

# Dentons Flashpoint

## Daily Global Situation Report

July 8, 2022

# Global Situation Update: July 8, 2022

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## KEY TAKEAWAYS

Japan's former Prime Minister Abe has been assassinated.

India bans single-use plastics.

G20 foreign ministers convene with Russian Lavrov present and Ukraine war dominating the agenda.

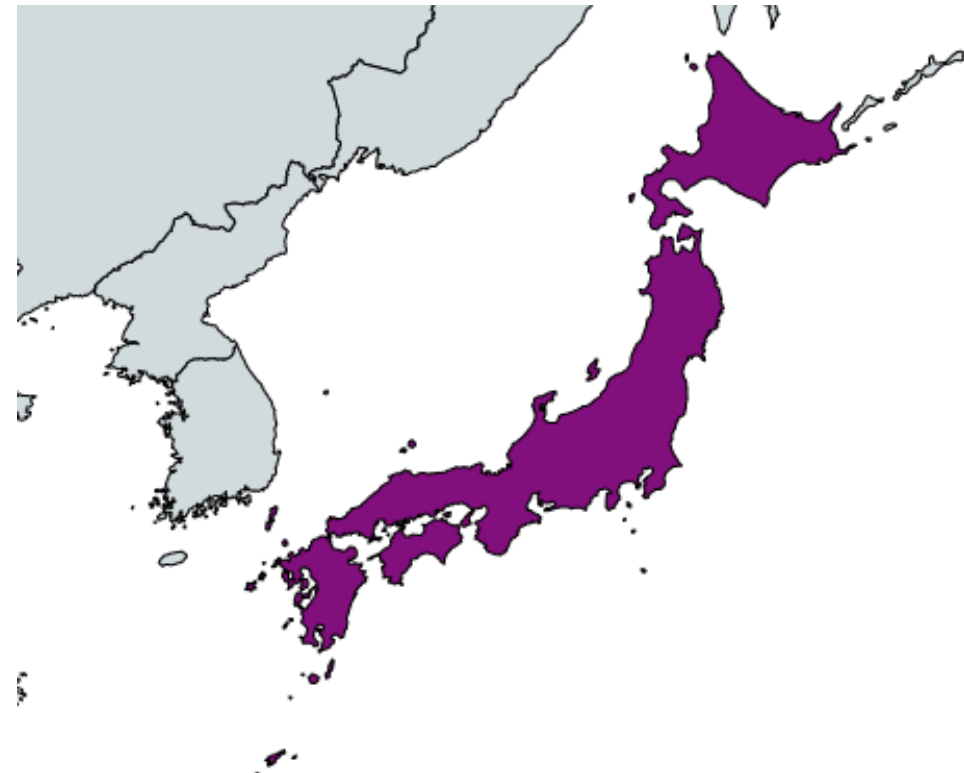
*Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.*

# Global Situation Update: July 7, 2022

## WHAT WE'RE WATCHING

Elections for Japan's House of Councillors will occur on Sunday, July 10, with polls indicating that Prime Minister Fumio Kishida's ruling coalition will gain seats in the chamber. 63 seats are needed for a simple majority in the 125-seat house, and Kishida's Liberal Democratic Party is projected to win at least 60, up from the 55 it currently holds.

However, election polls have contradicted recent public opinion surveys showing widespread discontent with high prices and increased fuel costs. A strong showing in the election will give Kishida the chance to solidify his leadership of the party. Conversely, a mediocre result will impact his government's ability to confront key policy challenges including inflation, nuclear policy and defense.



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# Global

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**Rampant food inflation is roiling the world's least-developed nations. It is also hitting poor people in rich countries, with food-bank operators in Europe reporting as much as 30 percent increase in demand.**

- At the **G20 meeting** of foreign ministers, Western officials tried to coax Russia into allowing Ukraine to ship its grain out to the world, while Moscow accused the west of waging economic warfare on Russia. It is the first time top Russian diplomat Sergei Lavrov has been face to face with many of his Western counterparts since the war began, though many have refused to meet with him alone.
- NASA issued a rare condemnation of the Russian space agency, its main partner on the **International Space Station**, after its cosmonauts celebrated Russia's capture of a region of eastern Ukraine. NASA criticized using the International Space Station for political purposes, as "*fundamentally inconsistent with the station's primary function among the 15 international participating countries to advance science and develop technology for peaceful purposes.*"

# Markets & Business

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## Chinese property developers face \$13 billion in foreign currency bond payments in the second half of this year, as mounting defaults darkens the market outlook.

