

Dentons Flashpoint

Daily Global Situation Report

July 1, 2022

Global Situation Update: July 1, 2022

KEY TAKEAWAYS

Russia nationalizes the Sakhalin-2 natural gas project.

US stocks notch up their worst first half in more than 50 years.

Chinese President Xi reaffirms the "one country, two systems" policy for Hong Kong on the 25th anniversary of city's return to China.

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

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WHAT WE'RE WATCHING

Sudan's ruling military junta is stretched as it battles pro-democracy protestors and security forces from neighboring Ethiopia. The generals in Khartoum have cut off the country's internet connection to stem anti-coup demonstrations, but thousands still hit the streets yesterday with a dozen deaths and many injured.

Meanwhile, the Sudanese army is firing heavy artillery at Ethiopian forces in the disputed border area of al-Fashaqa, along the Sudanese-Ethiopian border. The border dispute and contention over the Grand Ethiopian Renaissance Dam (GERD) will remain a source of substantial disagreements between the two countries in the coming years.



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Global

EU states and lawmakers agreed to rules to restrict state-backed foreign firms acquiring EU companies with annual turnover of 500 million euros (\$520 million), underlining a more protectionist approach against a possible Chinese buying spree.

- Russian President Putin ordered the transfer of all rights to the **Sakhalin-2 natural gas project** to a Russian entity in a move that could force foreign investors including Shell, Mitsubishi and Mitsui to walk away from the project. Putin's decision marks the first time the Kremlin has **nationalized** a company since hundreds of multinationals announced plans to withdraw from the country following Russia's invasion of Ukraine.
- French President Macron said a legal framework was needed to stop **deep-sea mining** from going ahead and urged countries to put their money on science to better understand and protect the world's oceans.

Markets & Business

US stocks notch up their worst first half in more than 50 years as a rout ignited by the Federal Reserve's attempt to rein in runaway inflation and mounting concerns over global growth intensified this week. US stocks have shed more than \$9 trillion this year.

- **Barclays** is giving 35,000 of its staff in Britain a 1,200 pound (\$1,450) annual pay rise to help to ease the impact of the cost-of-living crisis.
- The EU and New Zealand completed negotiations yesterday for a **free trade agreement** that could boost the flow of goods and services by 30 percent, advancing Europe's search for alliances to make up for its business withdrawal from Russia.
- North Korean hackers are most likely behind an attack last week that stole as much as \$100 million in cryptocurrency from a U.S. company. The crypto assets were stolen from **Horizon Bridge**, a service operated by the **Harmony blockchain** that allows assets to be transferred to other blockchains.
- **Corporate fundraising** cooled sharply in the first half of 2022 as volatile financial markets left bankers and corporate finance chiefs wary of issuing new stocks and debt.

Environment, Sustainability & Governance

Fossil fuels surpassed renewables to become the EU's largest source of power generation as use of natural gas reached its highest point in a decade, the bloc's statistics office said.

- More than 20 percent of Toshiba shareholders voted against a dissident external director and two board directors from **activist hedge fund investors**, final voting results showed.
- New Zealand central bank's new governance board, created by the government to strengthen **decision making and accountability**, will start work today.
- The Russian invasion of Ukraine has sparked calls from some investors for an overhaul of how **geopolitics, sovereign governance and human rights** are factored into ESG ratings. A first step would be to include warning signs of war, allowing the selling of stocks while they could still be sold.
- Peruvian firefighters were fighting to contain a **forest fire** near the Incan ruins of Machu Picchu on Thursday, as the blaze threatened to close in on the ancient city high in the Andean mountains.

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Africa

- Seven protesters were shot dead by security officials in **Sudan** on Thursday, per protest medics, amid a planned March of Millions against the coup. Ahead of the protest, the Sudanese junta blocked the internet via multiple major providers.
- The **Mozambican** government reported that Islamist insurgents had destroyed at least 30 out of 130 mobile health units covering the violence-wracked northern Cabo Delgado region.
- Leaders of the Tigrayan rebels in **Ethiopia** rejected the Addis Ababa government's call for the African Union to mediate planned peace talks between the warring parties, saying that the group is not neutral and instead requesting that Kenya mediate. The Ethiopian government blamed a militia tied to a former opposition party for the killing of over 340 civilians in the Oromiya state, which is also facing ethnic violence, last month.
- The WHO director for **Africa** called for international aid to secure testing capacity and vaccines for monkeypox for Africa, saying that richer countries already appear to be hoarding vaccines.
- **Mali** said it would defy a UN order allowing peacekeepers full freedom of movement within the country to investigate alleged human rights abuses by the military.



