

Dentons Flashpoint

Daily Global Situation Report

September 2, 2022

Global Situation Update: September 2, 2022

KEY TAKEAWAYS

Argentina's
Vice President
survives an
assassination attempt.

The UN food agency's
world price index
fell for a fifth month
in a row
in August.

Insured losses from
floods doubled to
\$80 billion globally
during 2011-2020
compared to the
previous decade.

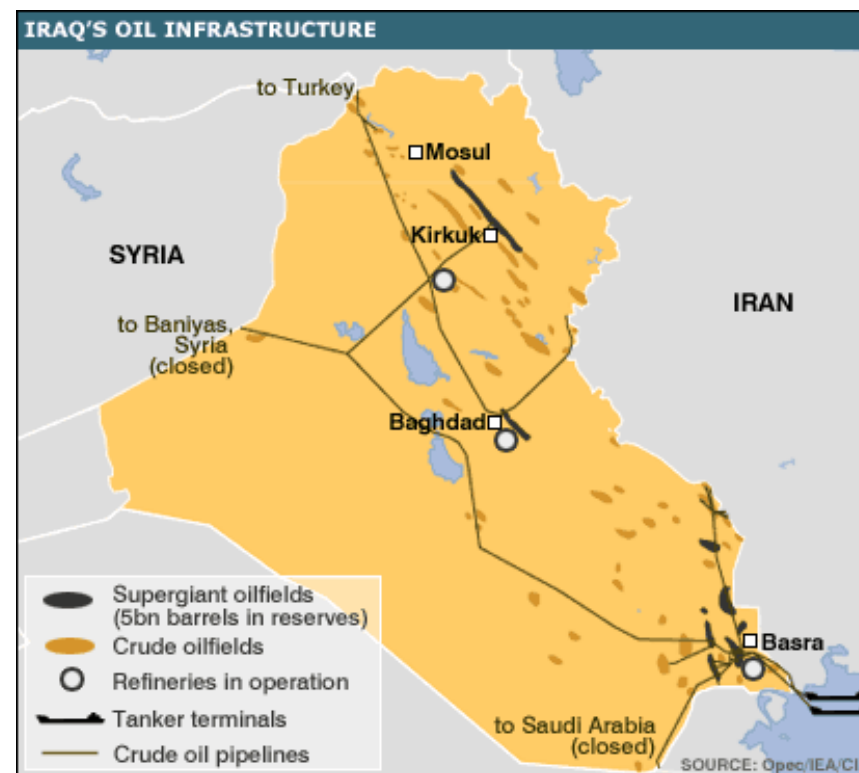
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WHAT WE'RE WATCHING

Outbursts of inter-militia violence are likely in Basra and other southern provinces of Iraq in the coming weeks as heightened tensions persist between loyalists of cleric Muqtada al-Sadr and the Iran-backed paramilitary group Asaib Ahl al-Haq, which is sanctioned by the US. A nighttime curfew is likely in the coming days to help quell violence in Iraq's only seaport, which exports 80 percent of the nation's oil.

Meanwhile, the central government in Baghdad is once again threatening legal action against international buyers of crude oil originating from Iraqi Kurdistan. The US and China are acting as mediators between the Kurds and authorities in Iraq's capital to sooth tensions. Any disruptions of oil exports from Kurdistan or Basra could further roil global markets.



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Global

After delays by shelling, IAEA inspectors arrived at the Zaporizhzhia nuclear power plant and conducted an inspection, finding that the physical integrity of the plant has been violated several times. Two IAEA inspectors will stay at the nuclear power plant on a permanent basis.

- UN Secretary-General Guterres hoped China will “*take on board the recommendations*” made in a report by the organization's Human Rights Office on the Xinjiang province. The US welcomed the report which said China may have committed crimes against humanity in Xinjiang. China called the report “**a hodgepodge of false information.**”
- The United Nations **food agency's world price index** fell for a fifth month in a row in August, further from all-time highs hit earlier this year, as a resumption of grain exports from Ukrainian ports contributed to improved supply prospects.
- G-20 energy ministers agreed on the Bali Compact to quicken the **energy transition**. The compact includes steps to improve renewable energy infrastructure, financing, investment and technology transfer.