- China and over 20 other emerging markets are undergoing their worst wave of **capital exodus** in around seven years, per the Institute of International Finance. Overseas investors withdrew \$2.5 billion net from Chinese bonds in June, while \$9.1 billion net flowed into other emerging markets' bonds last month.
- **Twitter Inc.** reported it laid off 30 percent of its talent acquisition team, as the company deals with increasing business pressures and a potential takeover from Elon Musk.
- India's financial crime agency blocked 119 bank accounts linked to **Vivo's** India business that were holding 4.65 billion rupees (\$58.76 million), as part of a probe into alleged money laundering by the Chinese smartphone maker.
- Scandinavian **airline SAS** cancelled almost 70 percent of its flights on Friday as a pilots strike stranded thousands of tourists overseas.

# Environment, Sustainability & Governance

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**The global head of responsible investing at HSBC Asset Management, has resigned from his role amid backlash to a speech in which he said global financial leaders had overstated the financial risks of climate change.**

- The European Parliament signed off on laws that will mandate the use of **green jet fuel** from 2025 but expanded the definition of green fuel.
- Shareholders of Sainsbury's voted against a special resolution for Britain's second-biggest supermarket group to commit to paying the so-called **real Living Wage** to all its workers by July 2023.
- India officially implemented its ban on **single-use plastics**.
- Large numbers of fin whales have returned to their ancestral feeding areas near Antarctica for the first time since hunting of the animals was banned almost half a century ago, according to a new paper in the journal Scientific Reports. The finding offers a hopeful sign not only for efforts to conserve the giant animals, but also for the health of the **ocean ecosystems** in which they live.

# Africa

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- **Sudanese** rebel leaders announced the formation of a united “revolutionary council” to oppose the military junta, again rejected General Burhan’s proposed plan to create a civilian government ahead of the transition.
- **South African** utility company Eskom said that it had signed an agreement for a 7 percent wage hike with electric workers whose strikes had contributed to power cuts but warned that a maintenance backlog will delay full power return.
- A court in **Kenya** frozen more than \$40 million in accounts belonging to Africa-focused payments giant Flutterwave under the country's anti-money laundering laws.
- Clashes broke out in eastern Congo between the military and M23 rebels, a civil society and a rebel source said, a day after the presidents of **Congo and Rwanda** agreed to de-escalate diplomatic tensions over the insurgency.



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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*

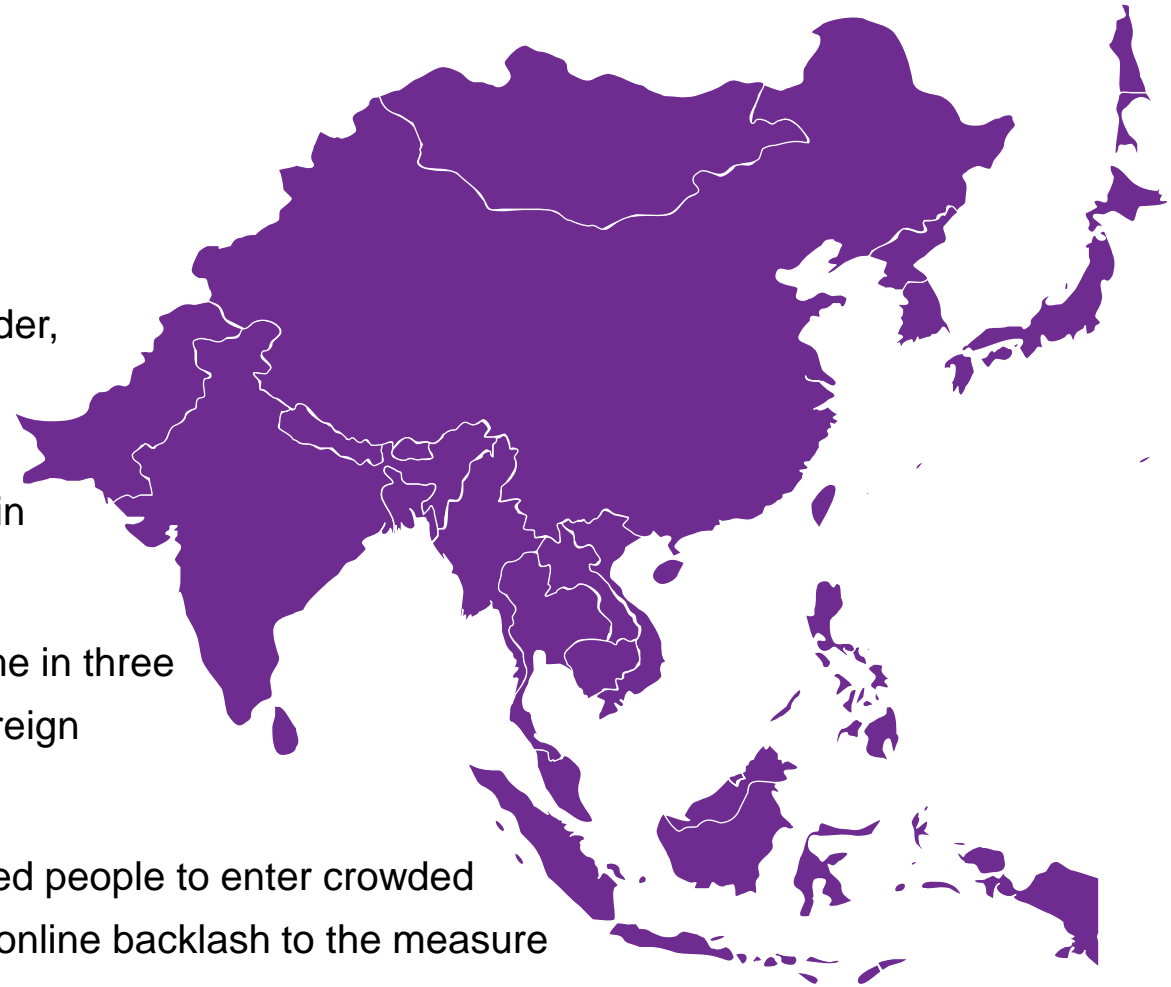
*To learn more about the bespoke intelligence and risk services from Dentons, contact [Karl Hopkins](#).*