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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:

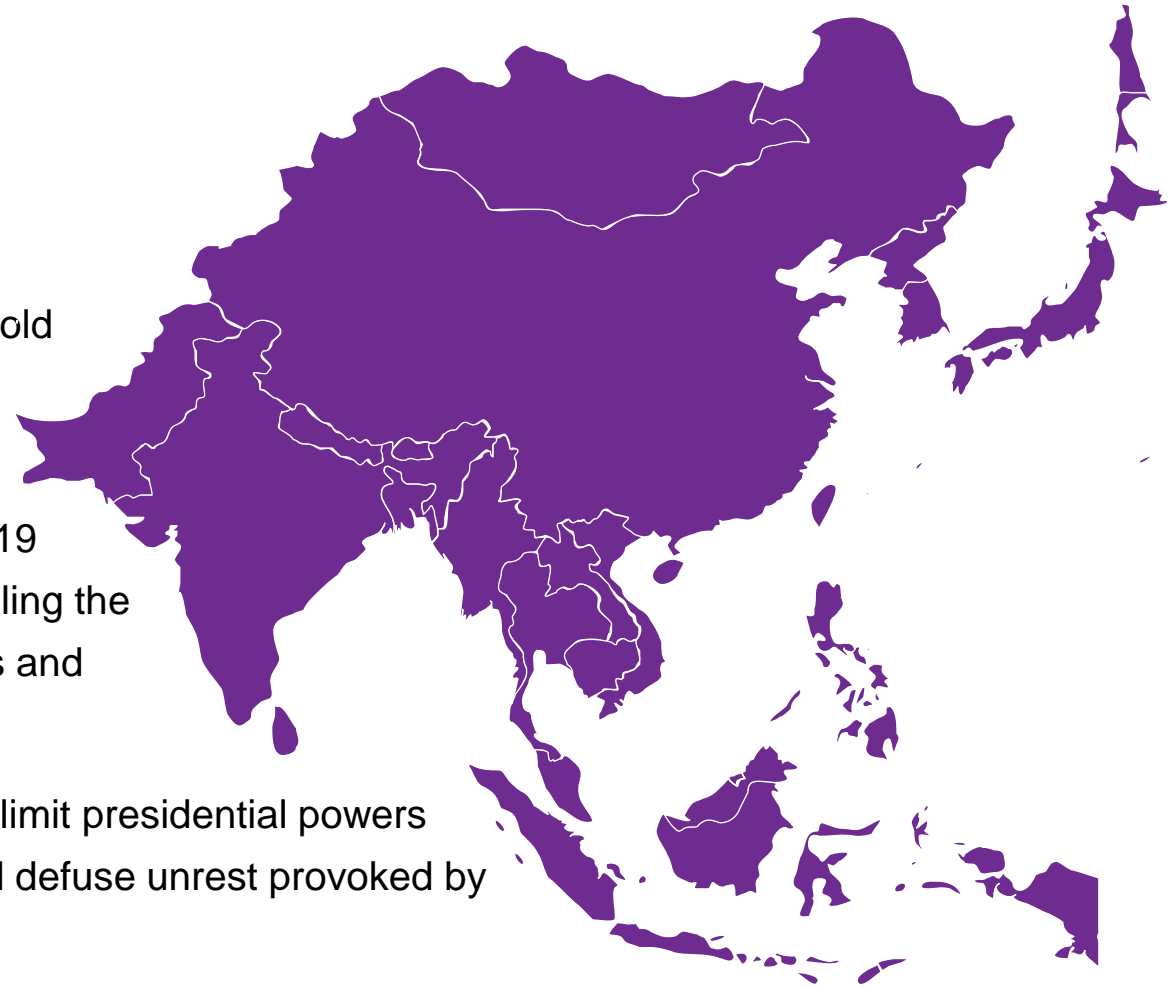
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

