

Dentons Flashpoint

Daily Global Situation Report

May 27, 2022

Global Situation Update: May 27, 2022

KEY TAKEAWAYS

The US is not seeking a “cold war” with China but wants Beijing to adhere to international rules.

Fiji becomes first Pacific Island country to join the Indo-Pacific Economic Framework.

China and Russia vetoed new UN sanctions on North Korea over its renewed ballistic missile launches, splitting the UN Security Council.

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WHAT WE'RE WATCHING

On Sunday, Colombians will head to the polls to vote in the first round of a presidential elections. A high number of candidates from the political center and from the left and right wings are expected to participate, with many of the candidates running independently. There will likely be a run-off between the leading candidates if no single contender receives enough votes to win the first round.

Gustavo Petro, a former left-wing guerrilla member and former mayor of Bogotá, is the front-runner. Should he be elected, he would significantly impact the country's socioeconomic landscape. For example, the mining sector would be exposed to significant uncertainty in the form of new policies and taxes, perhaps disincentivizing foreign investors. Former mayor of Medellín Federico Gutiérrez is the second most popular candidate.



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

Global

The US is downplaying the impact on the US and global economy from a potential Russia debt default now that Washington decided to not extend a waiver that enabled Russia to pay US bondholders.

- Ukrainian President Zelensky, in his nightly video address, called on the West to stop playing around with Russia and impose tougher sanctions on it to end its senseless **war in Ukraine**.
- **Global food security** has developed to be a key pressure point on the Western alliance supporting Ukraine. The longer Ukrainian grain is trapped, the greater the pressure. Russian President Putin is seeking to use this leverage to erode international support for the sanctions regime, and by extension, Western support to Ukraine.
- The Ukrainian General Staff announced that Russia had deployed a division of **nuclear-capable Iskander-M missiles** in the Brest region of Belarus near to the Ukrainian border. The missiles have a range of 400-500 kilometers, which puts large swaths of central and western Ukraine within striking distance.

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Markets & Business

OPEC+ will adhere to an oil production deal agreed set last year at its meeting on June 2 and raise July output targets by 432,000 barrels per day, rebuffing Western calls for a faster increase to lower surging prices.

- Big Four accounting firm **Ernst & Young** is considering a world-wide split of its audit and advisory businesses amid regulatory scrutiny of potential conflicts of interest in the profession.
- **Broadcom Inc** will acquire cloud computing company **VMware Inc** in a \$61 billion cash-and stock deal, the chipmaker's biggest bid to diversify its business into enterprise software.
- Profits at **China's industrial firms** fell at their fastest pace in two years in April as high raw material prices and supply chain chaos caused by COVID-19 curbs squeezed margins and disrupted factory activity.
- **Twitter Inc.** agreed to new oversight and a \$150 million penalty to settle a federal privacy suit brought on by the Biden Administration Federal Trade Commission, which has pledged to more aggressively police data abuses.

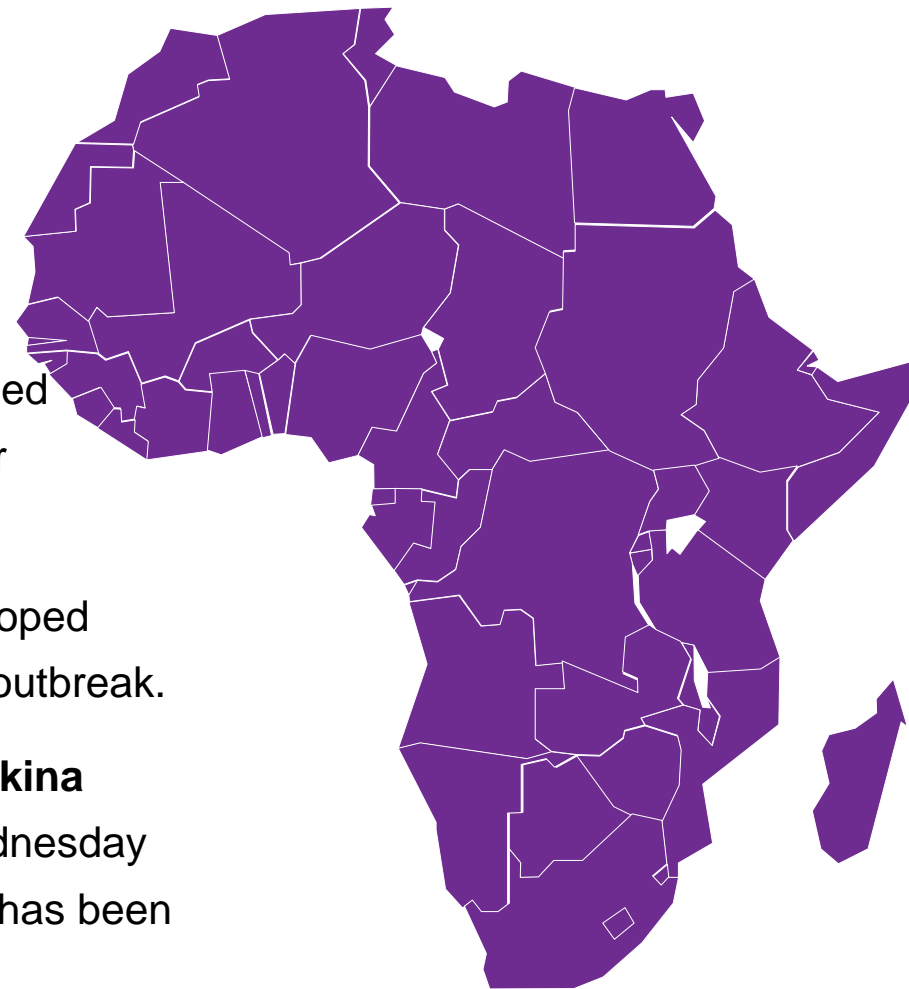
Environment, Sustainability & Governance

Canadian financial regulator Office of the Superintendent of Financial Institutions released draft guidelines yesterday to mitigate the risks of climate change as the country's financial institutions prepare for mandatory disclosures starting in 2024.

