

Dentons Flashpoint

Global Situation Report

September 19, 2022

Global Situation Update: September 19, 2022

KEY TAKEAWAYS

US President Biden explicitly states the US will defend Taiwan if invaded by China.

The US dollar is at a two-decade high.

Hurricane Fiona left most of Puerto Rico without power, causing catastrophic flooding and landslides on the island.

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WHAT WE'RE WATCHING

Ceasefire violations continue across the Tajikistan-Kyrgyzstan border after dozens of soldiers and civilians were killed and hundreds injured over the weekend. Both sides accuse the other of using tanks, mortars, rocket artillery and drones and thousands of people are displaced in the Batken region of Kyrgyzstan at the southern fringe of the Fergana Valley.

The cross-border clashes erupted last week, and while it is not clear what ignited this round of fighting, it is the worst in years and presumably over the hundreds of miles of border yet to be demarcated and the treatment of significant numbers of Tajiks and Kyrgyz as ethnic minorities in each country that is a remnant of Soviet map drawing.



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

Global

Meetings of the UN General Assembly start this week, with a focus on Russia's invasion of Ukraine, health issues, the global food supply and climate change.

- The US urged Russian President Putin to not use **tactical nuclear or chemical weapons** in the wake of setbacks in Ukraine. Putin has warned that Moscow would respond more forcefully if its troops were put under further pressure.
- The **US dollar** is experiencing a once-in-a-generation rally. The surge threatens to exacerbate a slowdown in global growth and amplify inflation headaches for global central banks.
- Russian troops struck the **Pivdennoukrainsk nuclear power plant** in Ukraine's southern Mykolaiv region early on Monday. Ukraine's state nuclear company reported that its reactors have not been damaged and are working normally.

Markets & Business

Volkswagen no longer sees chip shortages ending in 2023, and the German carmaker is preparing for the "new normal" of supply chain disruptions.

- Egypt plans to raise fees for ships passing through the Suez Canal by 15 percent in 2023, a move likely to feed inflation of **global shipping costs**.
- Mining and commodity giant **Glencore** seeks to add lithium to the list of metals it trades, as electric vehicles are fueling demand for the raw material.
- **ArcelorMittal** has started negotiations with unions on a broad furlough scheme for the 8,300 workers at its Spanish mills, facing weak demand and soaring energy prices.
- The co-founders of **Ben & Jerry's** have accused parent company **Unilever** of usurping its independent board as the ice cream brand fights a court case in the US over sales in occupied Palestinian territories.

Environment, Sustainability & Governance

The EU saw 16 percent more deaths than usual in July amid a record-breaking heatwave hitting parts of the continent, its highest monthly figure so far this year.

- **Hydrogen fuel cell** maker Loop Energy said that its latest cell system can deliver better fuel economy than a diesel engine at current price levels.
- Carbon Tracker and Global Energy Monitor launched the **first global registry of oil and gas reserves, production and emissions** with data for more than 50,000 fields, providing hard-to-access data publicly available, to help investors to better understand which assets could be at risk of being uneconomic, or 'stranded', in the low-energy transition.
- Greenpeace and other environmental campaigners have launched legal challenges against the European Commission over its decision to include natural gas and nuclear energy in the EU's list of **"green" investments**.

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Africa

- **Eritrea** is mobilizing armed forces due to the re-eruption of the conflict in northern **Ethiopia**, raising fears that the fighting may intensify in a war that has already displaced millions.
- **Sudan's** military leaders agreed on the appointment of a prime minister and head of state by civilian political forces, following a meeting with head of state General Abdel Fattah al-Burhan.
- US climate envoy Kerry cautioned against investing in long-term gas projects in **Africa** as countries hope to develop recent oil and gas discoveries, while others wrestle with how to power their development with clean energy.



