

Dentons Flashpoint

Daily Global Situation Report

July 5, 2022

Global Situation Update: July 5, 2022

KEY TAKEAWAYS

The euro sinks to a two-decade low versus the dollar.

A hacker claims theft of personal information of one billion Chinese citizens from the Shanghai police files.

The US offers rewards for information that leads to the seizure of illegal weapons or narcotics in Middle East waterways.

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WHAT WE'RE WATCHING

Businesses reliant on US West Coast ports face a lingering supply chain risk as a +22,000 strong union that represents dockworkers at 29 ports negotiates an important labor contract which expired last Friday. While a strike is not probable, any slowdowns or temporary walk-offs amid discussions could disrupt shipments into and out of the US. West Coast ports process roughly 60 percent of all imports from Asia into the US.

The historic Ocean Shipping Reform Act (OSRA) that President Biden recently signed into law to alleviate supply chain bottlenecks and support US exporters will only provide limited relief to the ports over the next six months as labor shortages, poor inland investment and the lack of warehouse storage capacity persist. OSRA also increases regulatory burdens for shipping lines that reach the US.



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

Global

Top oil exporter Saudi Arabia raised August crude oil prices for Asian buyers to near record levels amid tight supply and robust demand.

- An international conference to support Ukraine after the devastating Russian invasion has outlined a series of principles to steer **Kyiv's recovery** and condemned Moscow's actions. The signatories, more than 40 countries and international organizations, backed commitments to provide political, financial and technical support and launched the **Lugano Principles** to guide the reconstruction effort, which Kyiv says could cost up to \$750 billion.
- France has repatriated 16 female terrorism suspects and 35 children from **refugee camps in the northeast of Syria**, the country's anti-terrorism prosecutor announced. European countries have been struggling for years to decide what to do with their citizens who went to Syria during the conflict, including women who ended up in camps for displaced people after the militants were defeated in 2017. There are over 10,000 women and children from almost 60 countries in the camps.

Markets & Business

The euro sank to a two-decade low versus the dollar on Tuesday as another surge in natural gas prices reignited worries about the health of the euro zone economy.

- Russian gas producer **Gazprom** has proposed expanding its rouble-for-gas scheme for pipeline gas to include liquefied natural gas. The proposal comes after Russia moved to seize operations of the Sakhalin-2 LNG plant last week in retaliation for Western sanctions.
- To address inflation and to retain workers in what many executives say remains a tough labor market, some large US employers are raising salaries or giving out special bonuses mid-year, including **Exxon Mobil Corp., PricewaterhouseCoopers LLP and Microsoft Corp.**
- Chinese property developer **Shimao Group** has missed the interest and principal payment of a \$1 billion offshore bond due on Sunday, in the latest blow to China's embattled property market.
- Scandinavian airline **SAS** has filed for bankruptcy protection in the US to help accelerate restructuring plans, warning strike action by pilots had impacted its financial position and liquidity.
- Russian businessman Vladimir Potanin, the largest shareholder at **Nornickel**, is considering a possible merger of the mining giant with aluminium producer **Rusal**, in part as a defense against Western sanctions.

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Environment, Sustainability & Governance

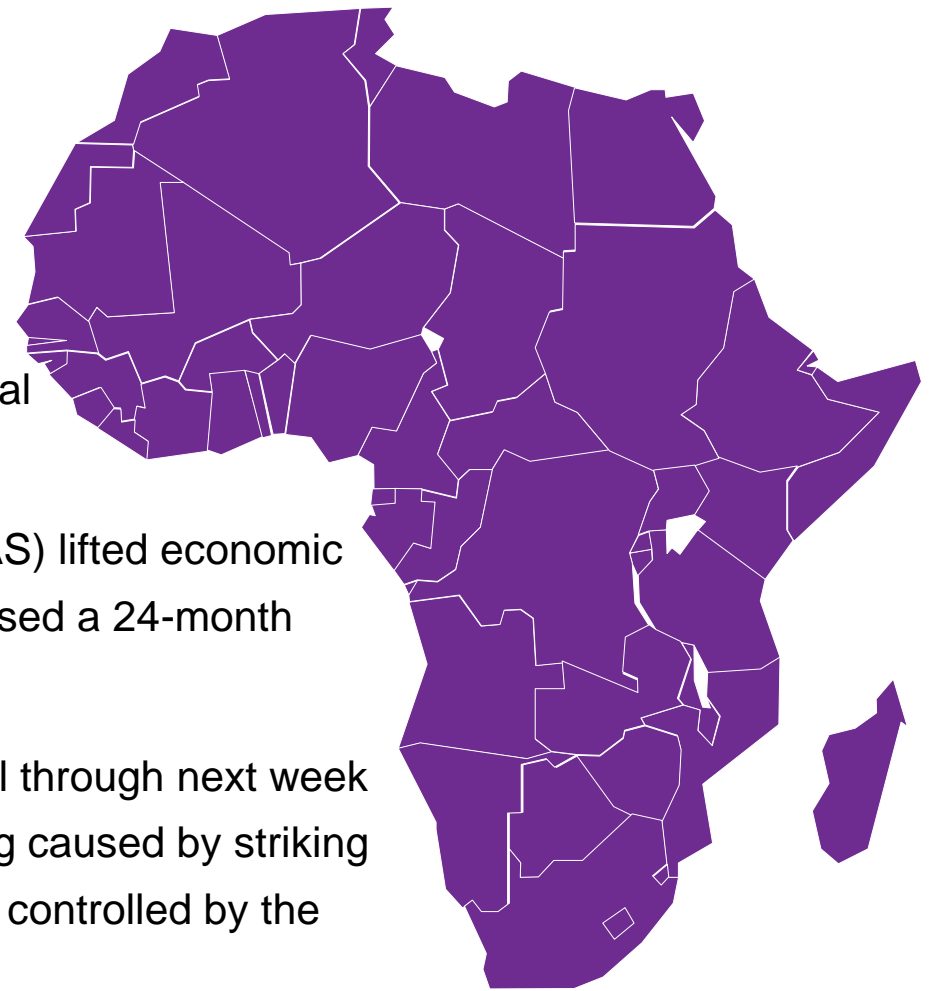
The EU's plan to label investments in gas and nuclear power plants as climate-friendly faces a final vote tomorrow when European lawmakers decide whether to accept or reject proposals that have divided governments and investors.