# Asia

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- Former Prime Minister Shinzo Abe, **Japan's** longest-serving leader, died today hours after he was shot while campaigning for a parliamentary election. This is the first assassination of a sitting or former Japanese premier since the days of prewar militarism in the 1930s.
- **Australia and China's** foreign ministers will meet for the first time in three years, signaling a thaw in relations that soured over claims of foreign interference and retaliatory trade sanctions.
- **China's** Beijing authorities dropped plans to allow only vaccinated people to enter crowded venues such as libraries, cinemas and gyms, following a strong online backlash to the measure announced earlier this week.
- **Thailand's** biggest opposition party is seeking a court ruling to stop an effort by pro-administration lawmakers to change the electoral system, calling it an unconstitutional move to favor the government.



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# Europe

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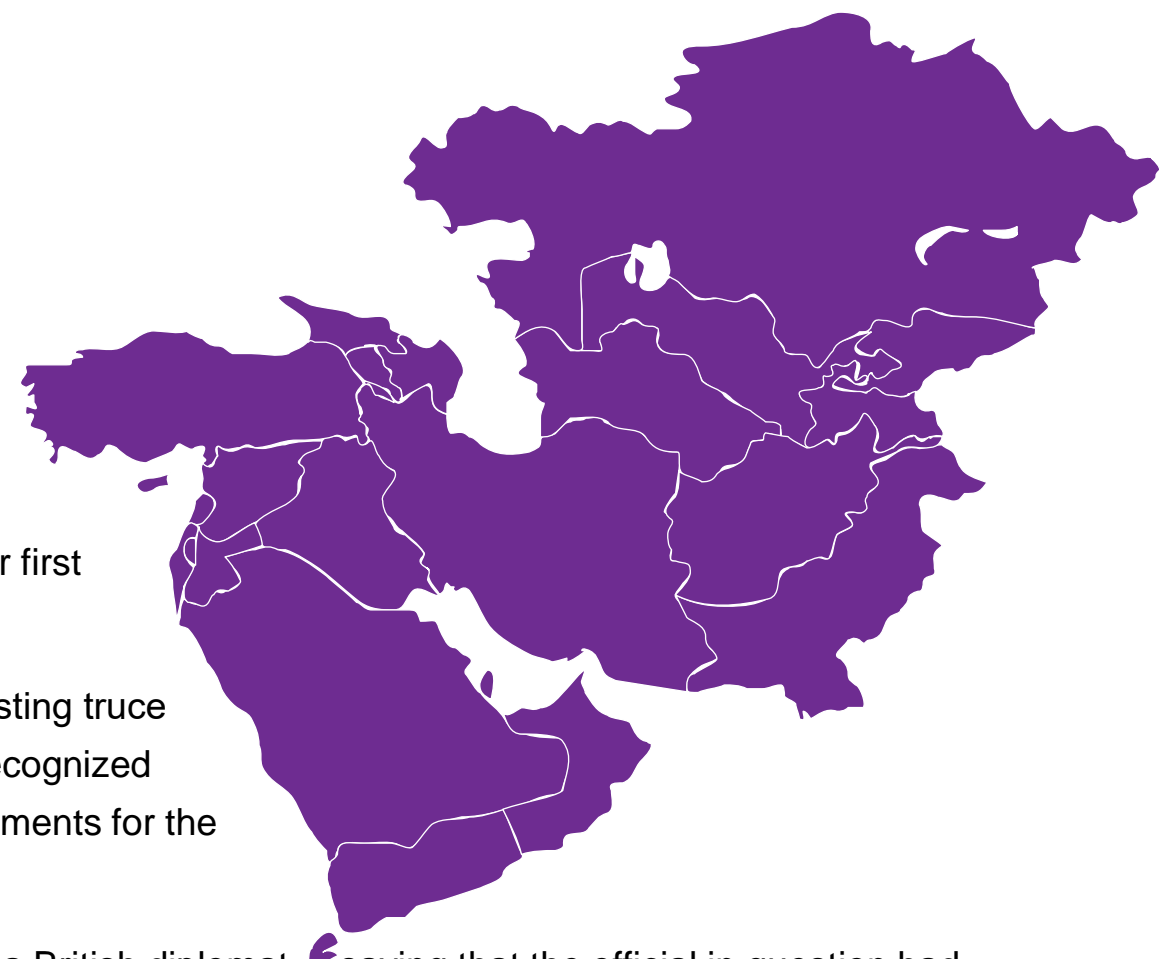
- President Putin, in a speech to parliament leaders, said that **Russia** had barely got started in **Ukraine** and dared the West to try to defeat it on the battlefield, while insisting that Moscow was still open to the idea of peace talks.
- The **EU** is bracing itself for a difficult wildfire season with hundreds of firefighters from different member states being deployed as the drought in southern European countries could become "*the worst ever.*"
- In the **UK**, after stepping down under pressure, Boris Johnson will remain in the job as caretaker prime minister for weeks or months, a situation that opponents, and many in his own party, say is untenable.
- **Ukraine** opposes **Canada** handing over a turbine to **Russia's** state-controlled Gazprom for natural gas supplies to Germany as the move would contravene sanctions on Russia. Gazprom cut the capacity along the Nord Stream 1 pipeline to just 40 percent of usual levels last month, citing the delayed return of equipment being serviced by **Germany's** Siemens Energy in Canada.