- Asset manager Vanguard expects nine funds managing \$290 billion to reach the world's **climate goal by 2050** and be at least halfway there by 2030, drawing criticism from climate activists for a “lack of ambition.”
- Tunisia is seeking offers to build 2,000 megawatts of **renewable electric power capacity**, part of efforts to cut the country's natural gas imports.
- The US Energy Information Administration forecasted that the extended drought in California could lead to a drop in **hydropower production** in California, down to 8 percent from 15 percent under normal precipitation conditions.
- The G7 has reached concrete agreements on phasing out **coal power generation** and expanding renewable energy production.

Africa

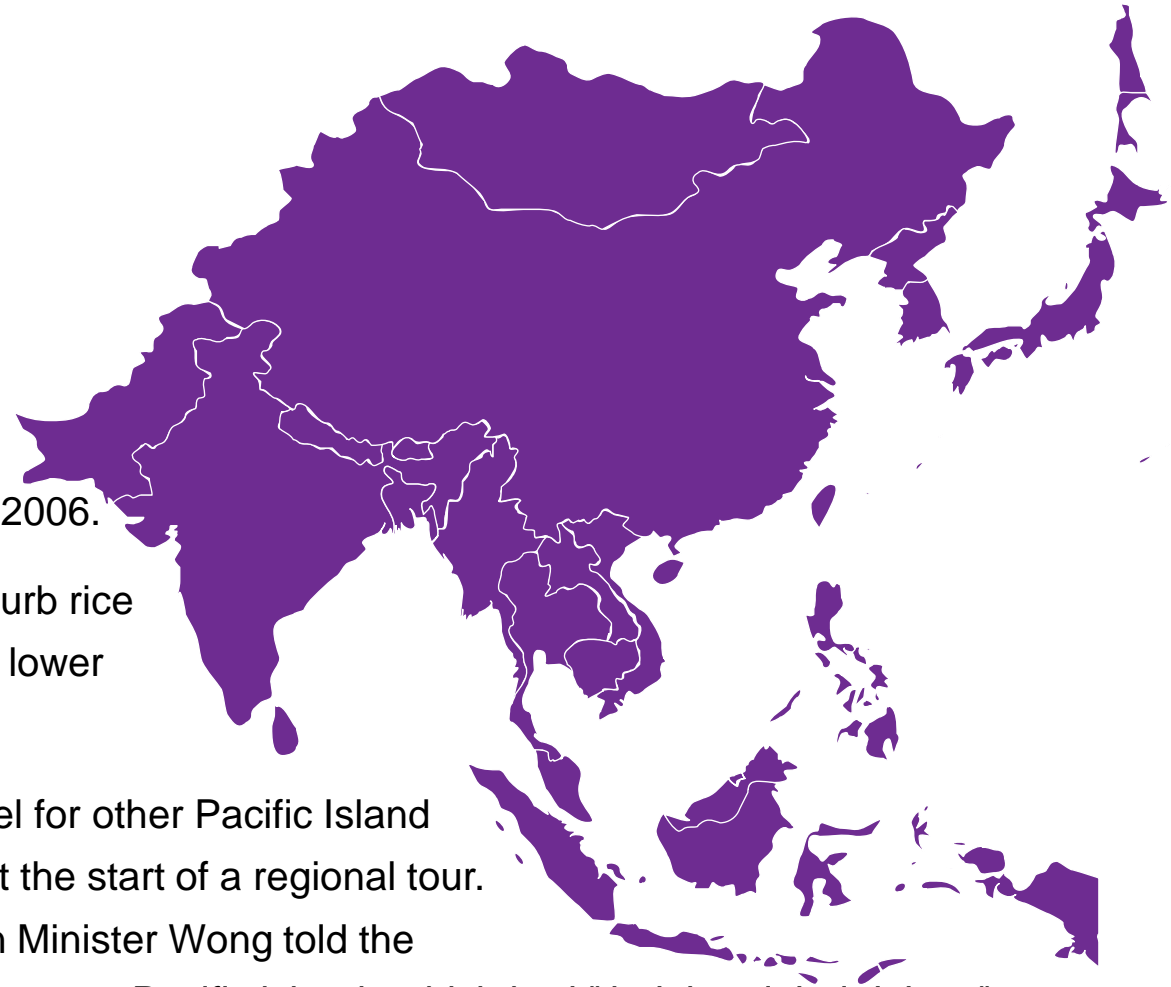
- Heavy fighting raged in eastern **Democratic Republic of Congo** between the army and M23 rebels, who are waging their most sustained offensive since a 2012-2013 insurrection that briefly overran the major city of Goma.
- The acting director of **Africa's** top public health agency said that he hoped vaccine hoarding would not be repeated with the current monkeypox outbreak.
- Armed assailants have killed about 50 people in a part of eastern **Burkina Faso**. It was not immediately clear who was behind the attack on Wednesday against residents of the rural commune of Madjoari; Islamist violence has been widespread in the area.
- Moving **South Africa's** coal-dominated economy onto a greener footing will require at least \$250 billion over the next three decades, per a report released on the sidelines of the World Economic Forum.