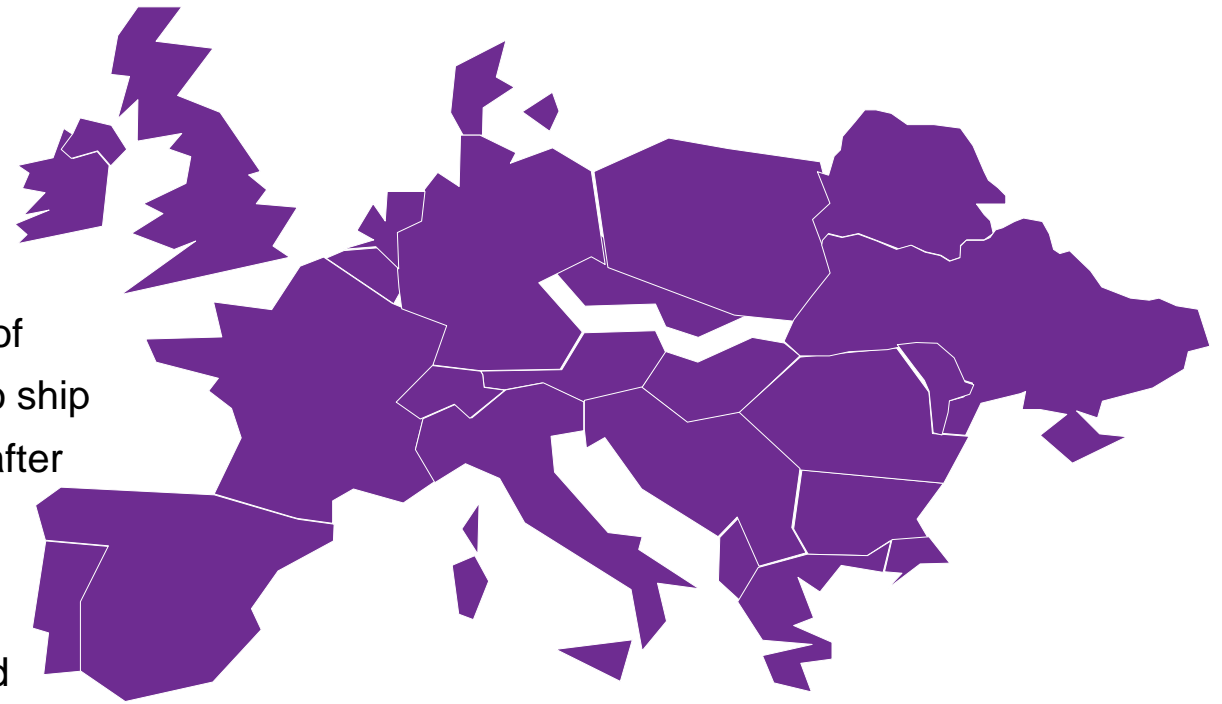
Asia

- **UK** Prime Minister Johnson said Britain would do all it could to hold Beijing to its commitments on democratic rights made 25 years ago when **Hong Kong** was handed back to **China**.
- **North Korea** accused the **US** is taking advantage of its COVID-19 outbreak by offering humanitarian aid with political purposes, calling the offer of humanitarian aid insincere amid recent military exercises and moves to impose more sanctions.
- **Sri Lanka's** government proposed amending the constitution to limit presidential powers and beef up anti-corruption powers to help shore up stability and defuse unrest provoked by the country's worst financial crisis in decades.
- **Chinese** President Xi Jinping, speaking in **Hong Kong** for the 25th anniversary of the city's return to China, said there is no reason to change the "*one country, two systems*" policy for Hong Kong and it must be adhered to over the long run.