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# Middle East

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- **Iraq's** oil minister said the government will take steps to enforce a recent court decision to annul oil contracts the semiautonomous northern Iraqi Kurdish region made with international companies.
- **Israel and Turkey** signed a new bilateral civil aviation agreement, their first since 1951, as part of a recent warming of diplomatic ties.
- **Yemen's** warring parties met and agreed to reinforce the country's existing truce on the occasion of Eid al Adha. A delegation from the internationally-recognized Yemeni government will travel to India this week to discuss wheat shipments for the country, which is facing famine.
- The **UK** further pushed back on **Iranian** claims that they had captured a British diplomat, saying that the official in question had left Iran six months ago. The Polish government, on the other hand, confirmed that a Polish scientist is being held in Tehran.
- **Russia** proposed a six-month renewal on the reopening of a **Syrian** humanitarian aid crossing, which the UN Security Council has sought to renew for a year.

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# Americas

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- The **Mexican** army and national guard seized a record quantity of fentanyl in the northern state of Sinaloa earlier this week, in a rare bust of manufacturers of the powerful synthetic opioid.
- **Brazilian** savings accounts saw record withdrawals in the first half of this year amid historic inflation in the country.
- The **US** agreed to lift tariffs on **Canadian** solar products after a trade dispute settlement panel sided with Ottawa earlier this year.
- **Peru's** central bank boosted borrowing costs on Thursday with a 12th consecutive hike of its key interest rate to reach 6.0 percent, as the bank struggles to tamp down s high inflation.