Markets & Business

Apple has overtaken Android devices to account for more than half of smartphones used in the US.

- **Equinor** completed its exit from Russia, marking the first full, orderly exit from Russia by an international oil and gas company.
- **Meta Platforms Inc** signed an agreement to have chip-maker **Qualcomm Inc** produce custom chipsets for its Quest virtual reality (VR) devices. Engineering and product teams of both companies will work together to produce the chips, powered by Qualcomm's Snapdragon platforms.
- Fund managers are cutting their holdings in **Chinese property bonds** by half or even more as the sector is mired in crisis. According to Refinitiv data, 204 out of 242 dollar-denominated bonds issued by Chinese property firms are trading well in distressed territory below 50 cents on the dollar.
- **Credit Suisse** is considering cutting around 5,000 jobs, about one position in ten, as part of a cost reduction drive at Switzerland's second-biggest bank.

Environment, Sustainability & Governance

More than 96 percent of London Metal Exchange listed brands have met a deadline for its responsible-sourcing policies aimed at rooting out metal tainted by child labor or corruption.

- **Insured losses from floods** doubled to \$80 billion globally during 2011-2020 compared to the previous decade, while insurance penetration lingered at just 18 percent, according to Swiss Re Institute's economic insights report.
- Staff working at Britain's business and energy department building will begin a **strike** on the same day as the country's new prime minister is named next week, the public service trade union said.
- Industrial technology company Trimble announced a series of **decarbonization goals** encompassing its value chain and operations, including commitments to cut emissions and source 100 percent renewable energy.
- Germany's Lufthansa will cancel 800 flights on Friday, likely affecting 130,000 passengers, after the pilots' union announced a **one-day strike**.

Africa

- Seven people were killed and 23 injured as tribal violence flared in **Sudan's** southern Blue Nile state. A **US** ambassador arrived in Sudan for the first time in 25 years after the US removed Sudan from its state sponsor of terror list.
- The IMF granted **Zambia** \$1.3 billion in support as part of an agreement to restructure the massive debt.
- A **South African** official estimated that 80 percent of the billions of dollars pledged by rich nations for South Africa's shift away from coal will be loans, not grants, and some may be hard to unlock due to national rules protecting domestic jobs.
- **Angola's** main opposition party filed a case with the constitutional court to seek the annulment of last week's election in which the ruling MPLA was declared the winner, citing discrepancies between the commission's count and the party's own tally.