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Asia

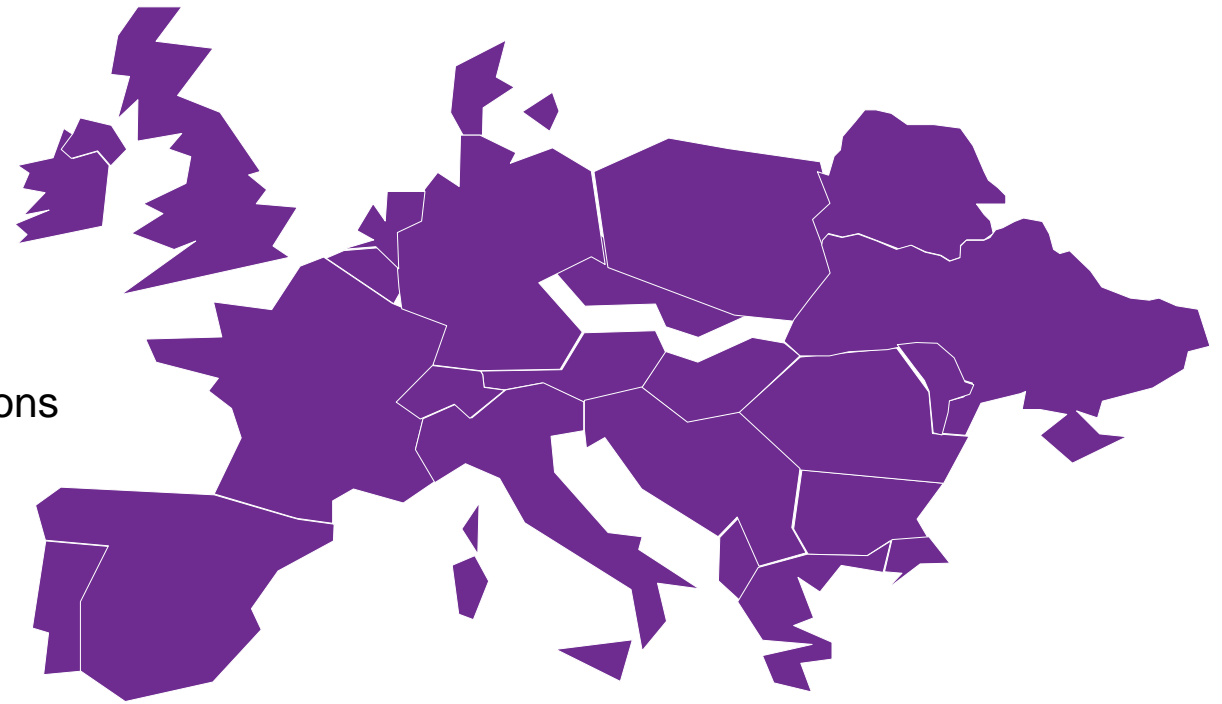
- **China and Russia** vetoed yesterday against a **US**-led push to impose more UN sanctions on **North Korea** over its renewed ballistic missile launches, publicly splitting the UN Security Council for the first time since it started punishing Pyongyang in 2006.
- The world's largest export of rice, **India** said it does not plan to curb rice exports as the country has sufficient stocks and local rates are lower than state-set support prices.
- **China** hopes relations with the **Solomon Islands** can be a model for other Pacific Island countries, Chinese foreign minister Wang Yi said on Thursday, at the start of a regional tour. Visiting the Pacific Islands at the same time, **Australia's** Foreign Minister Wong told the Pacific Islands Forum (PIF) secretariat in Fiji that Canberra will listen to Pacific islands which had "*led the global debate*" on climate change.
- **Fiji** announced it is joining the Indo-Pacific Economic Framework, making it the first Pacific Island country in the plan that is part of a **US** effort to push back on **China's** growing regional influence.



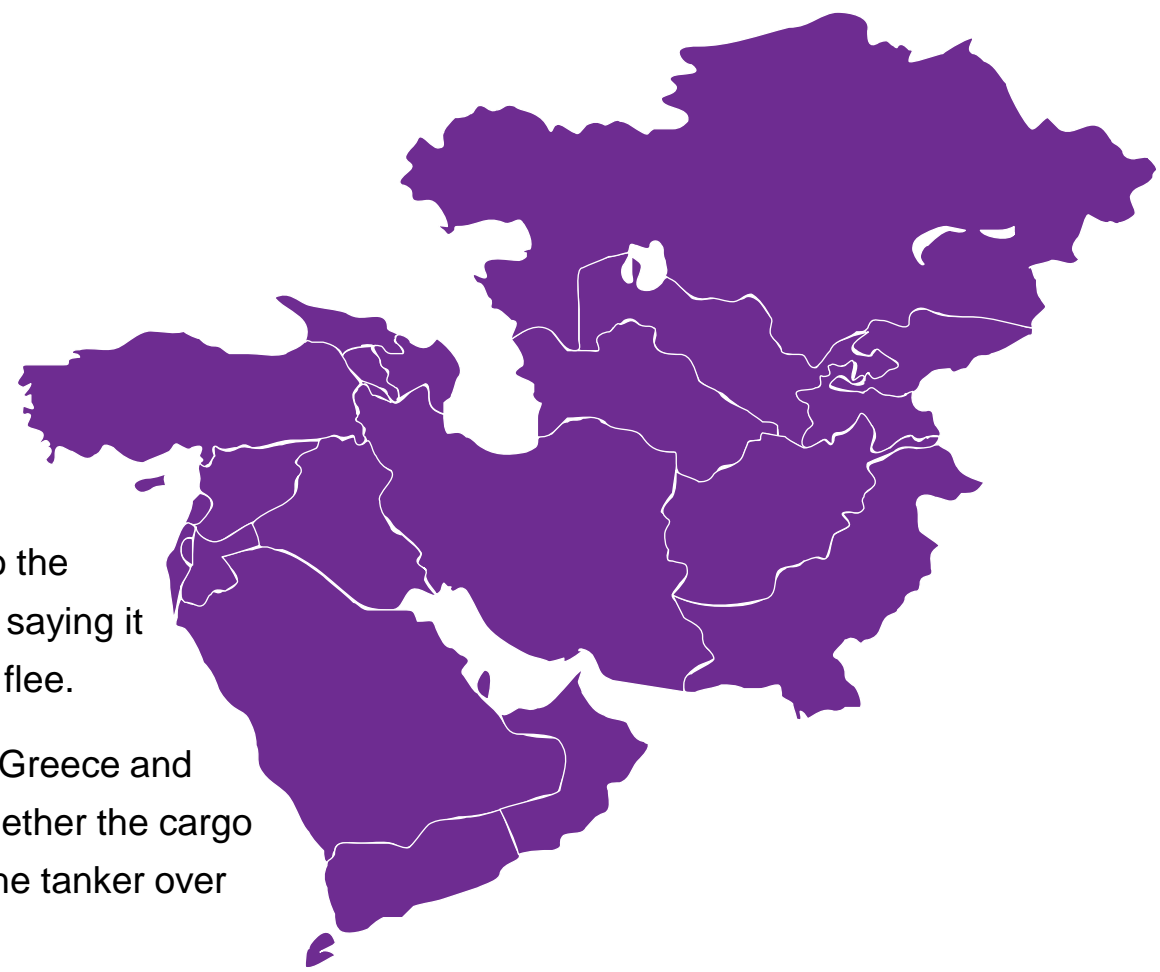
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Europe