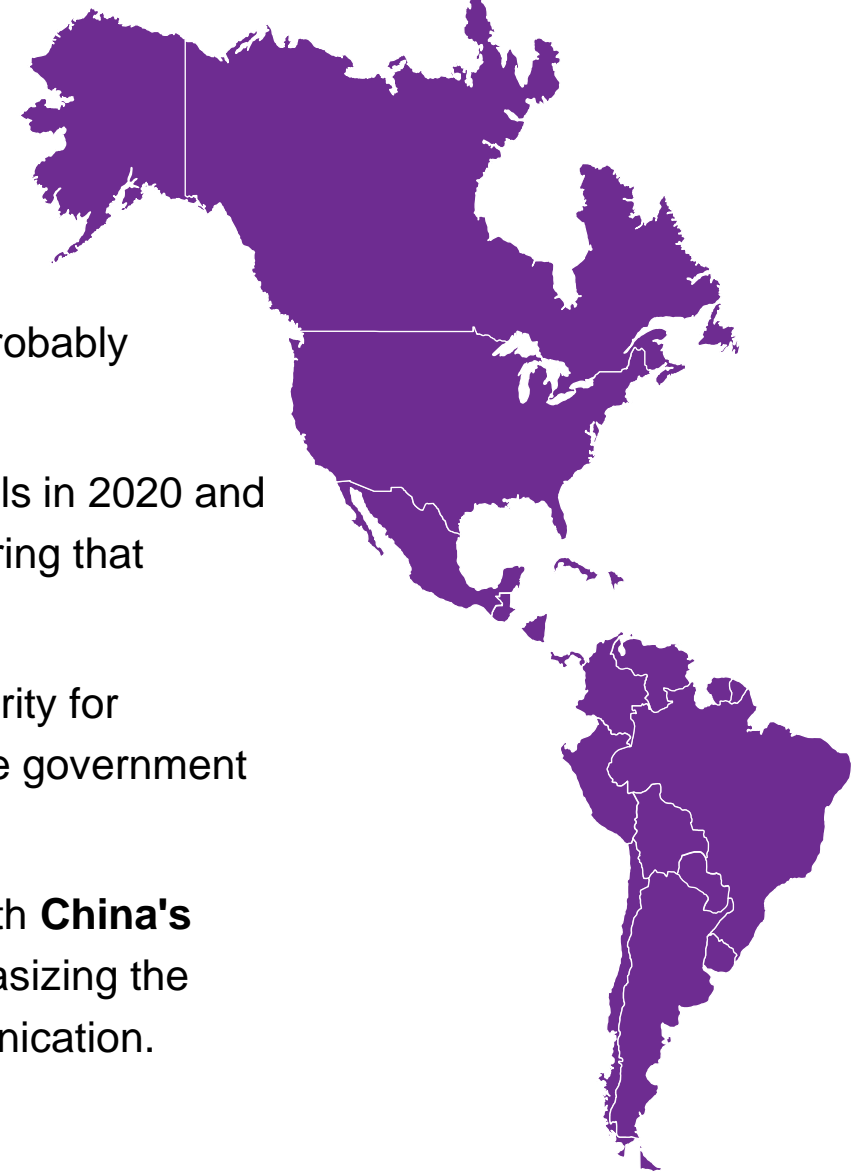


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# Americas: US

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- US employers likely hired the fewer workers in June, but the **jobless rate** probably remained near pre-pandemic lows, underscoring labor market tightness.
- The surge in gun violence comes as **firearm purchases** rose to record levels in 2020 and 2021, with more than 43 million guns estimated to have been purchased during that period.
- US prosecutors charged two men tied to the Department of Homeland Security for involvement in a "transnational repression scheme" on behalf of the Chinese government to **spy on and harass dissidents** living in the US.
- Chairman of the Joint Chief of Staff General Milley held a rare phone call with **China's** Chief of the Joint Staff Department, General Li Zuocheng, with Milley emphasizing the need to responsibly manage competition and maintain open lines of communication.



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# Ukraine War Update: Spillover from Kaliningrad

*Spillover from the Ukraine war is opening a Cold War Pandora box, putting the Russia exclave of Kaliningrad near the top of potential flashpoints for a confrontation between NATO and Russia.*

The current chain of events sparked on June 18, when NATO alliance member Lithuania applied EU sanctions on the Russia exclave of Kaliningrad in accordance with EU implementation of the fourth package of economic sanctions on Russia in retaliation for Russia's invasion of Ukraine. The Kremlin responded with ambiguous but strongly worded threats to retaliate. NATO's response was swift, reiterating that NATO would defend every inch of NATO territory. Kaliningrad is not ancient history to NATO, but an enduring vulnerability.

## *Kaliningrad, the Suwalki Gap and Nuclear Forces*

Kaliningrad is located in a part of Eastern Europe that has changed hands a lot through history. Small in size, (about the size of Northern Ireland) and with less than one million people, Kaliningrad is strategically located on the Baltic Sea, wedged between Lithuania and Poland. Kaliningrad used to be called Königsberg, which was an important Prussian city/region. At the



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end of World War II, Königsberg was transferred to the Soviet Union in accordance with the Potsdam Conference agreement. By 1946, the Kremlin renamed the exclave Kaliningrad, settled Russians in the territory and deported the German residents.