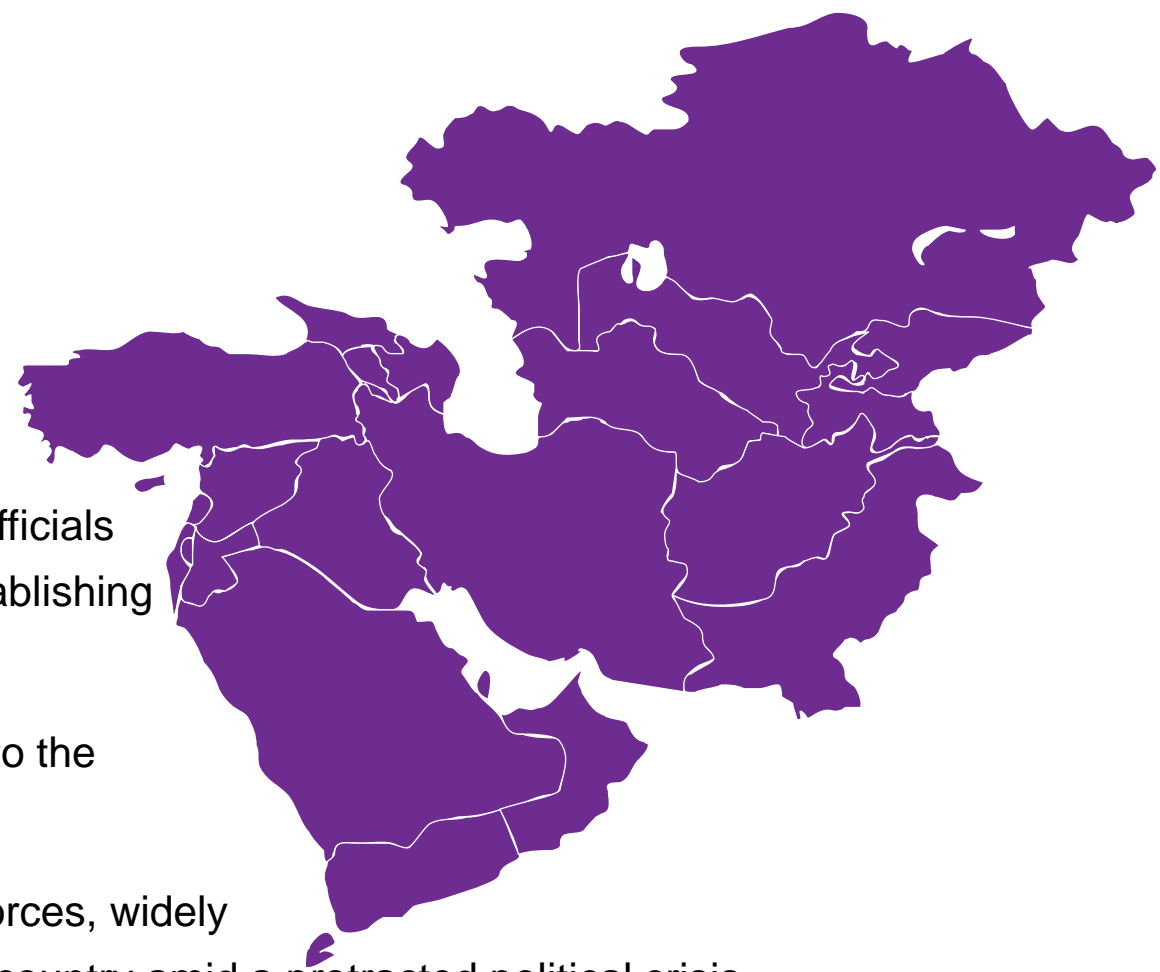
Europe

- **Russian** forces abandoned the strategic Black Sea outpost of Snake Island yesterday in a victory for **Ukraine**. A first cargo ship has left the Russian-occupied Ukrainian port of Berdyansk, after Russia said the port had been de-mined and was ready to resume grain shipments.
- Leading **Russian** economist Vladimir Mau has been charged with fraud, in a shock to Russia's academic and economic elite. Opposition figures have criticized the case as the latest episode in a long-running Kremlin campaign to exert control over Russia's education sphere and quash academic freedoms.
- **Turkey** has banned access to two international public broadcasters - Germany's Deutsche Welle and Turkish language Voice of America -- striking a blow to freedom of expression in the country and risking renewed tensions with the west.
- Judges at the International Criminal Court issued arrest warrants for three suspects, including two **Russian** nationals, dating from the 2008 conflict in **Georgia** for suspected war crimes



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Middle East



- **Saudi Arabia** announced \$400 million worth of development projects in **Yemen**.
- Two days of UN-mediated talks in Geneva between **Libyan** officials from the rival parliaments ended without any progress on establishing a legal basis for elections.
- **EU** officials said that prospects may be worse for a reentry into the **Iran** nuclear deal following talks in Doha earlier this week.
- **Qatar** pledged \$60 million in funding the **Lebanese** Armed Forces, widely considered one of the few functioning state institutions in the country amid a protracted political crisis.

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Americas

- Leaders of the protest movement and government in **Ecuador** came to an agreement ending two-week protests that had closed roads throughout the country and threatened the fully halt Ecuadorian oil production; the deal includes further cuts to gas prices and limitations to new oil and mining initiatives.
- The **US** Supreme Court ruled that President Biden can end the Trump-era “remain in Mexico” immigration rule that required asylum seekers to await case decisions in **Mexico**.
- **Canada's** Supreme Court upheld expansions to the country's rape shield laws added four years ago to further prevent a sexual assault complainant's sexual past from being used against them in a trial.
- **Argentina's** major farm groups called for a trade strike in two weeks to continue pressure on the government to address crippling fertilizer and diesel shortages.