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Asia

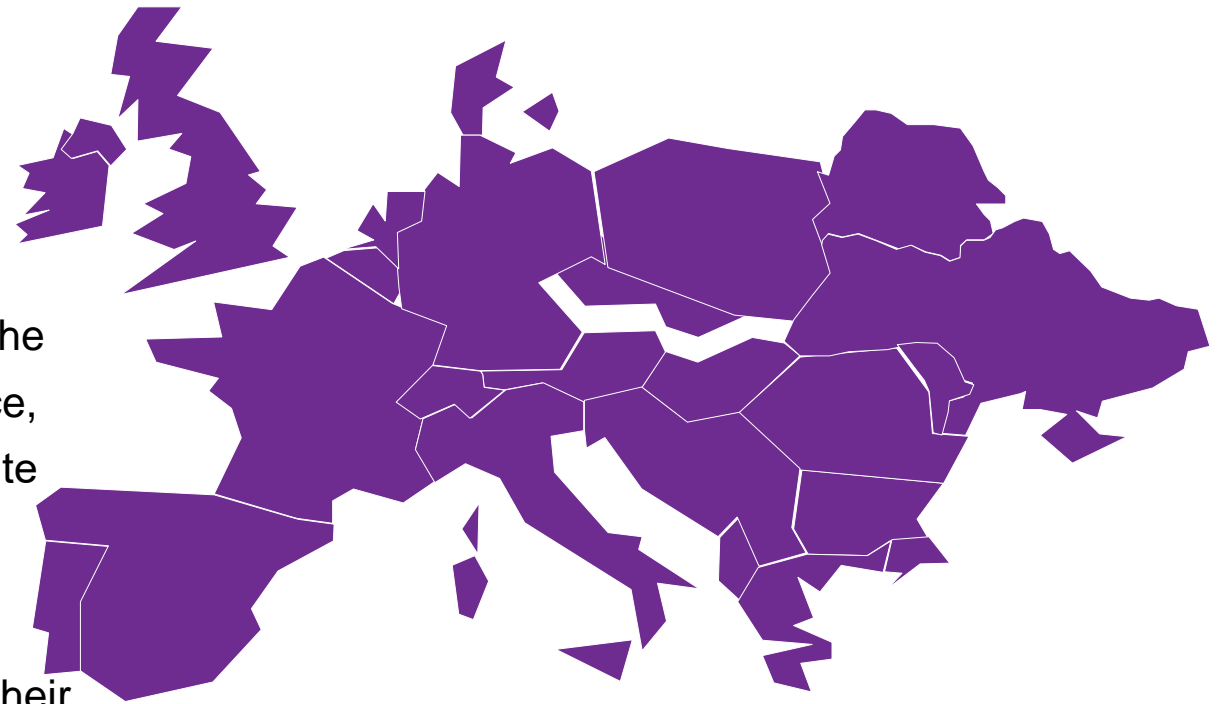
- **Taiwan** and **Guatemala** signed an agreement to boost diplomatic cooperation and reaffirmed mutual support during a visit by Guatemalan foreign minister to Taipei.
- **India** is planning to allow sugar exports in two tranches for the next season beginning in October, as the world's biggest producer of the sweetener tries to balance the interests of its farmers and consumers.
- **Myanmar's** deposed former leader Aung San Suu Kyi was found guilty of electoral fraud on Friday and sentenced by a judge to three years in jail with hard labor.
- Fourteen **Chinese** fighter jets flew on Thursday across the median line of the **Taiwan** Strait per Taiwan's defense ministry. The daily breaches indicate a Chinese intention to erase what has been an informal territorial barrier. Taiwan assessed China is simulating attacks on **US** Navy ships.



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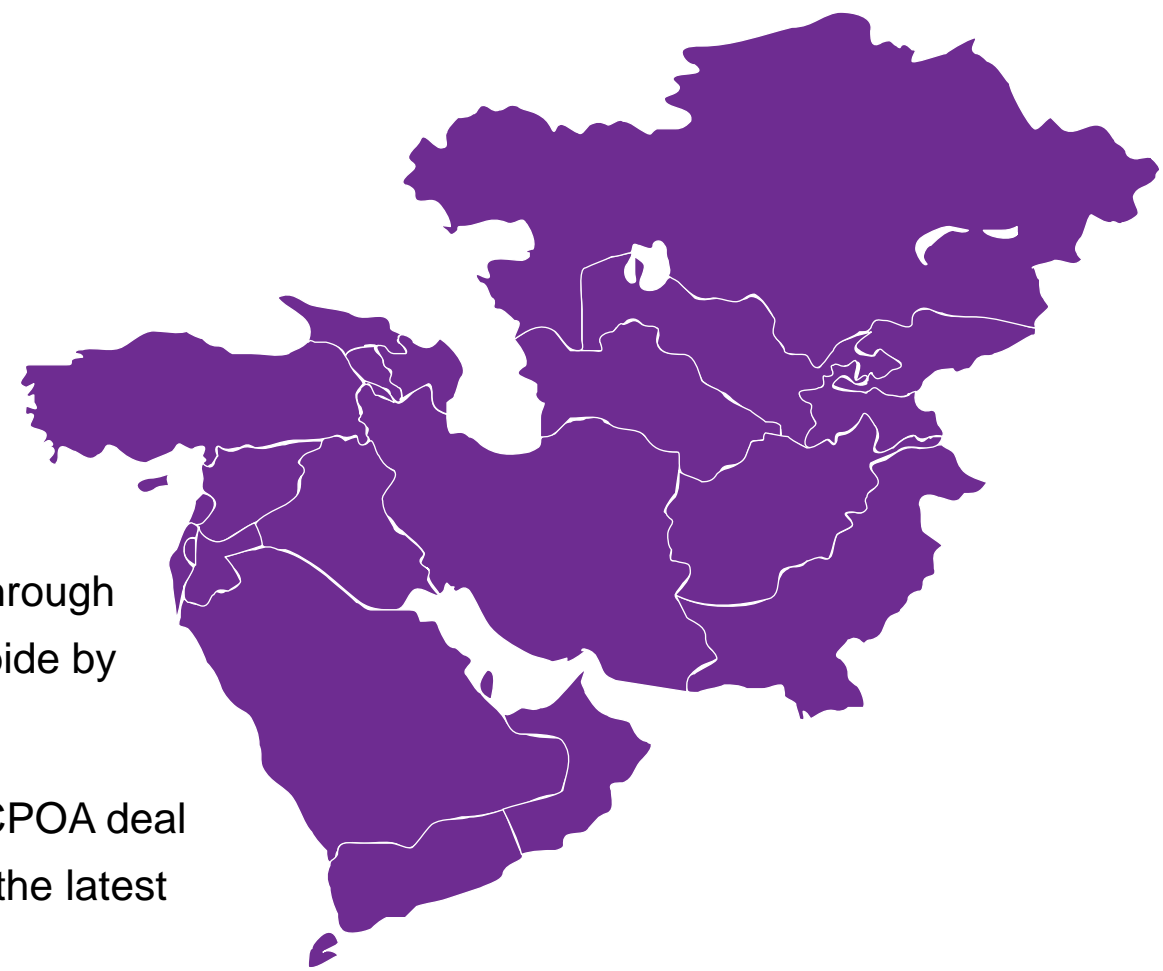
Europe