- Parts of a mountain glacier collapsed in the Italian Alps on Sunday amid **record temperatures**, local authorities said, killing at least six people and injuring eight. Italy also declared a state of emergency for areas surrounding the river Po, which accounts for roughly a third of the country's agricultural production and is suffering its worst drought for 70 years.
- **Demanding wage hikes** to compensate for rising inflation, Norwegian offshore workers began a strike on Tuesday that will reduce oil and gas output.
- **Activist investment leaders** who have urged US companies to cut carbon emissions expect more such efforts following a milestone US Supreme Court ruling on Thursday that diminished the power of federal environmental regulators.
- **Torrential rains** kept battering Australia's east coast on Tuesday, intensifying the flood crisis in Sydney as thousands more residents were ordered to leave their homes after rivers swiftly rose past danger levels.

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Africa

- **Democratic Republic of Congo's** President Tshisekedi and his **Rwandan** counterpart Kagame will meet for talks in the Angolan capital Luanda this week.
- Leaders of the Economic Community of West African States (ECOWAS) lifted economic and financial sanctions imposed on **Mali**, after its military rulers proposed a 24-month transition to democracy and published a new electoral law.
- **South African** state power utility Eskom extended daily power cuts all through next week as generation capacity shortage continues. The supply crunch is being caused by striking workers, delay in maintenance and creaking old thermal power plants controlled by the monopoly power supplier.
- **Sudan's** military leader General al-Burhan said the army would not participate in internationally led dialogue efforts to break its stalemate with the civilian opposition and urged political and revolutionary groups to start talks to form a transitional government.



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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

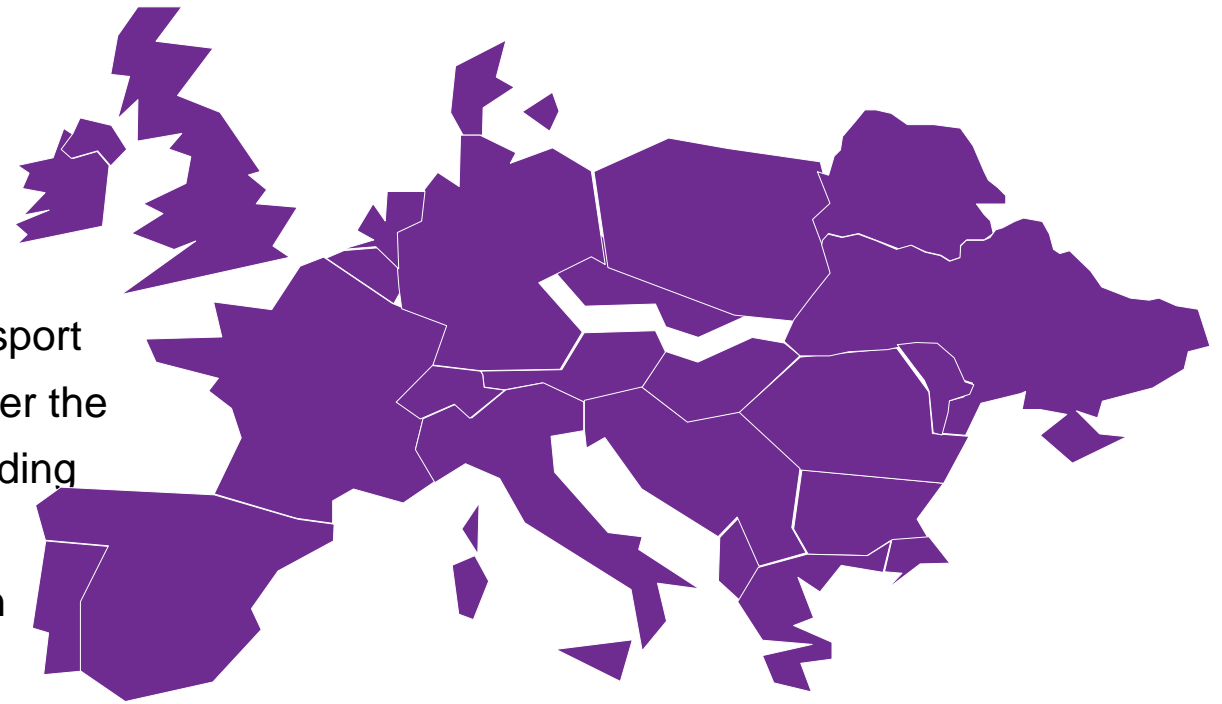
- A hacker has claimed to have procured a trove of personal information from the Shanghai police on one billion **Chinese** citizens, which tech experts say, if true, would be one of the biggest data breaches in history.
- Violent protest broke out in **Uzbekistan's** Karakalpakstan province on Sunday. The protests were prompted by planned constitutional changes that would have stripped Karakalpakstan of its autonomous status. In an about-turn, the president dropped those plans on Saturday.
- Newly elected **Philippine** President Marcos Jr vowed to do what it takes to boost his country's rice and corn production, seeking to reduce reliance on imports and avoid being hit hard by a food crisis.
- **Australia** will provide 34 additional armored vehicles to **Ukraine** and prohibit **Russian** gold imports, Australian Prime Minister Albanese announced.