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Americas: US

- The US Supreme Court rules against the Environmental Protection Agency' authority to limit **greenhouse gas emissions** from power plants in a landmark ruling that deals a blow to the Biden administration's fight against climate change.
- New applications for **unemployment aid** in the US fell last week, despite reports of lay-offs in some parts of the economy.
- New US data for May showed little immediate relief from the record pace of **inflation** pushing the Federal Reserve toward another oversized interest rate increase next month, but it did add to a developing sense that the worst may be over. Inflation as measured by the personal consumption expenditures price index was 6.3 percent on an annualized basis in May, the same as in April.
- President Biden signaled plans for another \$800 million of additional weapons aid to **Ukraine** in the coming days.



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Ukraine War Update: Risks of a Russian Foothold

At the NATO Summit this week, member states agreed to a new Strategic Concept and deployment of forces in Europe that would not have come about without the Russian invasion of Ukraine. The conduct of Russian forces wiped away any residual belief that Russian President Putin could be a partner in European security. NATO members have moved decisively despite threats from Putin of retaliation because the western alliance has come to terms that NATO's previous posture was insufficient to deter Russian aggression in Europe. Members are determined that Russia cannot be permitted to gain a foothold in any NATO member state, such as it has done in Ukraine, to be used as a launch pad for renewed aggression down the road.

NATO member states also gave an open-ended pledge to continue to supply Ukraine with military assistance. The tempo and lethality of military aid has steadily increased over the past four months and military planners are not just focused on what can be provided today, but on what new capabilities can be absorbed to increase Ukrainian fighting capacity in the months to come so that Ukraine can gain the upper hand on the battlefield and at the negotiating table. This latter point is key, as the expectation in the west is that the war will end with a political agreement.

US Director of National Intelligence Avril Haines offered some insights into the US intelligence assessment on how the war will end. Speaking on June 29, she said, "We assess at this stage that [Russia's] ground forces have been degraded to the point where it will take them years to get back to where they were...Even their near-term military objectives are really not capable of being achieved by their military right now," Haines said. "It is entirely plausible, from our perspective, that depending on how things develop over the coming months and so on that [Putin] is convinced that there is value in effect, coming to some sort of agreement."

Ukraine War Update: Risks of a Russian Foothold

Haines was clear that the intelligence community does not see an opportunity for both sides to come together for a peaceful agreement at this time. She also assessed that Putin has not given up his desire to control all of Ukraine.

If Russian forces do not have the ability to deliver on Putin's objectives, does Putin re-evaluate the objectives? Or does he re-evaluate the timeline for achieving the objectives? Or the means of achieving them?

Ukrainian President Zelensky is worried that Putin will settle for the tough road, fighting a war of attrition in order to break the Ukrainian will and capability to resist. Zelensky is pressing his backers to accelerate military equipment deliveries so that the war can be ended this year and not drag into the winter. Zelensky told the G7 he was focused on securing an "advantageous position" in a matter of months rather than years.

For Zelensky, the risk is apparent. The longer the war goes on, the greater the spillover into the global economy in terms of growing food insecurity, disrupted supply chains, spiking commodity prices – and the increased risk of erosion of political will in the international

community. Ukraine's leaders could be pressed into making territorial compromises to bring the war to an end, for the moment.

Freezing of the status quo, as was done after the invasion of the Crimea and parts of the Donbas in 2014 did not result in a durable peace agreement and end to territorial aspirations of Russia, despite the Minsk Agreements. While the first Minsk agreement (September 5, 2014) did significantly reduce fighting for many months, minor skirmishes continued, and then accelerated at the beginning of January 2015 into a new offensive by Russian-backed forces on Ukrainian-controlled areas, resulting in the complete collapse of the Minsk Protocol ceasefire. In February 2015, a new set of arrangements were reached – Minsk II -- to include an OSCE-observed unconditional ceasefire from February 15, withdrawal of heavy weapons from the front line, release of prisoners of war, and constitutional reform in Ukraine. Russia, however, had a different agenda with the Minsk process, seeing it as a way to establish pro-Russian governments in the east that, upon reincorporation into Ukraine, would facilitate Russian interference in Ukrainian politics. Russia did its best to meddle, backing pro-Russian politicians and exploiting Ukrainian political grievances – but ultimately failed when

Ukraine War Update: Risks of a Russian Foothold

the Ukrainian people continued to backed leaders who rejected Russia's heavy hand, such as President Zelensky.