- **Spanish** health authorities reported 25 new cases of monkeypox on Thursday, bringing the total tally of infections in one of the main hot spots of the recent outbreak to 84. Spain, **England and Portugal** are the countries with the most cases in the recent outbreak. **Finland** confirmed its first case.
- **Britain** announced a 25 percent windfall tax on oil and gas producers' profits, alongside a 15 billion pound (\$18.9 billion) package of support for households struggling to meet soaring energy bills. This is the second emergency policy intervention to help with rising bills this year.
- **French** President Macron called on **Turkish** President Erdogan to *"respect the sovereign choice"* of **Finland** and **Sweden** to join NATO.



Middle East



- **Tunisian** President issued a decree to call voters to a referendum on a new constitution on July 25, ignoring the opposition's calls to reverse the controversial move.
- The Palestinian Authority announced the results of its investigation into the **West Bank** shooting death of Al Jazeera journalist Shireen Abu Akleh, saying it had proven she was deliberately killed by **Israeli** forces as she tried to flee.
- The **US** confiscated **Iranian** oil held on a **Russian**-operated ship near Greece and will send the cargo to the US aboard another vessel. It was unclear whether the cargo was impounded because it was Iranian oil or due to the sanctions on the tanker over its Russian nexus.
- **Iran** has made "*minimal but good progress*" in relations with **Saudi Arabia**, Iran foreign minister Amir-Abdollahian said on Thursday at the World Economic Forum, adding that he may meet his Saudi counterpart soon in a third country. However, Saudi Arabia officials said no meeting between Saudi and Iranian foreign ministers has been scheduled in the foreseeable future, noting that some progress has been made in talks with Teheran but "*it's not enough.*"

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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:

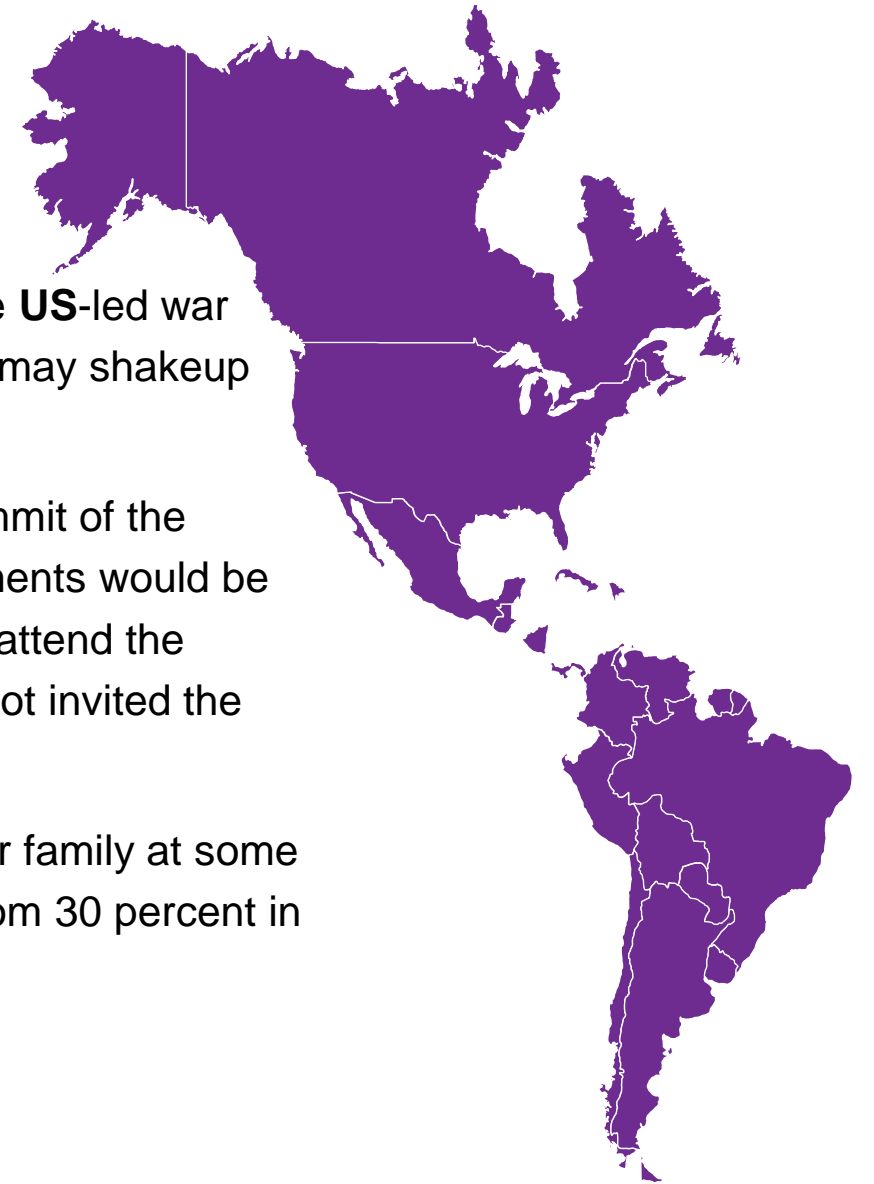
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Americas