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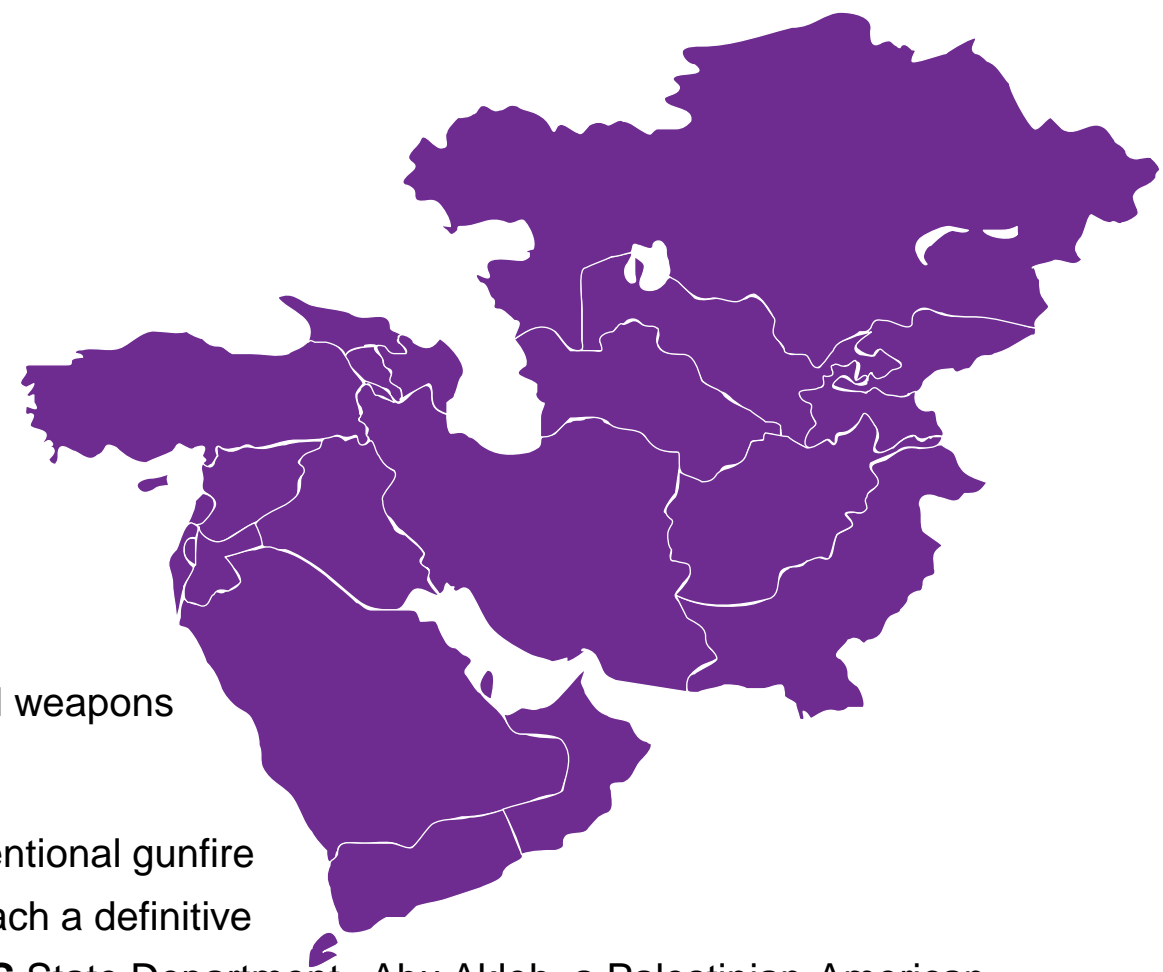
Europe