At the time, the territory known today as Lithuania and Belarus was part of the Soviet Union so that there were no borders. This changed when the Soviet Union broke apart in 1991, and Lithuania and Belarus became independent countries. With the post-Cold War map of Europe redrawn, Lithuania and the Baltic Sea area remained linked to Europe via the Suwalki Gap, 60 miles of border, with Russia on one side and Belarus on the other. The Suwalki Gap is arguably NATO's biggest vulnerability as Russia forces could cut Europe in two by holding this sliver of territory. Russia recognizes the strategic value of Kaliningrad's location and has deployed nuclear capable Iskandar missile there. While Russia maintains strategic ambiguity on the deployment of nuclear missiles, western defense experts assess that Russia maintains a stockpile of nuclear weapons in Kaliningrad. Shortly after western countries imposed sanctions on Russia over Ukraine, Russia ordered nuclear forces on high alert

and conducted military exercises in Kaliningrad in a show of deterrence.

For Russia, Kaliningrad also has strategic value as it sits on the Baltic Sea. It is Russia's only port on the Baltic Sea that is ice free year around, and it is home to the Russian Baltic fleet. The ports near St. Petersburg all freeze over in the winter. The Kaliningrad port prevents the Russian fleet from having to circumnavigate Scandinavia by the northern passage and travel through the Arctic Ocean. Kaliningrad also puts the Russian fleet behind NATO's lines.

## *Lithuania, EU Sanctions and Russian Retaliation*

As a member of the EU, Lithuania has aligned its sanctions policy towards Russia and Belarus with that of the EU but has not adopted any additional unilateral sanctions. On June 19, Lithuania imposed a ground transit ban of EU sanctions goods through its territory, significantly restricting the flow of certain goods, such as aluminum, steel and luxury goods which had previously been imported to Kaliningrad by road or rail. The supply of essential goods remains unhindered. The blocked goods can still be imported by sea or air.

# Ukraine War Update: Spillover from Kaliningrad

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Russia, however, has responded to the restrictions quite vocally, accusing Lithuania of imposing a blockade. Russia warned Lithuania of “*serious consequences*” and that the response would be “*practical,*” not “*diplomatic.*”

EU leaders and Lithuanian officials have responded differently to the Russia threat, with the EU, led by Germany, seeking a compromise with Russia, while Lithuania is adhering to a harder line position. Lithuanian, historically, has had a higher threat perception of Russia, given its former status as a captured Soviet territory. Vilnius is inclined to see compromising with Russia as dangerous, encouraging the Kremlin to higher levels of aggression. Compromising with Russia will not make Russia more pliable, Lithuanian officials argue. Germany is advocating for an exception, since the transport of goods is between Russian oblasts, not export of goods to the EU. The European Commission is reportedly considering a new rule that will allow Russia to transport sanctioned goods to Kaliningrad, but only in amounts comparable to pre-invasion deliveries. The rule is designed to prevent goods from being re-exported, evading EU sanctions.

The disagreement between Lithuania and Germany goes beyond the narrow issue of how to apply EU sanctions. Germany and Lithuania have disagreed sharply over Russia in the past, with Lithuania pressing, unsuccessfully, for NATO to increase deterrence posture in the Baltics, and Germany opposed. While Lithuania saw Russia as a clear and present threat on its border, Germany, before the February 24 invasion of Ukraine, saw Russia primarily as a trading partner. As a consequence of the former robust trading relationship, Germany is very vulnerable to Russian economic retaliation. Should Russia decide to further cut gas flows into Europe, Berlin will suffer most, not Vilnius. Lithuania is not dependent on Russian energy, having diversified supplies long ago by building a floating LNG terminal.

While Vilnius remains concerned that Russia could make a military move against its territory, the NATO posture of “deterrence by denial,” adopted at the Madrid Summit makes it less likely. NATO forces in the Baltics are being plussed up, as well as in Poland, cutting short NATO response time. NATO seeks to avoid a situation of having to push back a Russian invasion, after a prolonged occupation and destruction, as what is happening in Ukraine.



# Ukraine War Update: Spillover from Kaliningrad

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Military experts assess that Russia is unlikely to purposely trigger a NATO Article 5 response of mutual defense, but miscalculation in tense situations is always possible.