- Unemployment in the **eurozone** fell below 11 million for the first time, or an all-time low of 6.6 percent of the workforce, underlining the resilience of the bloc's labor market despite the energy crisis.
- The **EU** drugs regulator has recommended the approval of Omicron-targeted Covid-19 shots, paving the way for their rollout across the bloc in the Fall.
- **Russia's** banks lost Rbs1.5 trillion (\$25 billion) in the first half of 2022 after the west imposed sanctions over the invasion of **Ukraine**, effectively cutting the country out of large parts of the global financial system, per Russian deputy central bank chair Tulin.
- **Russia** will ban the supply of oil and related products to countries that impose a price cap, per the country's deputy prime minister. **Hungary** signed a deal with Russian energy giant Gazprom for 5.8 billion cubic meters of extra natural gas. The announcement comes as **Europe** scrambles to cut energy consumption and cope with a reduction in supply of Russian gas.



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Middle East



- The IMF told **Lebanon** that its banking secrecy law has not resolved “*key deficiencies*,” foretelling continued roadblocks to critical international aid.
- **Iran-backed Yemeni** Houthi militants held a military parade through Hodeidah, drawing **UN** admonitions for continuing to fail to abide by non-militarization agreements.
- **French** President Macron expressed hope that a renewed JCPOA deal could arrive in coming days. The **US**, however, declared that the latest **Iranian** response “*is not constructive*.”
- The leader of **Iraq’s** Iran-backed Asaib Ahl al-Haq militia decided to close the militia’s offices across the country after deadly clashes allegedly involving the militia in Basra. Oil firms operating in Kurdistan asked the **US** to help defuse tensions between Iraq’s central government and the semi-autonomous region that have hampered oil production.

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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