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Asia

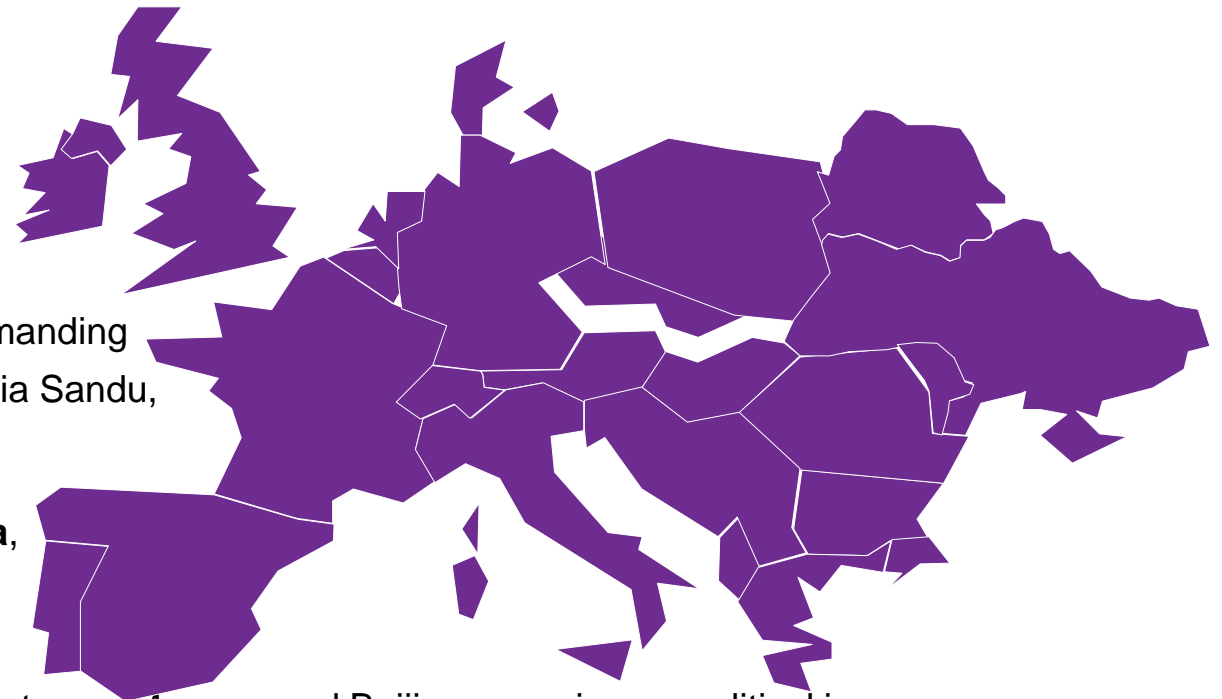
- In his most explicit statement, **US** President Biden said US forces would defend **Taiwan** in the event of a Chinese invasion, drawing an angry response from **China**, warning it sent the wrong signal to those seeking an independent Taiwan.
- **South Korea** and the **US** denounced **North Korea's** first-use nuclear doctrine unveiled this month as "escalatory and destabilizing." Washington vowed to continue to deploy and exercise strategic assets to deter and respond to Pyongyang.
- **China** clashed with AUKUS alliance members at the UN IAEA over their plan to supply **Australia** with nuclear-powered submarines, with Beijing arguing that AUKUS partnership involves the illegal transfer of nuclear weapon materials, making it essentially an act of nuclear proliferation. IAEA chief Grossi has said he is satisfied with the AUKUS countries' transparency so far.
- Typhoon Nanmadol brought ferocious winds and record rainfall to western **Japan** today as one of the biggest storms to hit the country in years, disrupting transportation and forcing some manufacturers to suspend operations.