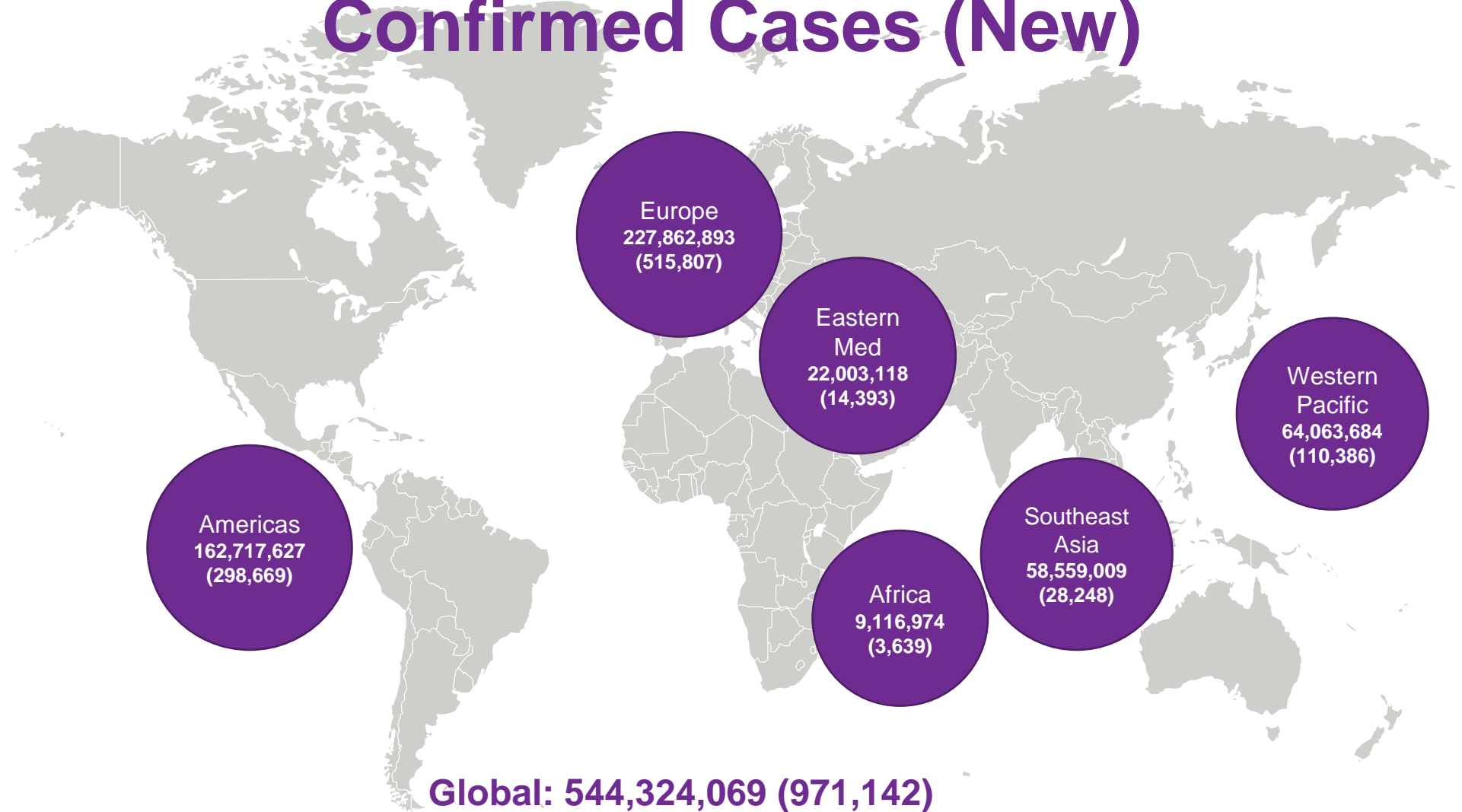
If Ukraine is not able to decisively change the dynamics on the battleground and push Russia back towards its internationally recognized borders by year's end, Kyiv's options will likely narrow. Ukraine may eventually face a choice between two bad options -- a protracted war with waning western support or intermittent conflict with continuing Russian occupation undermining Ukraine's hopes to become part of the EU and its ability to deter future Russian aggression. Either way, a Russian foothold will be a cancer eating away at Ukraine's future.