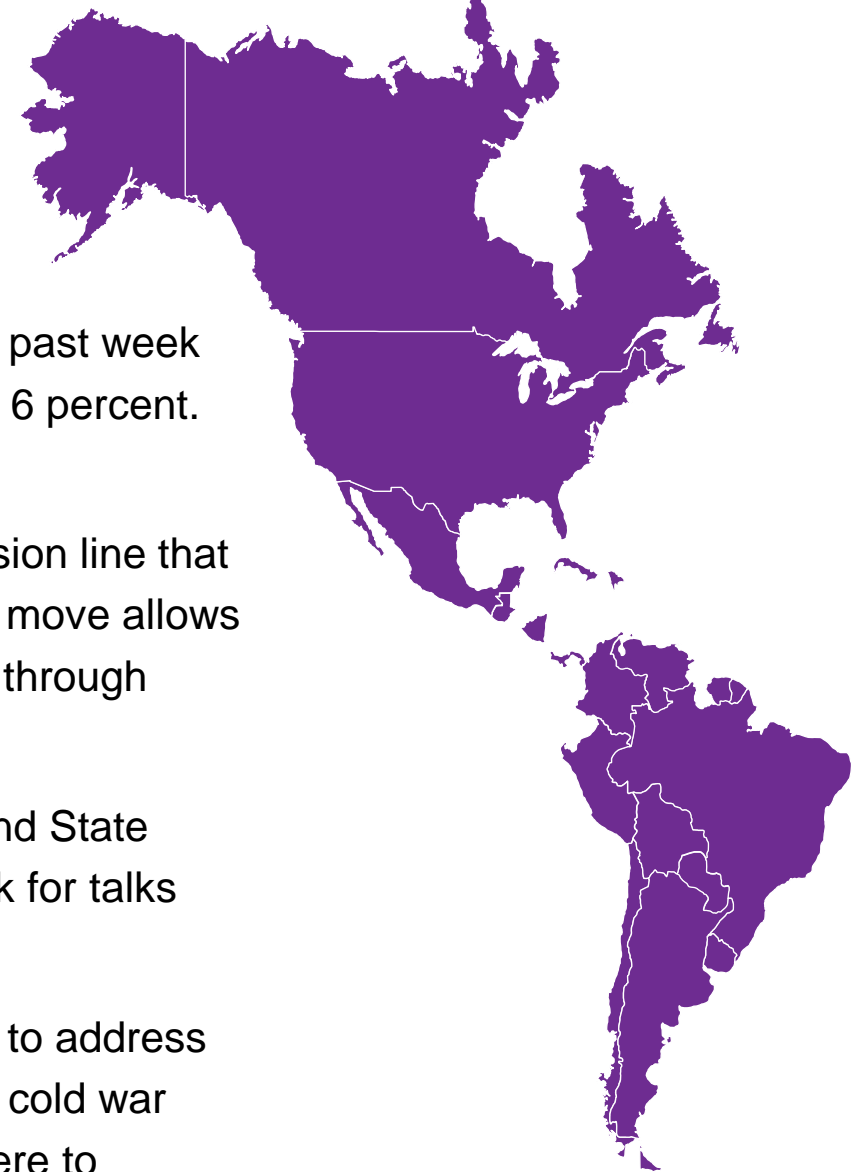
- Leading **Colombian** presidential candidate Gustavo Petro is a critic of the **US**-led war on drugs and has questioned the extradition of a drug kingpin, views that may shakeup of how the Andean nation battles the narcotics industry.
- **Cuba's** President Diaz-Canel said he would not attend the upcoming Summit of the Americas hosted by the **US**, which has said that only democratic governments would be invited. **Guatemalan** President Giammattei may reverse his position and attend the Summit, according to the foreign minister. The Biden Administration has not invited the governments of **Venezuela and Nicaragua** to the Summit.
- The percentage of **Brazilians** unable to afford food for themselves or their family at some point during the last 12 months rose to a record 36 percent in 2021, up from 30 percent in 2019, per a newly study.



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Americas: US

- New **cases of COVID-19** are slowly increasing, averaging over 104,000 the past week (up 3 percent). Nationally, deaths are up 16 percent and hospitalizations up 6 percent. Arizona and West Virginia are reporting the highest percentage increases.
- The Biden administration gave final approval to a 416-mile electric transmission line that will help connect more **wind and solar energy** to the Western US grid. The move allows PacifiCorp to start building the line, which will run from Southwest Wyoming through Colorado to central Utah.
- Two senior US officials -- House adviser on the Middle East Brett McGurk and State Department energy envoy Amos Hochstein -- visited **Saudi Arabia** this week for talks that included global energy supplies, Iran and other regional issues.
- Secretary of State Antony Blinken, in a long-awaited speech on US strategy to address **China's** rise as a great power, said the US is not interested in returning to a cold war and will not block China from growing its economy, but wants Beijing to adhere to international rules.



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Ukraine War Update: The Battle of Donbas and Ukraine's Sovereignty

Ukrainian President Zelensky, in his nightly video address, called on the West to stop playing around with Russia and impose tougher sanctions on it to end its senseless war in Ukraine. Zelensky said, "Ukraine will always be an independent state and it won't be broken. The only question is what price our people will have to pay for their freedom, and what price Russia will pay for this senseless war against us."

Analysis

Ukrainian officials are upping their calls for additional military assistance and tougher sanctions, being more critical in their comments of NATO and the EU as fighting in eastern Ukraine increases Ukrainian losses, both in terms of fighters and territory.

Just as the Ukrainian defenders in Mariupol provided critical resistance to Russian forces seeking to sweep from the south, Ukrainian troops dug into defensive lines in the Donbas are providing Ukraine time to mobilize new capabilities to defend Ukraine's heartland. More sophisticated military equipment has been flowing into Ukraine, but supply, logistical and training challenges mean that Russian forces have more firepower than Ukraine in the Battle of Donbas. Russia has altered tactics and is now concentrating forces in fewer and smaller circles around their targets. Ukrainian military officials are warning that if their lines cannot hold, Russian seizure of

Severodonetsk and Lysychansk could be a turning point in the war. Western government assess the Ukrainian lines are holding, but the fighting is very intense.

Ukrainian officials are disappointed by the EU's failure to advance the sixth package of sanctions on Russia. The oil embargo is the sticking point, with Hungary unlikely to change its position in opposition. Given the requirement of consensus, the EU will need to pursue alternative approaches of depending upon individual EU member states to cut off new purchases of Russian supplies while pushing forward collective purchases from alternative suppliers. Alternative gas supplies from Qatar are the best option at this point, as Qatar has some excess capacity and has an expansion program well underway to boost its export capacity by 40 percent. Pricing and contract length are the main sticking points. Qatari transportation costs to ship LNG are higher than Russian supplies

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shipped through pipelines. The EU also is reluctant to sign a 10-year supply contract, which European leaders believe would undermine its green energy transition commitments. The US is working with the EU through the US-EU Task Force on Energy Security. The US is well positioned to provide political carrots to Qatar to sweeten a deal, but the EU will still need to compromise on contract terms.