- **Britain** plans to introduce new economic, trade and transport sanctions worth around 60 million pounds on **Belarus** over the country's support for **Russia's** invasion of **Ukraine**, including exports of oil refining goods, advanced technology components and luxury goods, and imports of Belarusian iron and steel.
- **Germany's** government will have the power to take stakes in utilities and impose emergency levies on consumers under proposed legal changes now under discussion, as Berlin moves to beef up energy security.
- **Turkey** has halted a **Russian**-flagged cargo ship off its Black Sea coast and is investigating a **Ukrainian** claim that it was carrying stolen grain, per a Turkish official.
- **Russia** is turning the focus of its military to the eastern Donetsk region after seizing Lysychansk, **Ukraine's** final major foothold in neighboring Luhansk.



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Middle East

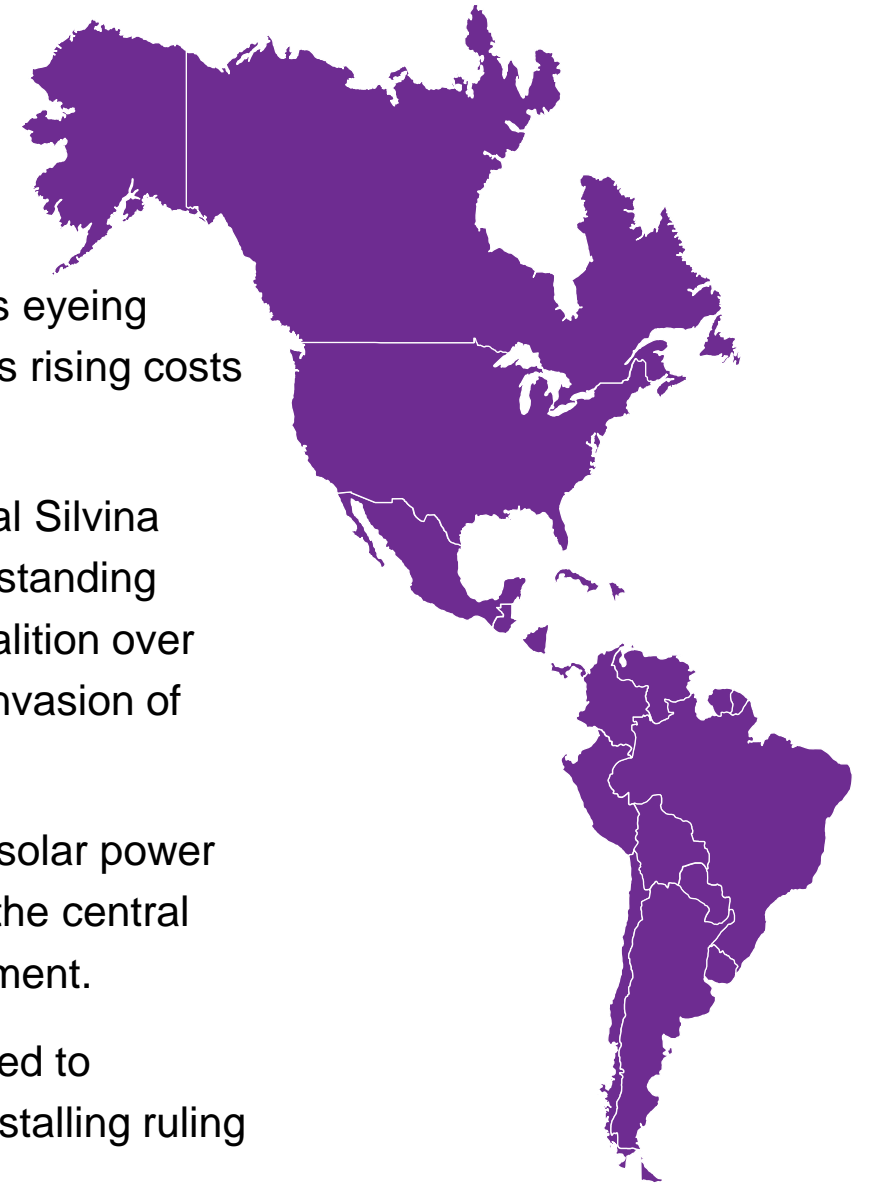


- **Lebanon's** Hezbollah said it had sent three unarmed drones towards an **Israeli** Mediterranean gas rig, which the Israeli military said it had intercepted. The gas rig is in Karish gas field, in waters claimed by both countries.
- The **US** Navy is offering rewards to individuals for providing information that leads to the seizure of illicit cargos such as illegal weapons or narcotics in waters across the **Middle East**.
- Al Jazeera journalist Shireen Abu Akleh was likely killed by unintentional gunfire from **Israeli** positions, but independent investigators could not reach a definitive conclusion about the origin of the bullet that struck her, per the **US** State Department. Abu Akleh, a Palestinian-American, was killed on May 11 during an Israeli raid in the occupied **West Bank**.
- A UN-appointed mission to **Libya** said there are "*probable mass graves*" yet to be investigated, possibly as many as 100, in a town where hundreds of bodies have already been found, killed by a militia run by seven brothers between 2016-2020.

