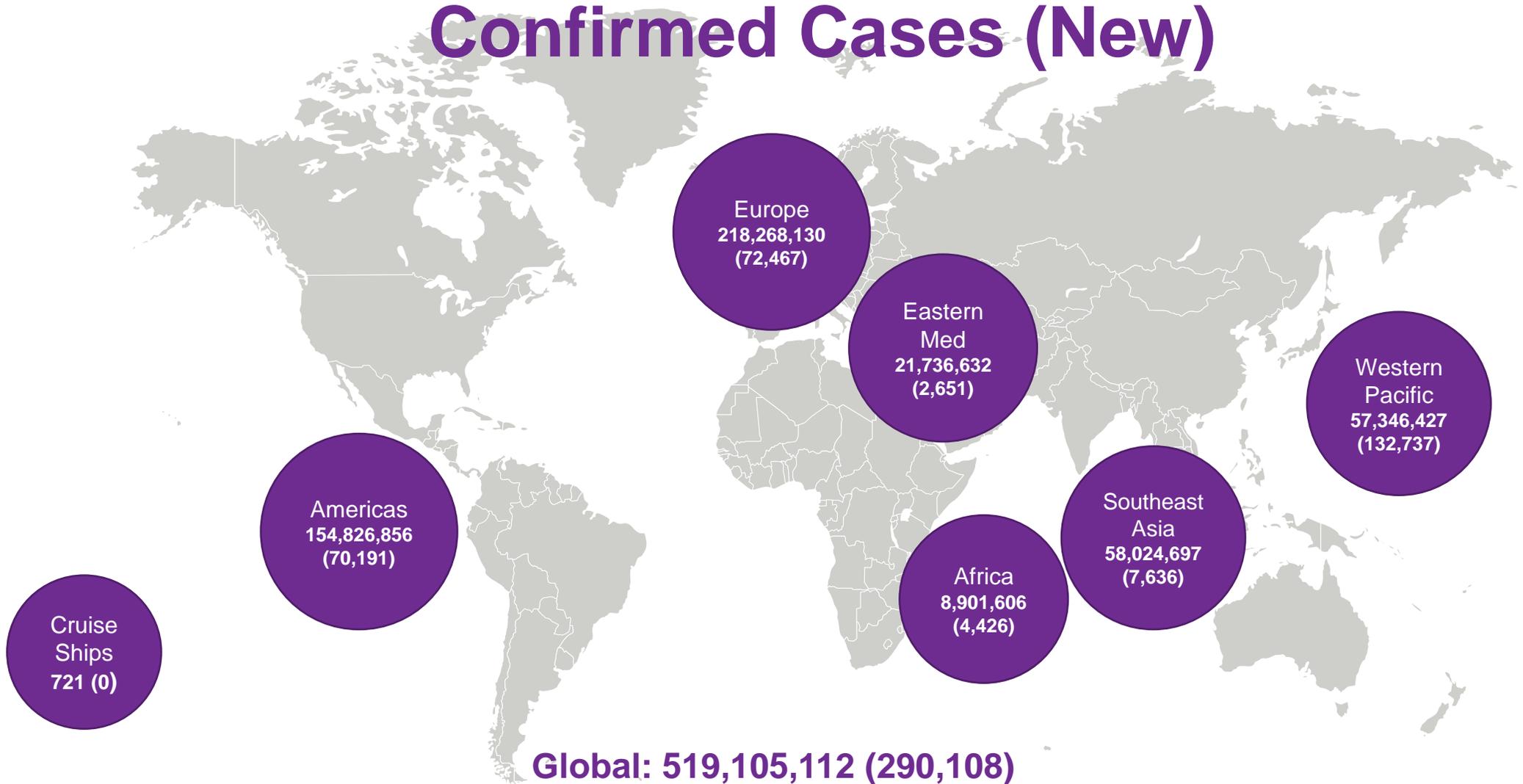
McDonald's announced plans to sell its hundreds of restaurants in Russia, joining Western companies exiting the Russian market amid international sanctions. McDonald's had already announced the temporary closure of its some 850 restaurants in Russia in March. The company said it was looking for a Russian buyer to hire its 62,000 employees and pay them until the sale is finalized. It has yet to identify a potential buyer.