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Europe

- At least 5,000 people rallied in **Moldova's** capital on Sunday, demanding the resignation of the government and pro-Western President Maia Sandu, blaming them for high inflation and rising energy prices.
- **Russian** Security Council secretary Nikolai Patrushev is in **China**, in follow up to Russia President Putin and Chinese President Xi, for security consultations to deepen the “*strategic partnership*,” expanding defense cooperation and strengthening coordination between Moscow and Beijing on major geopolitical issues.
- **Russia** has widened its strikes on civilian infrastructure in **Ukraine** in the past week and is likely to expand its target range further, British intelligence assessed. Ukrainian officials said last week they had found 440 bodies in the woodlands near Iziium. They said most of the dead were civilians, and that the site proved war crimes had been committed by Russian invaders who occupied the area for months.
- The **EU** executive recommended on Sunday suspending 7.5 billion euros in funding for **Hungary** over corruption, under a new sanction meant to better protect the rule of law. The EU cited systemic irregularities in Hungary's public procurement laws, insufficient safeguards against conflicts of interest, weaknesses in effective prosecution and shortcomings in other anti-graft measures.



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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](#).

Middle East



- Protests broke out in western **Iran** at the funeral of a young woman who died after being detained by morality police enforcing strict hijab rules. Security forces used tear gas to disperse demonstrators.
- **Lebanon's** parliament suspended talks on the 2022 budget, further delaying efforts to complete requirements to access IMF funds to relieve its economic crisis.
- **Pakistan's** central bank the **Saudi** Fund for Development has confirmed it will extend for one-year a \$3 billion deposit currently placed in the bank's accounts since 2021.
- **Afghanistan's** Taliban freed today American engineer Mark Frerichs in exchange for an Afghan tribal leader linked to the Taliban who the **US** had held on drugs charges since 2005. Freichs was abducted in February 2020.

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Americas

- Thousands in **Haiti** faced water shortages after days of protest virtually halted distribution. Residents of Haiti's capital Port-au-Prince have been forced to shelter at home this week as gunfire broke out and burning tires blocked streets during protests of fuel price hikes and crime.
- **Paraguayan** officials will be in Washington this week for meetings with **US** officials on ways to deepen trade ties between the two countries under a Trade and Investment Framework Agreement that entered into force in 2021.
- After the government of **El Salvador** announced plans to buy back sovereign bonds, S&P Global Ratings said it could cut El Salvador's already negative credit rating within six to 18 months if it does not make "*adequate progress*" on debt reduction.



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Americas: US

- **Workers are returning to offices** at the highest rate since the pandemic forced most workplaces to temporarily close in 2020. Midweek days were especially strong, with office use for Tuesday and Wednesday last week at about 55 percent of the prepandemic workforce.
- Hurricane Fiona left most of Puerto Rico without power on Sunday, causing **catastrophic flooding and landslides** on the island. President Biden declared a state of emergency, authorizing Federal Emergency Management Agency to coordinate disaster relief efforts and provide emergency protective measures.
- Florida's Republican governor defended his decision to fly dozens of **migrants** to the wealthy vacation island of Martha's Vineyard from Texas and said similar actions could follow as a political dispute over border security deepened in advance of US November elections.



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Future of Business: Insurance Trends in a Changing World

An increasingly risky and unpredictable world is an issue for every sector, but maybe none so much as insurance. Two key trends are driving changing insurance trends and policies: the ongoing Russia-Ukraine war, and an increase in extreme weather events associated with climate change. Both trends have forced insurers as well as those seeking protection to change their risk calculations, resulting in changes in coverage.

Russia-Ukraine War

In addition to displacing thousands of people, roiling global markets and shrinking international food supply, the Russian invasion of Ukraine majorly disrupted global insurers' business in the region. Many of these issues have been related to lost business and assets in Russia following Western-imposed sanctions. S&P Global found that global insurers disclosed over \$1.3 billion in collective losses as a result of the Russia-Ukraine war in the first quarter of 2022 alone and reported losses have continued to grow; just this month, Lloyd's of London set aside over \$1 billion for customers affected by unrecoverable planes and cargoes lost as a result of the war.