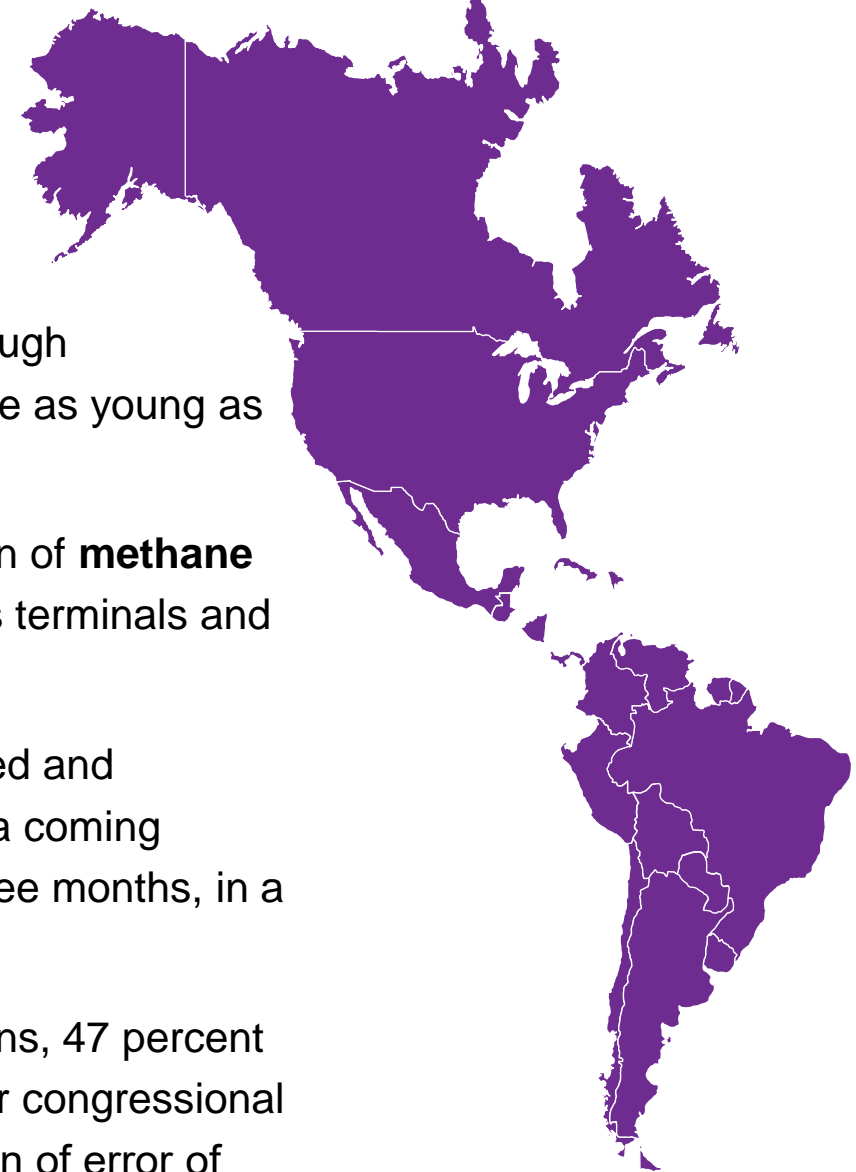
- An assassination attempt against **Argentina's** Vice President Cristina Fernández de Kirchner outside her home failed when the handgun misfired. The attack came as de Kirchner is facing a trial for alleged acts of corruption during her 2007-2015 presidency.
- **Ecuador** began a year-long regularization process for thousands of **Venezuelan** migrants who are undocumented or lack visas or a legal right to stay in the country.
- **Colombia's** inflation is forecast to have shown further upward growth in August as consumer prices rose on food and housing costs.
- Remittances to **Mexico** reached a record high in July as Mexican families received \$5.3 billion from abroad, an annual increase of 16.5 percent, a sign of strengthened economic performance in the **US**.



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Americas: US

- With the Omicron-specific **COVID-19 booster shot** becoming available through pharmacies this weekend, the CDC urged eligible Americans, including those as young as 12, to get an updated booster shot to bolster defenses.
- Beginning in 2024, the Inflation Reduction Act will impose a fee of \$900 a ton of **methane** emitted by oil and gas companies from wells, pipelines, liquefied natural gas terminals and other facilities. After two years the fee rises to \$1,500 a ton.
- US **manufacturing sector** remained stable in August, as demand rebounded and employment improved against a backdrop of high inflation and concerns of a coming recession. New applications for **unemployment** aid fell to their lowest in three months, in a further reflection of the resilience of the domestic labor market.
- Per a *Wall Street Journal* poll, Democrats hold a slight edge over Republicans, 47 percent to 44 percent, when voters are asked which party they would support in their congressional district **if the election were held today**, a lead that is within the poll's margin of error of plus or minus 2.7 percentage points. Republicans had a five-point advantage in March.



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The Impact of Latin American Resource Nationalism on EV Battery Mineral Extraction

Around the world, the business drive to extract strategic minerals for use in electric vehicles (EVs) is facing roadblocks. In Latin America, home of the largest lithium reserves in the world, political change is leading to a wave of resource nationalism. This can take the form of state energy companies intervening in the market, as Mexico announced last week, leading to “lithium nationalism.” Government attempts to control the lithium market create regulatory risks for companies and investors.