The Russian response, thus far, has been asymmetric, with Russian hacking groups targeting Lithuanian networks. On June 27, one week after Vilnius began enforcing the transit ban, Russian hacking group Killnet took responsibility for a days-long distributed denial-of-service attack (DDoS) on Lithuania's public services. The pro-Russian hacktivist group demanded that Lithuania allow the transit of goods to Kaliningrad otherwise attacks would continue. According to Lithuania's vice minister of national defense responsible for cybersecurity, a wave of cyberattacks hit Lithuania's state railway, airports, media companies and government ministries.

Businesses operating in Lithuania can expect increased operational risks. In March, Lithuania imposed a strict state of emergency in response to Russia's invasion of Ukraine, limiting rights to free expression and peaceful assembly. The new measure prohibits taking pictures, filming or "collecting information at location" about army movements or strategic energy infrastructure. Lithuania has

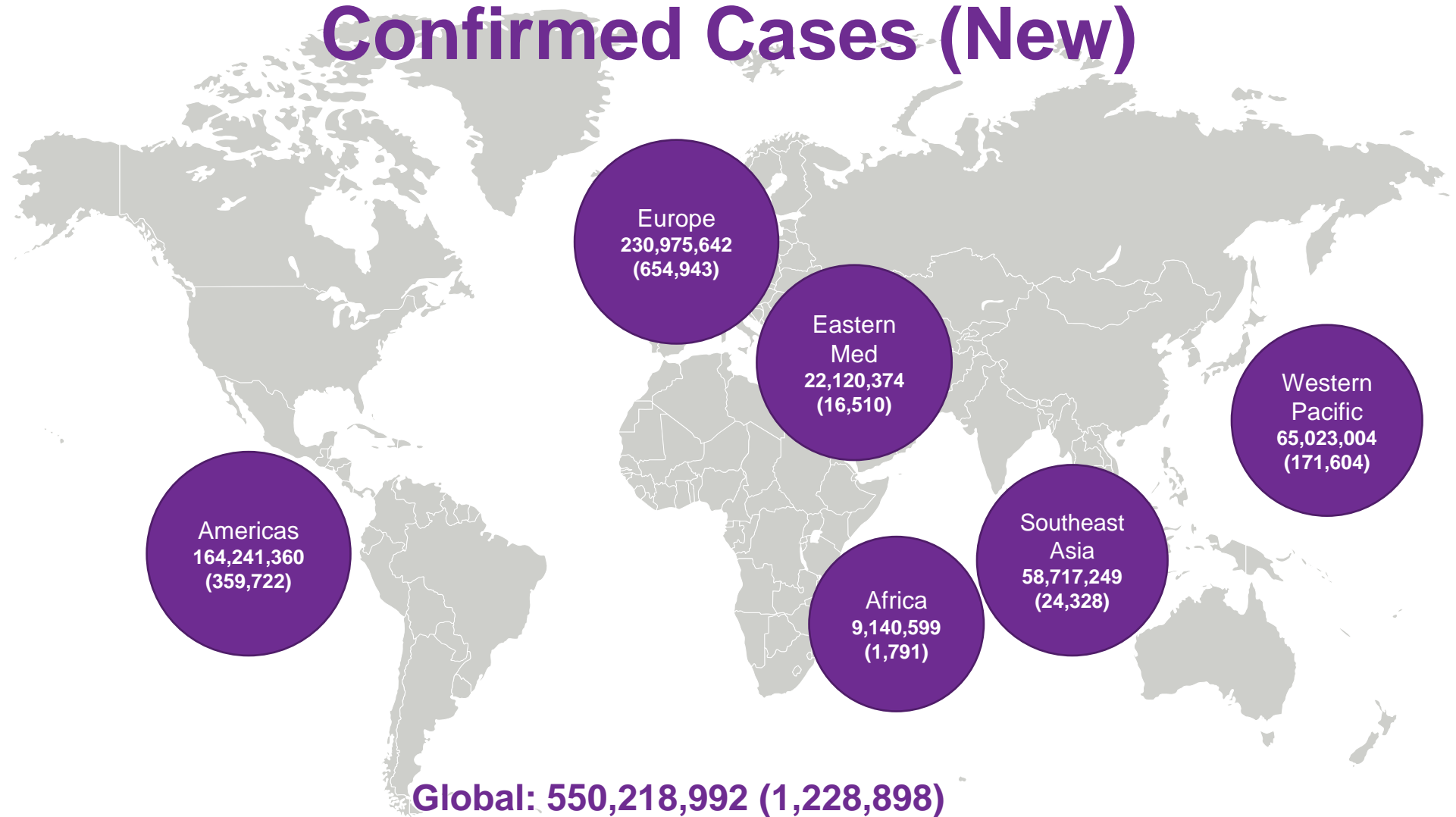
shut down pro-Moscow media and has heightened focus on any activities that indicate political meddling by the Kremlin and its supporters. .