The cyber insurance industry has also been deeply impacted by the war. Worries of large-scale Kremlin-backed cyber attacks have prompted many insurers to incorporate war-time exclusions to their cyber insurance. Last month, Lloyd's announced that it would require its global insurer groups to exclude "catastrophic state-backed hacks" from standalone cyber insurance policies in the coming year, including exclusions for hacks arising from war (declared or not) as well as losses wherein a state-backed attack has a significant impact on the business environment of a target state. The policy is an attempt to guard insurers against immense insurance payouts (this year, Merck won a case granting it a \$1.4 billion payout covering losses from the 2018 Moscow-backed NotPetya attack) but could dampen investment appetite in nations

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Future of Business: Insurance Trends in a Changing World

or sectors likely to be targeted by Russia (or future warring nations) and is rife with potential issues. It is often difficult to determine with certainty whether an attack is state-backed or simply perpetrated by a group sympathetic to a certain state and determining whether an undeclared war is taking place could be fraught.

Stranded airplanes in Russia have spiked aviation hull war insurance rates up 200 percent, with many insurers rethinking coverage entirely. In the early days of the invasion, the Ukrainian government fronted over \$600 million to make up for airline insurance reduced by insurers nervous about Russian forces massed at Ukraine's borders. Since then, airspace exclusions for airline travel through Russian airspace have persisted, due to worries of sanctions compliance as well as physical risks. Looking ahead, S&P global predicts that total losses for the insurance and reinsurance markets related to the Russia-Ukraine war could top \$35 billion. Aviation, cyber, and marine areas will continue to be hard hit, and issues surrounding covered losses from Western sanctions compliance, or non-compliance, will come increasingly into play.

Climate Change

Extreme weather linked to climate change is also a major driver of change in the insurance landscape. A study by consultants Capgemini found that insured losses from natural catastrophes have increased 250 percent in the last 30 years, with environmental risk shifting from a regional concern (such as predictable hurricanes in the American southeast) to a global one, as floods and wildfires affect a broader percentage of the earth. Just this week, a report by S&P Global estimated that by the 2050s, over 90 percent of the world's largest companies will have at least one asset highly exposed to the physical impacts of climate change.

Flooding is an example of extreme weather already wreaking havoc on insurance coverage. A recent analysis by insurer Swiss Re found that global insured losses from flooding doubled from 2011 to 2020 compared the decade before, rising from \$40 billion to \$80 billion. In 2021 alone, losses were \$20 billion, portending massive flood-related losses in the coming years. The issue is especially salient at the moment, as Pakistan is grappling with devastating floods that

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Future of Business: Insurance Trends in a Changing World

have displaced more than a third of its population and caused an estimated \$10 billion in damage to the country's economy. Similarly, over the last several months South Africa has dealt with unusually intense seasonal flooding that has displaced tens of thousands and interrupted operations at its key Durban seaport.

The shift has led some insurers to consider building in sustainability requirements to coverage policies in an effort to seek to offset climate-related losses in the long term. The strategy could be beneficial in the long run but has the added benefit to insurers of making securing climate-related insurance more onerous for policy seekers. More immediately, however, it may become impossible or cost-prohibitive for individuals, businesses and governments to purchase insurance from natural disasters. In Louisiana, for example, disastrous hurricanes in 2020 and 2021 cost insurers over \$12 billion in total, driving several insurers out of business in the state entirely. As a result, Louisianans seeking homeowners' insurance have seen their rates spike as much as 100 percent, driving an affordability crisis in the state and others that are exposed