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Coronavirus Condition Updates

As of 6:05 pm CEST on June 30, 2022

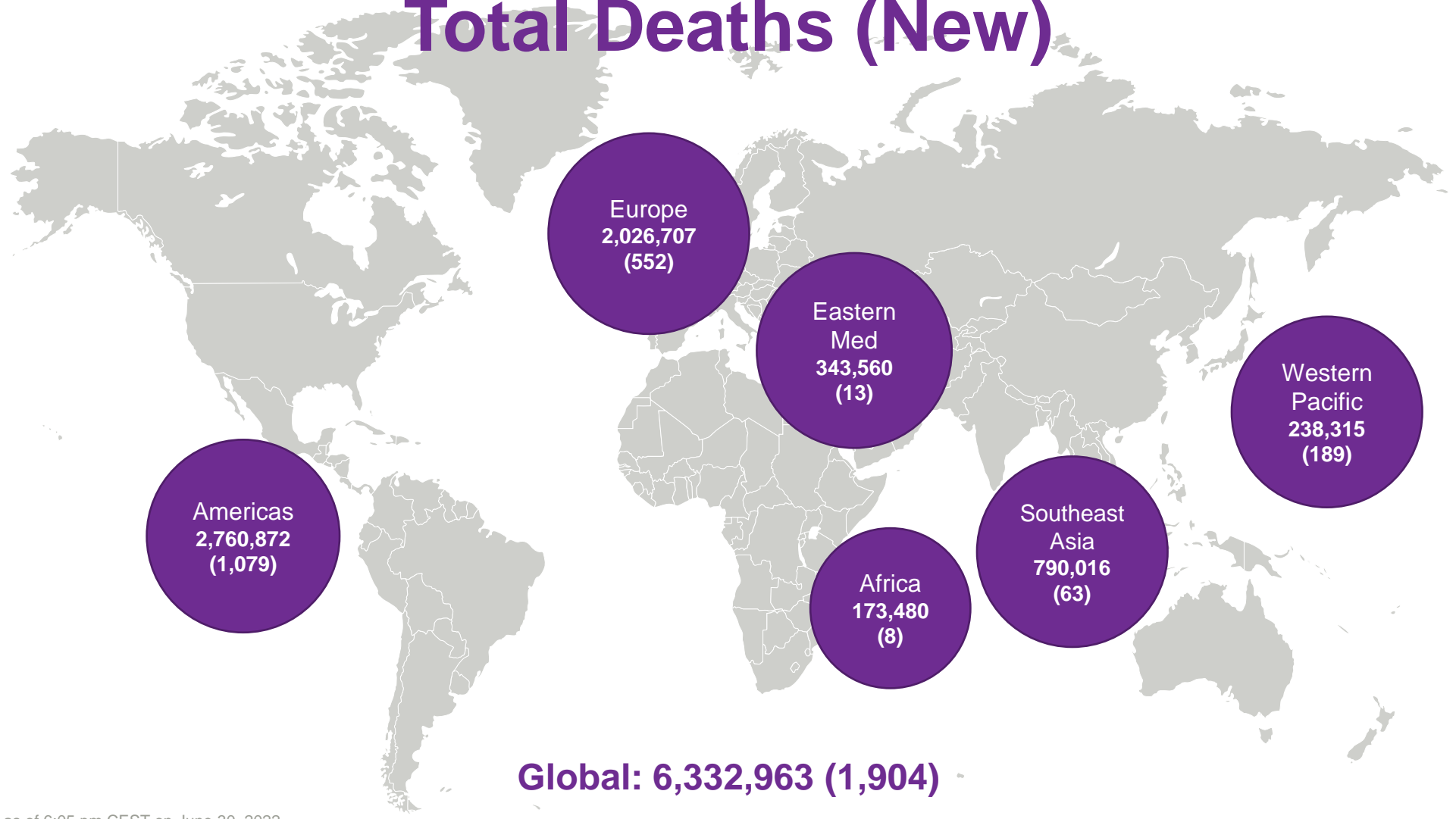
Confirmed Cases (New)



Reflects data as of 6:05 pm CEST on June 30, 2022.
Data Source: World Health Organization

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

Total Deaths (New)



Reflects data as of 6:05 pm CEST on June 30, 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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