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# Coronavirus Condition Updates

As of 5:03 pm CEST on July 7, 2022

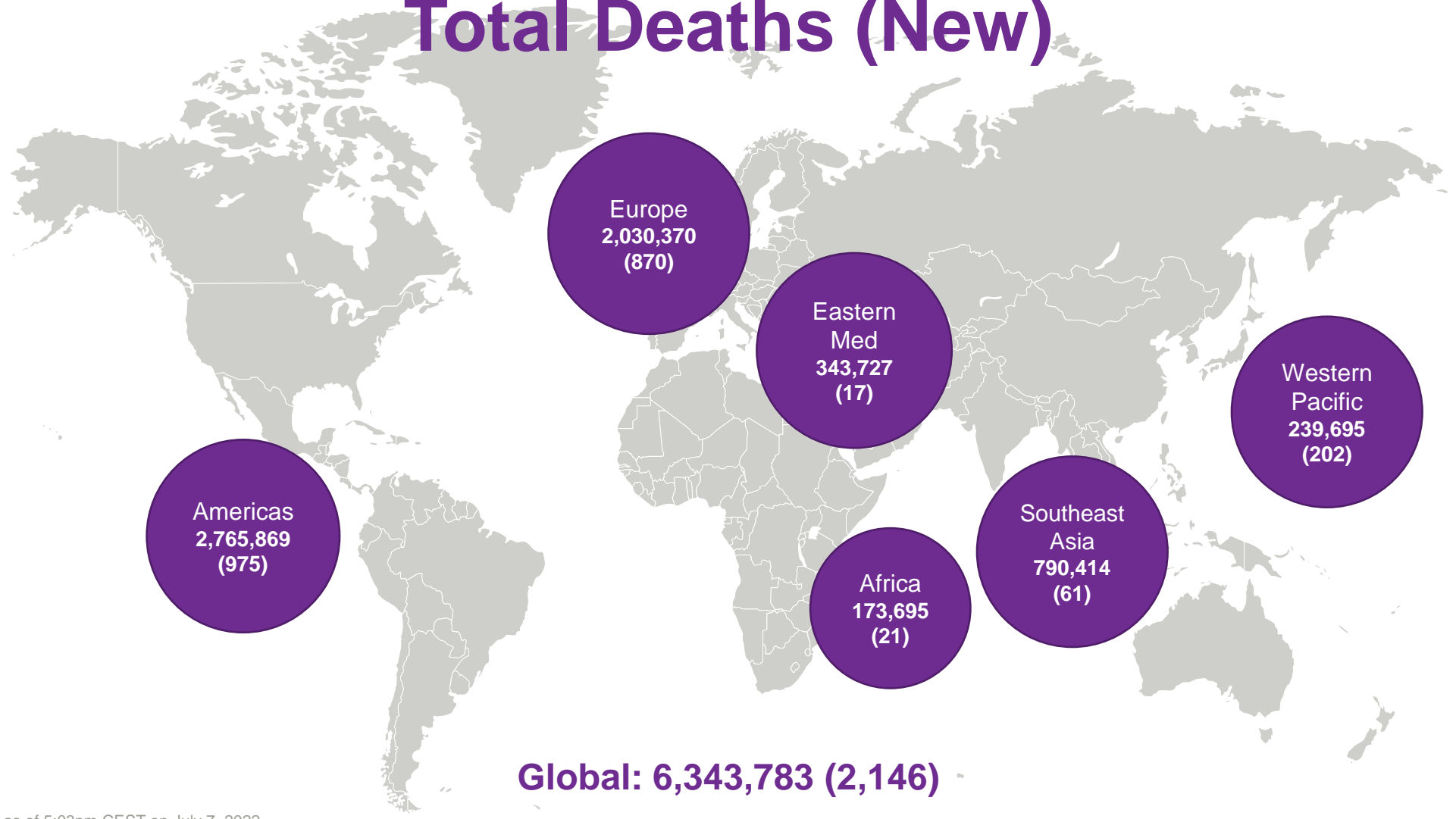
# Confirmed Cases (New)



Reflects data as of 5:03pm CEST on July 7, 2022.  
Data Source: World Health Organization

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# Total Deaths (New)



**Global: 6,343,783 (2,146)**

Reflects data as of 5:03pm CEST on July 7, 2022.  
Data Source: World Health Organization

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# Contacts

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*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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