On September 4, voters will go to the polls in Chile to decide approval on a new constitution that would strengthen environmental rules and indigenous rights over mining. The Chilean referendum is the latest development of a shift in Latin America, including the countries of Argentina, Chile and Bolivia or the so-called Lithium Triangle, towards more state control of the strategic minerals market. New Chilean President Gabriel Boric had previously announced the formation of a state-owned lithium company in June, signally his intent to nationalize the lithium industry. Mexico took similar action

and nationalized its lithium industry in April; a state-run company called Litio para Mexico, or Lithium for Mexico was established last week. In Bolivia, restrictive government policies, including Law 928, which mandates that the extraction and processing of lithium must be carried out 100 percent by the state, has stifled commercial opportunities for lithium mining.

The context for these changes includes both political and economic causes. There has been a reorientation of Latin America politics: a new “pink tide” is sweeping across the continent resulting in governments more willing to impose restrictions on mineral extraction. International businesses are also on the hunt for more lithium as governments phase out gas-powered cars in favor of EVs, as California did recently. The push for more lithium mining, often from foreign companies, is at odds with the nationalism rhetoric of new leaders like Boric; Latin American governments are also increasingly concerned about the impact of mining on the environment and indigenous communities. The demand for lithium, the key component in EV batteries, is expected to grow exponentially in the coming years and mineral mining represents a lucrative commercial opportunity. This puts a spotlight on lithium-rich Latin America.

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Resource Nationalism: Causes, Impact and Trends

Resource nationalism is generally defined as actions taken by a government to gain greater control or value from its natural resources; this often involves policies that toughen the tax and regulatory burdens on foreign-owned business projects. State intervention can give a country control over a strategic resource like lithium, central to the future “green economy.” For the US and China, strategic competition is certainly a factor in enacting new policies that are designed to increase lithium mining. Although not as overt as the state intervention in Latin America, the recently passed Inflation Reduction Act in the US provides for battery and minerals support, including tax credits for the mining industry. Latin American lithium mining companies stand to benefit too, as the legislation provides credits for EVs that use battery materials from free trade allies. However, given increasing resource nationalism in Latin America, it remains to be seen whether a regionalized Americas supply chain can move forward. The creation of localized or regionalized supply chains of strategic commodities like lithium is a key US policy aim, a way to decouple the supply chain away from China.

One effect that Latin American resource nationalism could have is re-orienting the EV battery mineral global supply chain. Given the potential for onerous restrictions in Latin America, investors and businesses will naturally gravitate towards friendlier regulatory environments. Indonesia could be one country that benefits as it seeks to become an attractive destination for foreign investors in EV battery minerals. Indonesian President Joko Widodo announced last month that his government will step up support for foreign investments in major projects such as nickel smelting and EV component production facilities. However, the dominant trend will likely be towards protectionism and resource nationalism given the strategic nature of EV battery materials. Even as Indonesia signaled support for foreign investors, soon after, reports emerged that Jakarta was considering imposing a tax on nickel exports, another key ingredient in EV batteries. Australia could be another option too, as the country is becoming an attractive destination for foreign investors in its lithium industry. There are less onerous restrictions in Australia compared to Latin America and the development of the lithium industry there could be a way to diversify the supply chain

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away from China (Beijing is making political and economic inroads in Latin America).

Assessing Business Risk

The move towards resource nationalism in Latin America is resulting in regulatory risks. Businesses and investors crave certainty in the market, and there is broad uncertainty about what the specific regulations will be in the region. In Chile, for example, mining companies will wait for the results of the referendum and see if Boric's ambitious plan to nationalize the lithium industry is watered down by the Chilean congress; even though the worst fears of businesses may not be realized, the uncertainty itself creates risk. The global risk consultancy Verisk Maplecroft assesses that the risks of expropriation and tax hikes on energy resources have increased the most in Latin America over the last four years (Mexico tops the list as having the greatest risk). The level of government intervention could lead to vast expropriations of foreign investments. Businesses are advised to monitor political developments and develop strategies such as employing investment treaties and building networks with local communities.