Shares in Russia-focused gold producer Petropavlovsk fell sharply on Monday after the miner missed a payment on its publicly traded bond. The London-listed company cited its “*inability*” to extract cash from its Russian subsidiaries in the “*current environment*” as the reason for not making the \$12.4 million interest payment to bondholders. It also blamed a recent demand to repay a bank loan of just over \$200 million.

Coronavirus Condition Updates

As of 8:27 pm CEST on May 16, 2022

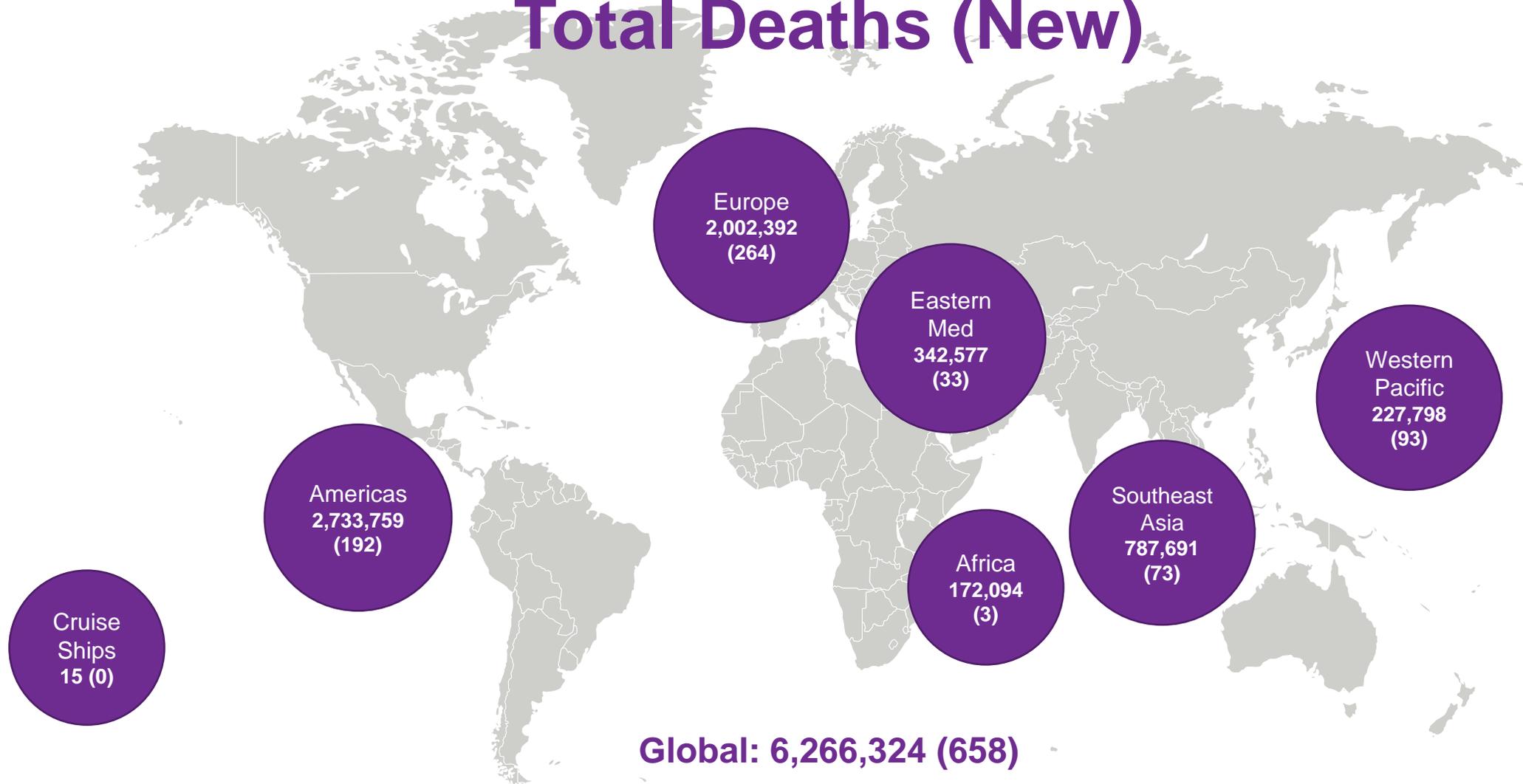
Confirmed Cases (New)



Reflects data as of 8:27 pm CEST on May 16, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 8:27 pm CEST on May 16, 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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