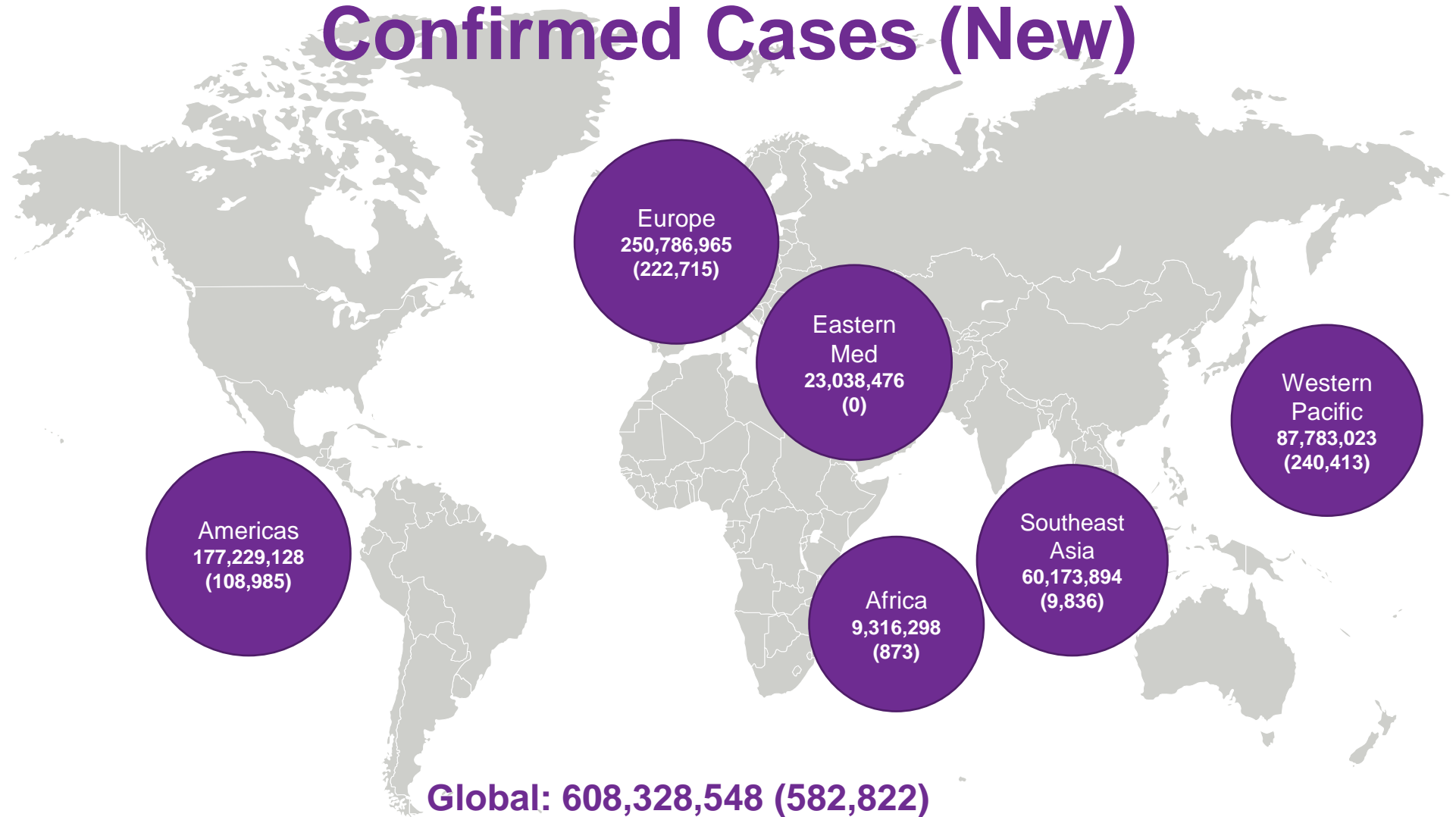
to hurricane risk. For businesses, doing business in areas prone to extreme weather and other disruptions could become expensive or risky, limiting economic growth for companies and for regions wracked by environmental crises. Looking forward, climate-related insurance will likely continue to spike in cost, and potentially include more and more sustainability requirements up front.