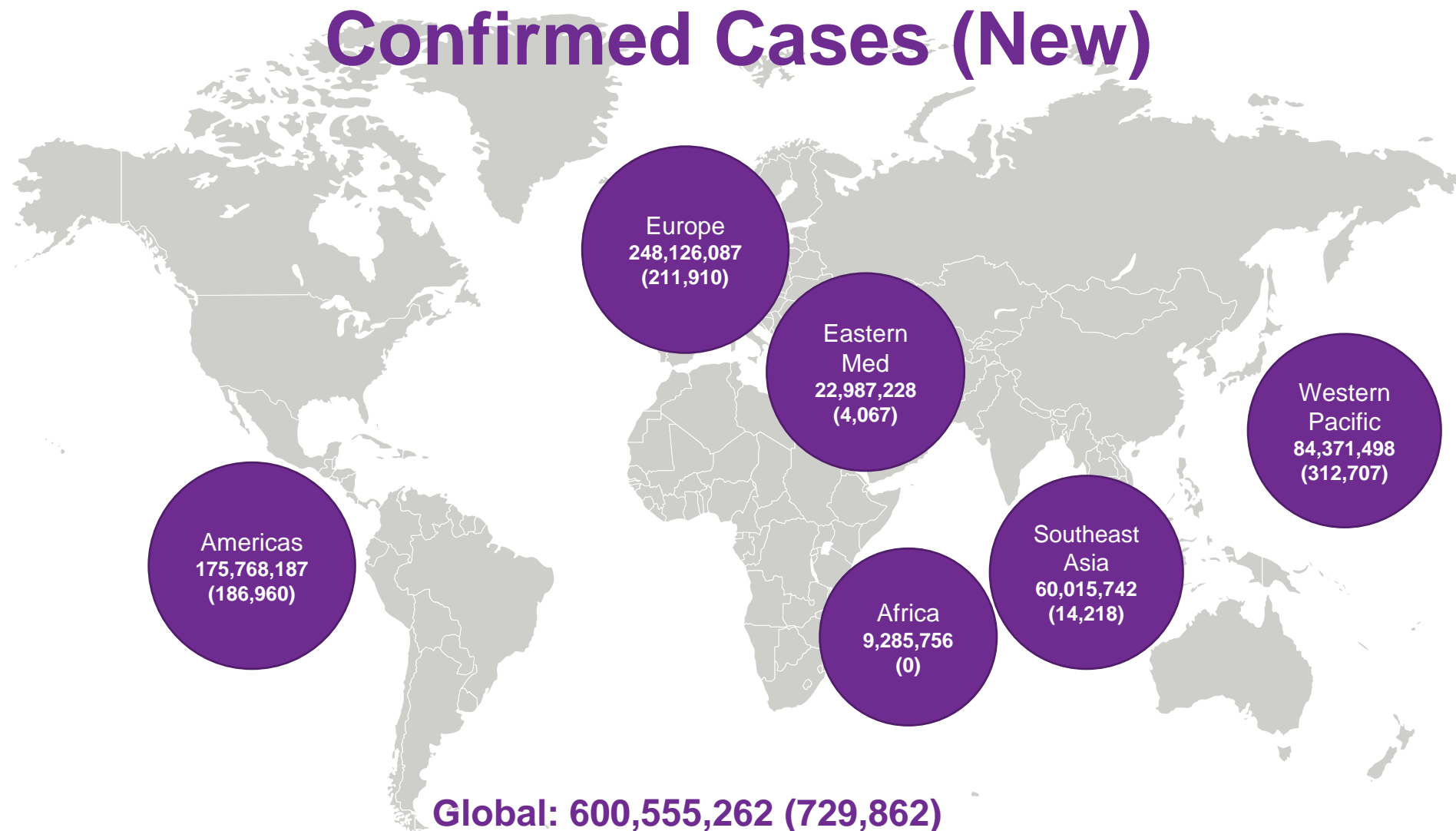
There is also the broader impact of resource nationalism on the EV revolution. Given the vast amounts of lithium the region holds, resource nationalism may have the effect of slowing down the transition to EVs and the new "green economy." The potential nationalization of the lithium industry in Latin America would be disruptive to the global EV battery supply chain, while also ensuring that an industry that has already attracted government scrutiny is further politicized.