Global food security has developed to be a key pressure point on the Western alliance supporting Ukraine. The longer Ukrainian grain is trapped, the greater the pressure. Russian President Putin is seeking to use this leverage to erode international support for the sanctions regime, and by extension, Western support to Ukraine. Strategic thinkers, such as former US Secretary of State Henry Kissinger, have already called on Ukraine to accept territorial compromise in order to bring the war to an end. Kissinger's comments were widely criticized in Western capitals, but as time goes on, they are likely to gain greater currency.

Political Developments

The military situation in eastern Ukraine is even worse than people say it is and the country needs heavy weapons now to effectively

fight Russia, Foreign Minister Kuleba said during a talk at the World Economic Forum.

Finnish Prime Minister Marin, during a visit to Ukraine, said on Thursday Russia's actions in Ukraine were a turning point for the world and relations with Moscow could not go back to how they were before its invasion.

The World Health Assembly on Thursday voted in favor of a resolution that condemned Russian attacks on the health-care system in Ukraine before rejecting a parallel proposal presented by Moscow. Russia is at risk of losing its voting rights.

Battlefield Developments

Advancing Russian forces came closer to surrounding Ukrainian troops in the east, briefly seizing positions on the last highway out of a crucial pair of Ukrainian-held cities before being beaten back. Thousands of Russian troops are attacking from three sides to try to encircle Ukrainian forces in Severodonetsk and Lysychansk. If the two cities straddling the Siverskiy Donets river fall, nearly all of the Donbas province of Luhansk would be under Russian control.

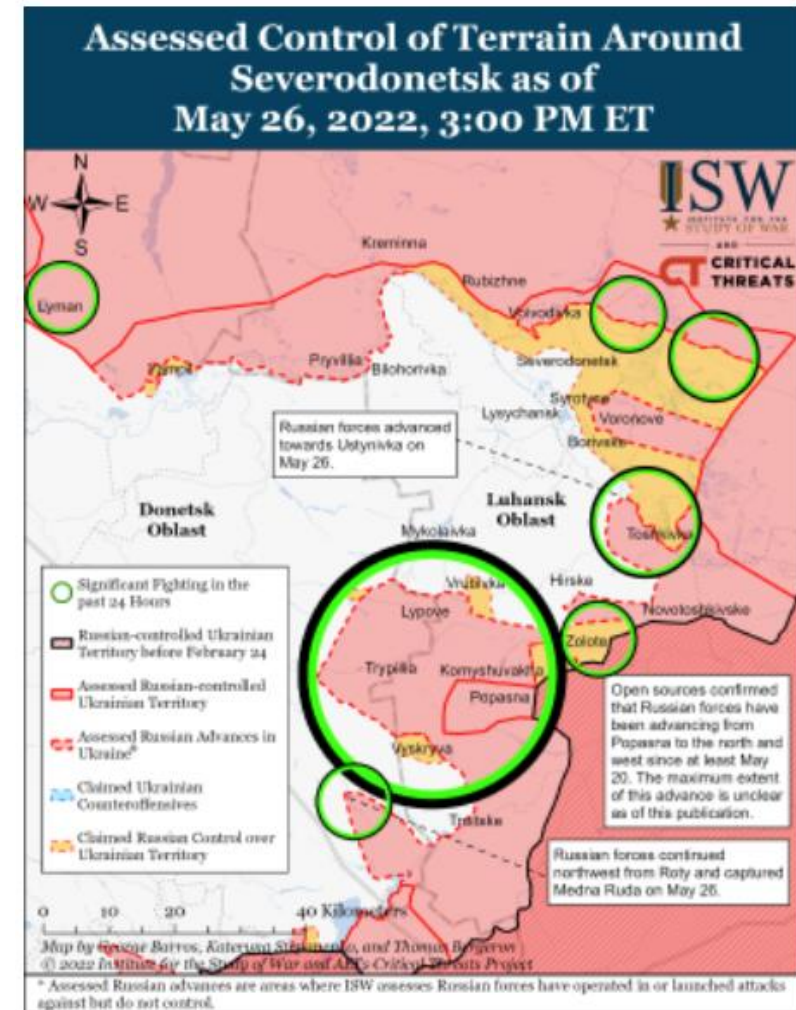
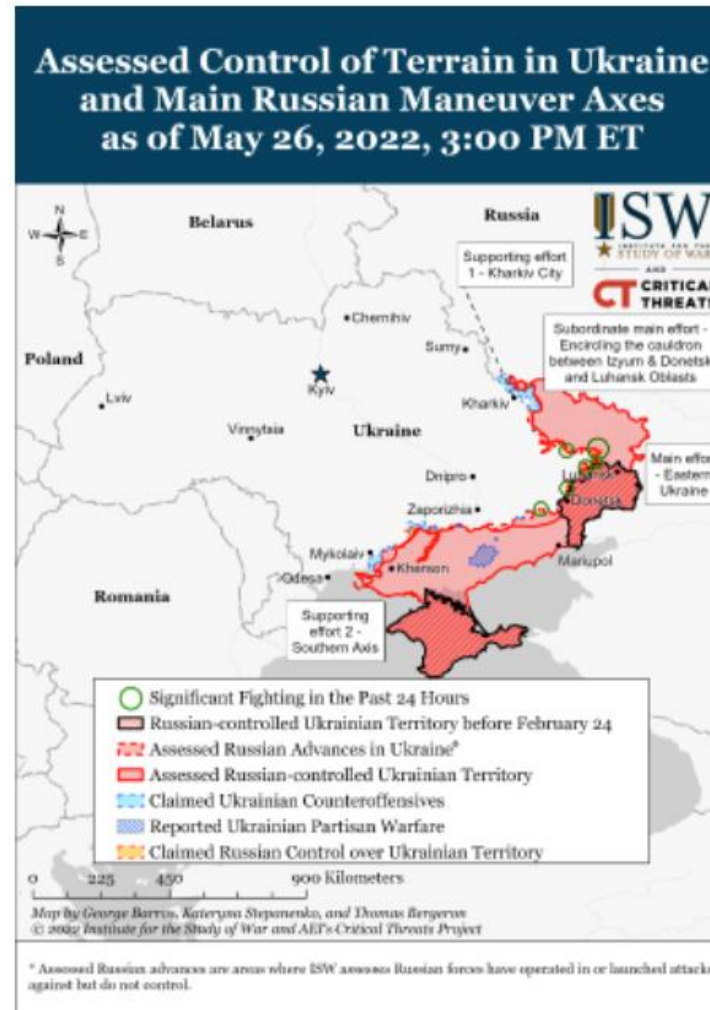
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Ukraine War Update: The Battle of Donbas and Ukraine's Sovereignty