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Americas

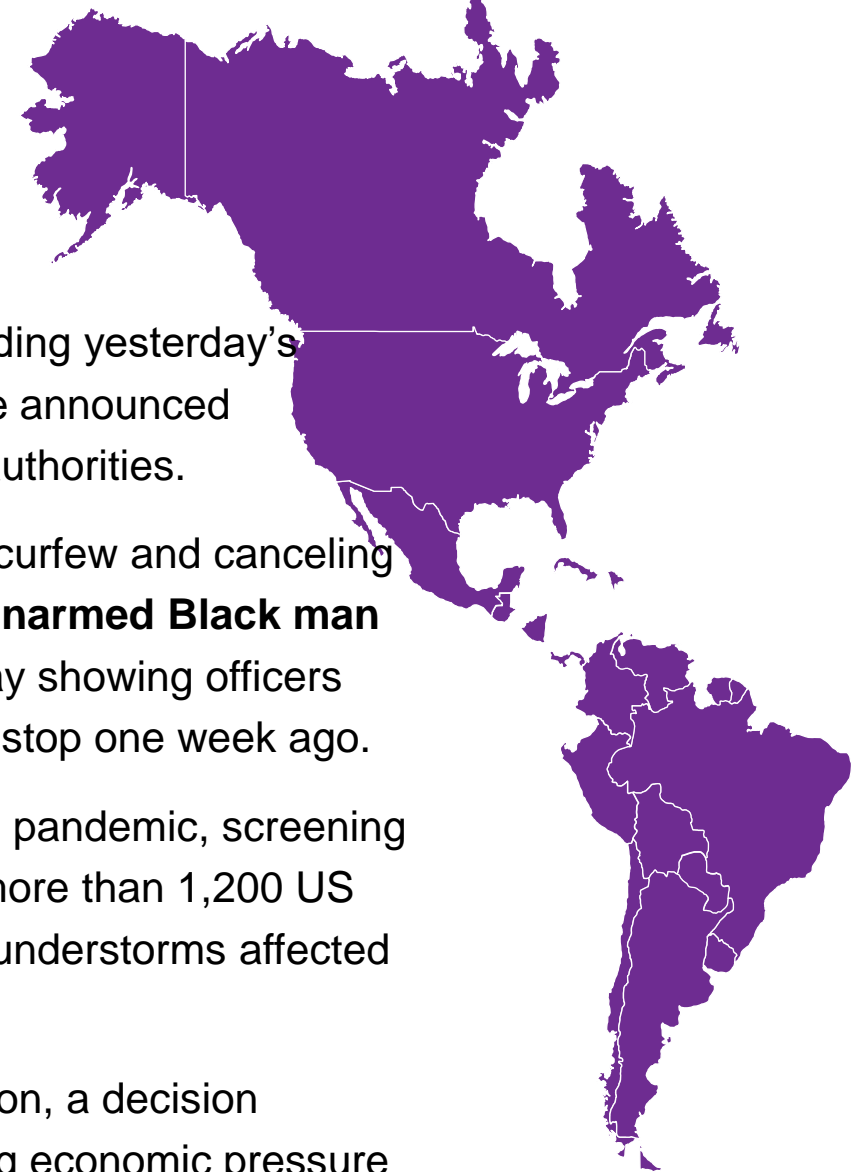
- **Canadian** businesses now expect inflation to be high for longer, with firms eyeing survey-high wage increases over the next year and many planning to pass rising costs onto customers, per a Bank of Canada survey.
- **Argentine** President Fernandez named economist and government official Silvina Batakis as the new economy minister after the abrupt resignation of long-standing minister Martin Guzman amid rising tensions within the ruling Peronist coalition over how to handle economic crises that have been exacerbated by Russia's invasion of Ukraine and sky-high inflation.
- **Mexico's** environment ministry rejected a key environmental permit for a solar power plant that **German** automaker Audi has proposed to build at its factory in the central Mexican state of Puebla, citing an insufficient environmental impact statement.
- **Nicaraguan** police took control of five municipalities run by a party opposed to President Daniel Ortega in recent days, dismissing elected leaders and installing ruling party sympathizers in their place.



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Americas: US

- In a **shooting attack**, six people were killed and 36 hospitalized while attending yesterday's Fourth of July parade in the Chicago, Illinois suburb of Highland Park. Police announced that they had a suspect in custody after 22-year-old rapper surrendered to authorities.
- The Ohio city of Akron declared a state of emergency on Monday, setting a curfew and canceling Independence Day fireworks, after **protests over the police killing of an unarmed Black man** turned unruly on Sunday night. Police released body-camera footage Sunday showing officers firing dozens of rounds at a Black man who left his car while fleeing a traffic stop one week ago.
- **US airports** on Friday had their busiest day since the start of the COVID-19 pandemic, screening nearly 2.5 million people, the most since February 2020. Airlines canceled more than 1,200 US flights Friday and Saturday, about 2.4 percent of what was scheduled, as thunderstorms affected several large hub airports.
- President Biden is expected to roll back some tariffs on **Chinese** imports soon, a decision constrained by competing policy aims of addressing inflation and maintaining economic pressure on Beijing.