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Coronavirus Condition Updates

As of 6:35 pm CEST on September 16, 2022

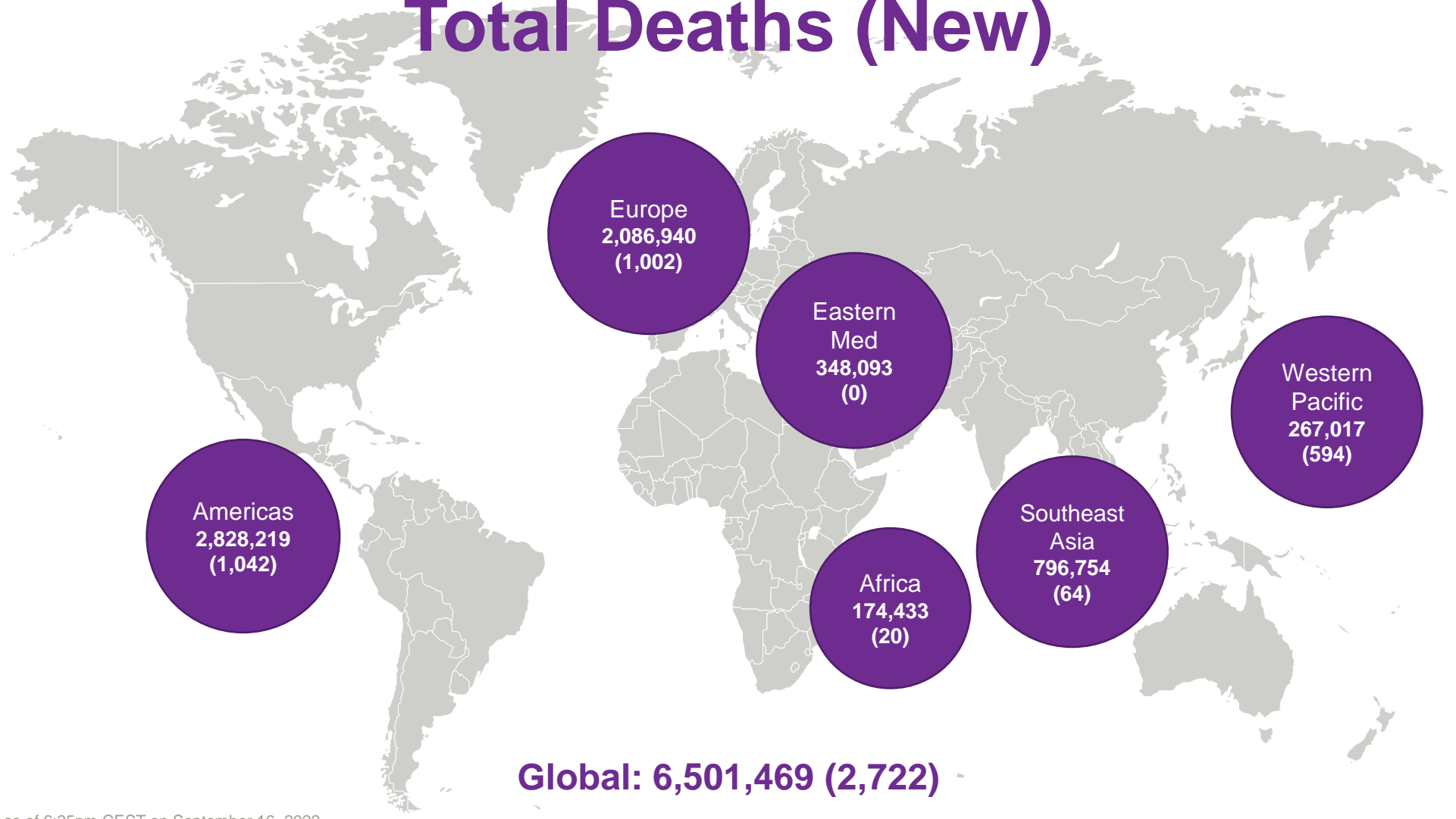
Confirmed Cases (New)



Reflects data as of 6:35pm CEST on September 16, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:35pm CEST on September 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.

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