Oleksandr Stryuk who heads up the local administration of Severodonetsk said that out of 130,000 people who lived in the city, only around one tenth remain, and 60 percent of residential buildings have been destroyed.

Pro-Russian separatists from the self-proclaimed Donetsk People's Republic said on Friday that they have established full control over the strategic town of Lyman in eastern Ukraine.

Russian forces renewed shelling of Kharkiv, killing nine people on Thursday after Moscow's bid to capture Ukraine's second city was repelled early in the war.



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

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Ukraine War Update: The Battle of Donbas and Ukraine's Sovereignty

Amid concerns about uncontrolled escalation, Washington is reportedly discussing with Kyiv restraints on using US provided weapons on strikes deep inside Russia.

The Pentagon estimates that as the war enters its fourth month, Russian forces have lost about 1,000 tanks, which are either destroyed or inoperable; about 350 artillery pieces; three dozen fighter-bomber aircraft; and more than 50 helicopters.

British Defense Ministry assessed that Russia's use of 50-year-old tanks on the battlefield shows significant shortages in Moscow's military equipment, Russia has "*likely*" moved T-62 tanks from deep storage and taken them into areas occupied by Russia in southern Ukraine. These types of tanks "*will almost certainly be particularly vulnerable to anti-tank weapons*," the ministry said. Noting the Russian offensive on Severodonetsk, British intelligence assessed Ukrainian forces retain "control of multiple defended sectors, denying Russia full control of the Donbas.

The Institute for the Study of War assessed Russian forces have now taken control of over 95 percent of Luhansk Oblast and will

likely continue efforts to complete the capture of Severodonetsk in the coming days. Russian forces have made several gains in the past week, but their offensive operations remain slow. Russian forces are heavily degraded and will struggle to replace further losses.

The Ukrainian General Staff announced that Russia had deployed a division of nuclear-capable Iskander-M missiles in the Brest region of Belarus near to the Ukrainian border. The missiles have a range of 400-500 kilometers, which puts large swaths of central and western Ukraine within striking distance. Belarus leader Lukashenko announced last week that Belarus had purchased Iskanders and S-400 anti-aircraft missiles from Russia. Lukashenko announced yesterday the creation of a new military command for the south of country, bordering Ukraine.

The Russian defense ministry announced that civil vessels may safely use the Azov Sea port of Mariupol as the danger from mines has been eliminated, signaling that it is open to business, albeit under Russian control.

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Ukraine War Update: The Battle of Donbas and Ukraine's Sovereignty

Economic Developments

The White House expects minimal impact on the US and global economy from a potential Russia debt default now that Washington decided to not extend a waiver that enabled Russia to pay US bondholders. Russia avoided defaulting on its debt today after making a \$71 million (€66 million) payment before US authorities ended a waiver.

Italian Prime Minister Mario Draghi said that Russian President Putin agreed in principle during a phone call to liberate several million tons of Ukrainian wheat that are sitting in Black Sea seaports. In return, Putin wants the West lifted tough economic measures.

The White House said there were no talks being held about relaxing sanctions on Russia in order to get grain exports.

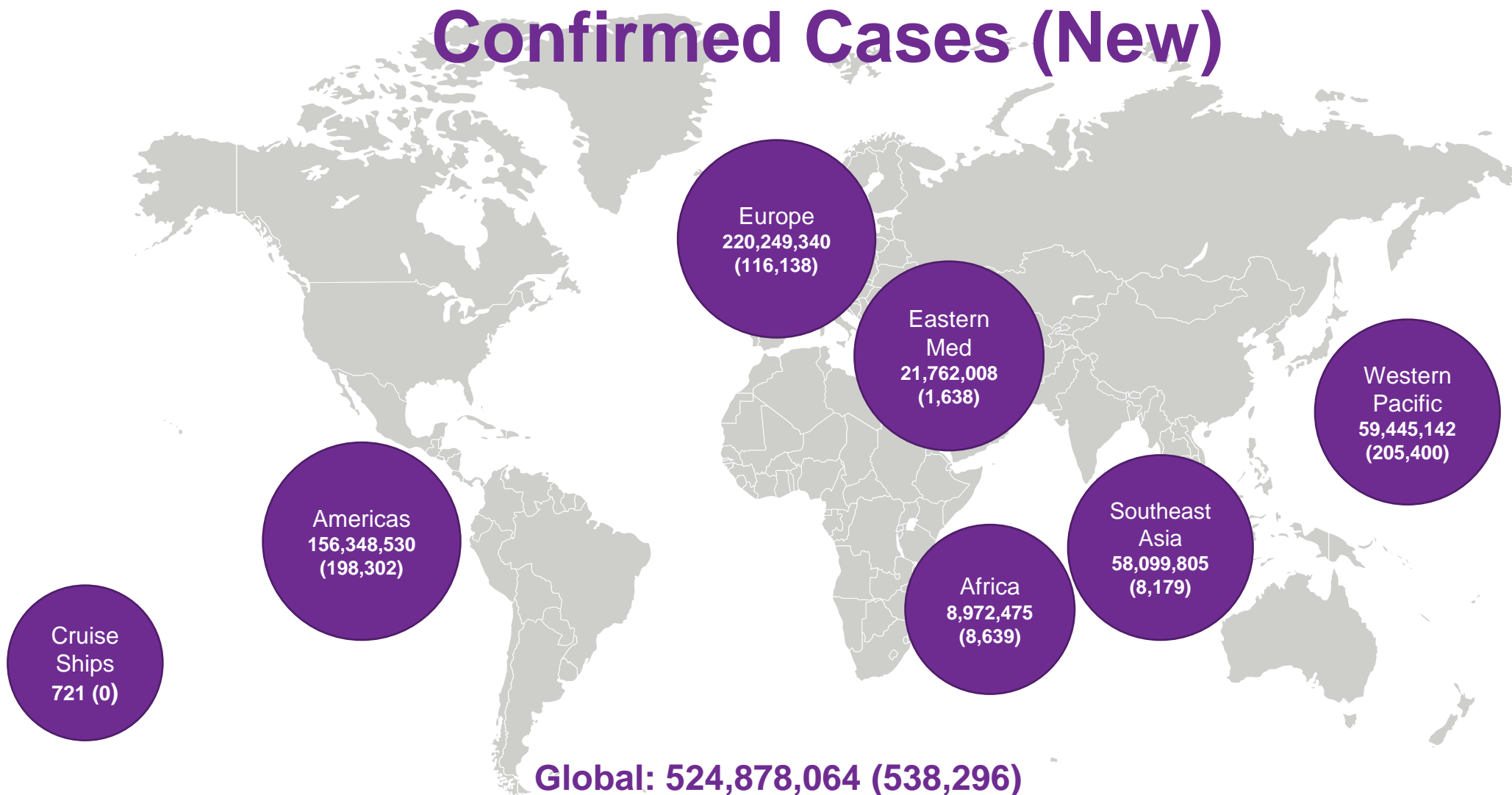
Shell is in talks with a consortium of Indian energy companies to sell its stake in a major liquefied natural gas plant in Russia highlighting India's willingness to step into the space left by Western companies following Moscow's invasion of Ukraine.