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Emerging and Existing Hotspots: Food and Fuel Crisis Prompting Unrest Worldwide

The Russian invasion of Ukraine, and subsequent roadblocks to Russian and Ukraine food and fuel exports, has spiked global commodity prices and worsened the already-dire economic situations of lower-income countries throughout the world. Rapidly rising costs of living have battered poorer populations, fueling anti-government sentiment and fomenting unrest on every continent. Current events in Ecuador, Sri Lanka, Sudan, and Egypt are stark examples of potential outcomes and risks of the current global economic crisis.

Ecuador

In recent weeks, Ecuador has faced extreme instability resulting from indigenous-led anti-government protesters demonstrating against the rising cost of living from global economic conditions and, they argue, the conservative economic policies of President Lasso. While protesters and the government came to a surprise agreement including key concessions and fuel prices and gas and mining limitations last week, the near-crisis is a stark reminder of the potential fallout from the global economic crisis, and unrest may yet return.

Protesters' key demands included capping the rapidly rising prices of fuel and food staples, as well as expanding spending on education and other social priorities. Beginning on June 13, protest groups threw the country into chaos as they marched en

masse in major cities and blocked roads throughout the country with piles of earth and burning tires. Since then, continued protests led to the deaths of at least eight protesters and one soldier, successive states of emergency, several rounds of ineffective Catholic Church-mediated negotiations between Lasso's government and protest leaders, and one unsuccessful impeachment vote against Lasso. Crucially, the protests also led to a near-total halt to Ecuadorian oil production, which typically adds nearly half a million barrels to the global market per day. Last week, Ecuadorian oil production had been cut in half due to the closure of key roads, and the government warned that oil production could halt within days. Although a relatively small producer, the loss of Ecuador's oil at a time of spiking energy prices could have thrown the global energy market into further disarray, intensifying already-acute prices squeezes worldwide.

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Sri Lanka

Sri Lanka is another country whose economy and political landscape has been rocked by food shortages and inflation. In late May, a disastrous combination of an ill-fated transition to organic farming that tanked domestic food production and a global squeeze on grain due to the Ukraine war sent food prices skyrocketing. Alongside rampant inflation (the Sri Lankan rupee briefly touched 40 percent inflation) and fuel shortages, Sri Lankans took to the streets in the largest popular uprising since independence to protest the spike in cost-of-living rates and demand the resignation of President Gotabaya Rajapaksa. Rajapaksa, whose family has held power in Sri Lanka for decades, has staunchly refused to step down, instead offering the Sri Lankan people half-measures including the resignation of his brother as prime minister (succeeded by a loyalist non-family member) and promises to root out corruption and establish a government “*without Rajapaksas*” (except, of course, himself). Although severely constrained by low funds, his government has taken some measures, including instituting fuel quotas and temporarily closing schools to preserve fuel, as well as giving public workers a four-day workweek in order to give them an extra day to grow food.

Anti-government sentiment is likely to continue, however, as severe shortages and inflation persist in the country and the government remains without funds to combat shortfalls, but Rajapaksa is equally likely to attempt to hold onto power. The president and his family face accusations of war crimes for their involvement in the quelling of the Tamil Tigers insurgency during the final stages of the Sri Lankan civil war, in which UN experts estimate that as many as 40,000 civilians died during the last months alone. Stepping down could lead to renewed efforts at prosecution as Rajapaksa loses his ability to thwart investigations and his head-of-state immunity. And even if he were to step down, the political vacuum created could prompt even worse political and economic instability, as experts have doubted whether Colombo even possesses the funds to organize a national snap election.

Egypt

Egypt, one of the world’s largest importer of wheat, has been especially hard-hit by the Russia-Ukraine War. The country’s large lower-income population (in 2021, nearly 30 percent lived in poverty) is heavily reliant on bread by the government, and shortages or increases in costs have historically led to unrest. Cairo has

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attempted to soften the blow of grain shortages by seeking exports from India to make up for the Ukrainian shortfall (although a planned 500,000 ton shipment turned out to be just 180,000 tons last month), mixing potatoes into bread, and increasing the amount of flour extracted from grain during the milling process. The Egyptian government says that the country has sufficient wheat reserves for 6 months after a satisfactory domestic harvest, but the country remains among the world's most vulnerable to continued disruptions to the global cereals market.

While looming shortages have not yet prompted unrest in the country, leaders are certainly painfully aware of the history of hunger-linked protests in the country. In the 1970s, significant cuts to bread subsidies lead to the so-called “bread intifada,” which caused three days of protests and chaos that killed over 800 people, as well as the more recent Arab Spring, during which poor harvests in Europe lead to a spike in grain prices that compounded existing governance issues. Egypt most recently saw a mass protest movement in 2020, when protesters took to the streets in most of the country's major cities for a week of demonstrations against abuses by the al-Sisi government and the worsening economic situation precipitated by the COVID-19 pandemic, as well as a new

crackdown on unlicensed housing construction. Future flour shortages or changes to the country's critical bread subsidy could easily prompt renewed anti-government protests.