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Coronavirus Condition Updates

As of 6:04 pm CEST on September 1, 2022

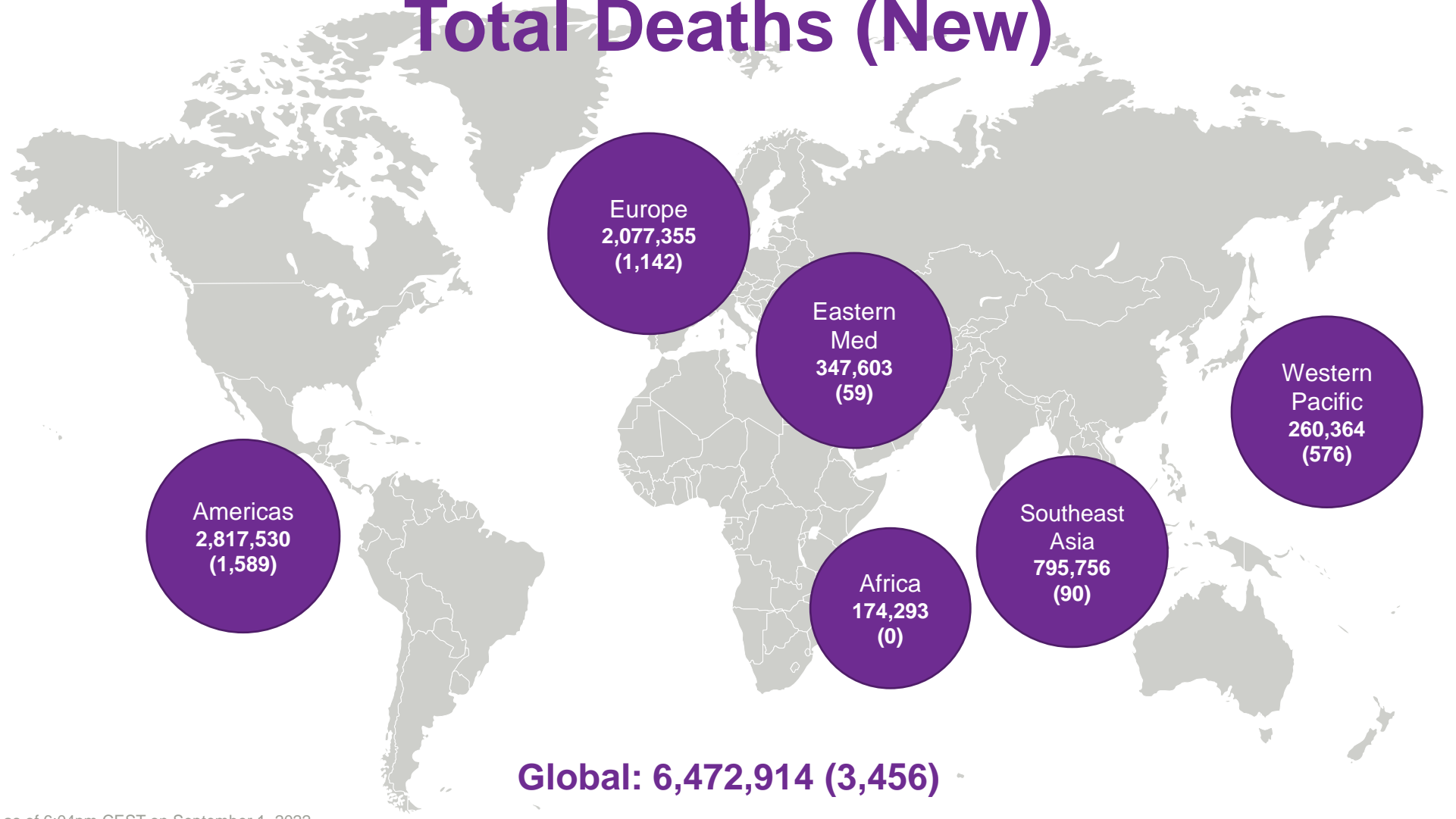
Confirmed Cases (New)



Reflects data as of 6:04pm CEST on September 1, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 6:04pm CEST on September 1, 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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