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Coronavirus Condition Updates

As of 6:10 pm CEST on May 26, 2022

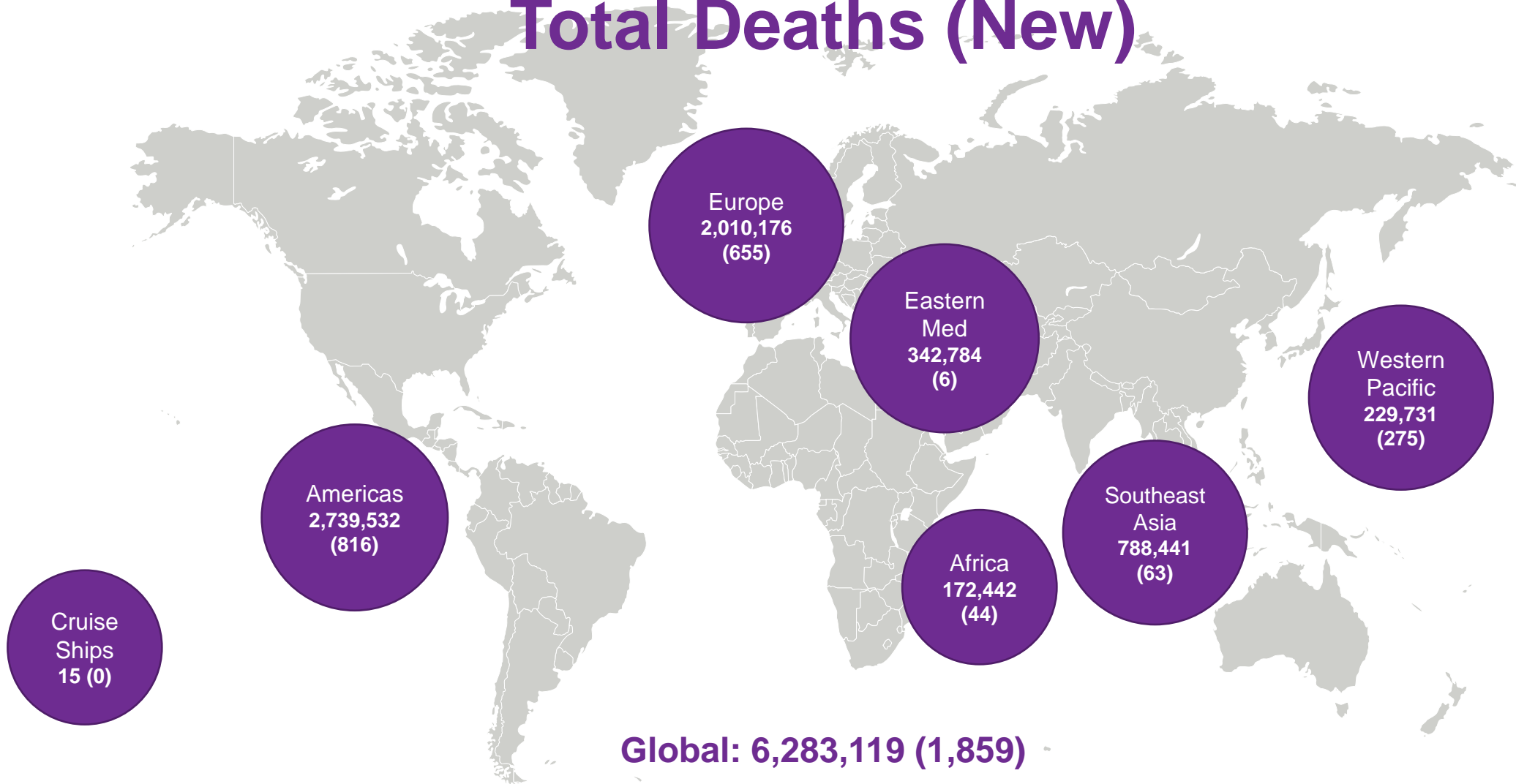
Confirmed Cases (New)



Reflects data as of 6:10 pm CEST on May 26, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:10 pm CEST on May 26, 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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