Sudan

Rising commodity prices have plunged Sudan, already experiencing an acute government crisis and anti-government protest movement, into further instability. Disruptive protests have been widespread in the capital of Khartoum, as well as throughout the country, since the military overtook the government in October, but were strengthened by the spike in the cost-of-living in March following the Russian invasion of Ukraine. In mid-March, protest leaders planned their first demonstrations explicitly protesting not only the military junta but also the rising cost of grain and oil in a country where a large portion of the population is low income and food insecure. At the same time, the country is witnessing a large number of strikes over the failure of the junta to implement an agreed-upon salary increase structure for public workers; in the last few weeks alone, the employees of six major dams, the Ministry of Finance, and hospitals in El Gezira state all initiated strikes to demand salary increases. Equally concerning, the last several months has seen a new flare-up of violence in the

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Emerging and Existing Hotspots: Food and Fuel Crisis Prompting Unrest Worldwide

West Darfur region, where renewed ethnic violence has killed hundreds of civilians and displaced tens of thousands more. Anti-government sentiment reached a new height last week with the planned March of Millions in Khartoum and other major cities, during which protesters marched throughout urban centers and blocked key transit roads. Protest medics report that at least eight protesters were killed by security officials in a skirmish in Khartoum, bringing the total protesters killed in demonstrations since October to well over 100.

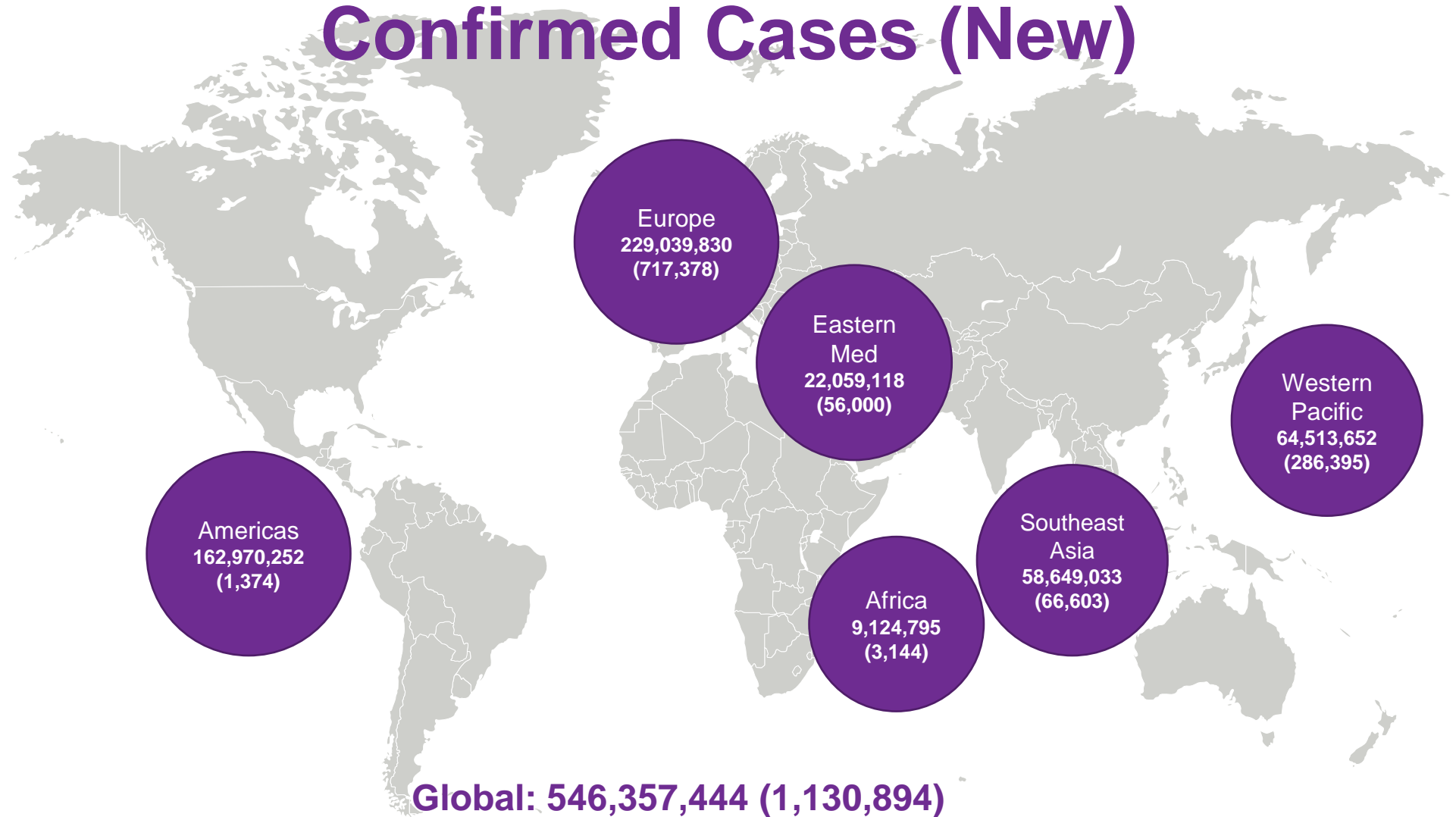
Compounded by international and regional sanctions put in place in the wake of the coup, the escalating food and fuel crisis will continue to challenge the Sudanese military junta's already-tenuous grip on power and legitimacy. Nonetheless, rising tensions in West Darfur and on the border with Ethiopia will continue to provide the military a context for maintaining government power, likely extending an unspecified promise for a transition to civilian rule, foreshadowing only further economic pain and lethal protests for the people of Sudan.

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Coronavirus Condition Updates

As of 5:38 pm CEST on July 4, 2022

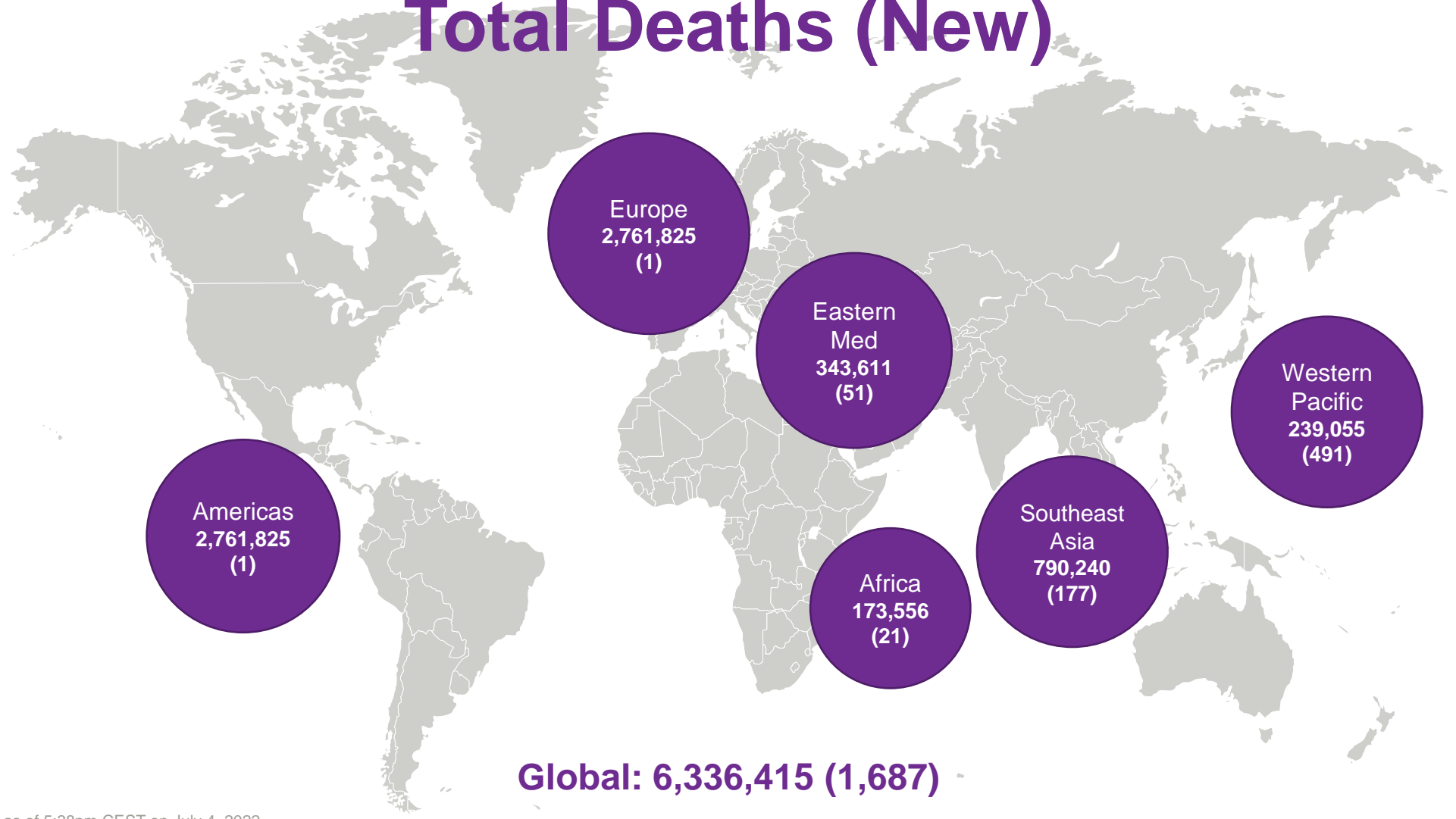
Confirmed Cases (New)



Reflects data as of 5:38pm CEST on July 4, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:38pm CEST on July 4, 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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