

Dentons Flashpoint

Global Situation Report

January 13, 2023

Global Situation Update: January 13, 2023

KEY TAKEAWAYS

Russian President Putin removed his top commander in Ukraine just three months after he was appointed.

China's exports suffered the sharpest decline in almost three years in December.

Slowing of inflation in Europe and US eases pressure on central banks for sharp interest rate hikes.

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WHAT WE'RE WATCHING

Czechia will hold the first round of its presidential election today and tomorrow. If no candidate receives more than 50 percent of the vote in the first round, a second round between the two leading candidates will be held. President Zeman, an outspoken Eurosceptic with far-right leanings and a favorable attitude towards Russia and China, is not eligible to run for a third term due to a two-term limit.

Opinion polls suggest that former army general Petr Pavel, former prime minister Andrej Babis and former rector of Brno University Danuse Nerudova will be the main contenders for the run-off vote. Either Pavel or Nerudova is likely to win in the second round and the election result is unlikely to trigger any major changes in policy direction.



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

Global

The world's oceans absorbed record amounts of heat from the atmosphere last year, which slowed the rise of temperatures over land, but fueled powerful storms and weather systems that are damaging communities across the globe, per climate scientists.

- Ukrainian leaders in recent months have been sharing information about **Russian** cyberattacks with the International Criminal Court, hoping the organization will investigate them as **war crimes**. Separately, Ukraine has opened war crimes pre-trial investigations involving more than a thousand people in the Kherson region who were allegedly abducted and illegally detained by Russian forces during their months-long occupation. The scale of alleged crimes in the Kherson region now emerging appears to be much greater than around the capital of Kyiv.
- The G7 is preparing their next round of **sanctions on Russia's oil industry**, capping the sales prices of Russian exports of refined petroleum products in an expansion of novel penalties the West has imposed on the country's crude.
- The US and Japan have announced they are extending their **security alliance to space** in a push to defend against attacks on satellites amid growing concern about the threat from China.

Markets & Business

Significant majorities of corporate leaders outside China and Japan expect growth to return by late 2023 or the first half of 2024, according to an annual survey of more than 1,100 executives by the Conference Board.

- Commodities trader **Trafigura Group** reached an agreement to exit a major joint-venture with **Rosneft Oil Co.** in India, unwinding a relationship with Russia's energy giant that was a decade in the making.
- Sweden's **LKAB** has discovered Europe's largest deposit of rare earth metals north of the Arctic Circle, boosting the continent's ambitions to become more self-sufficient in essential elements needed for a green transition.
- The Indian government is allowing banks to verify individual transactions that exceed a certain annual limit using **facial recognition** and an iris scan in some cases, to reduce fraud and tax evasion.
- The **US Securities and Exchange Commission** sued digital asset-trading group **Genesis** and **Gemini**, charging that a crypto asset-lending program was not properly registered as a securities offering.
- China will take "golden shares" in local units of **Alibaba and Tencent** as Beijing formalizes a greater role in overseeing the country's tech groups.

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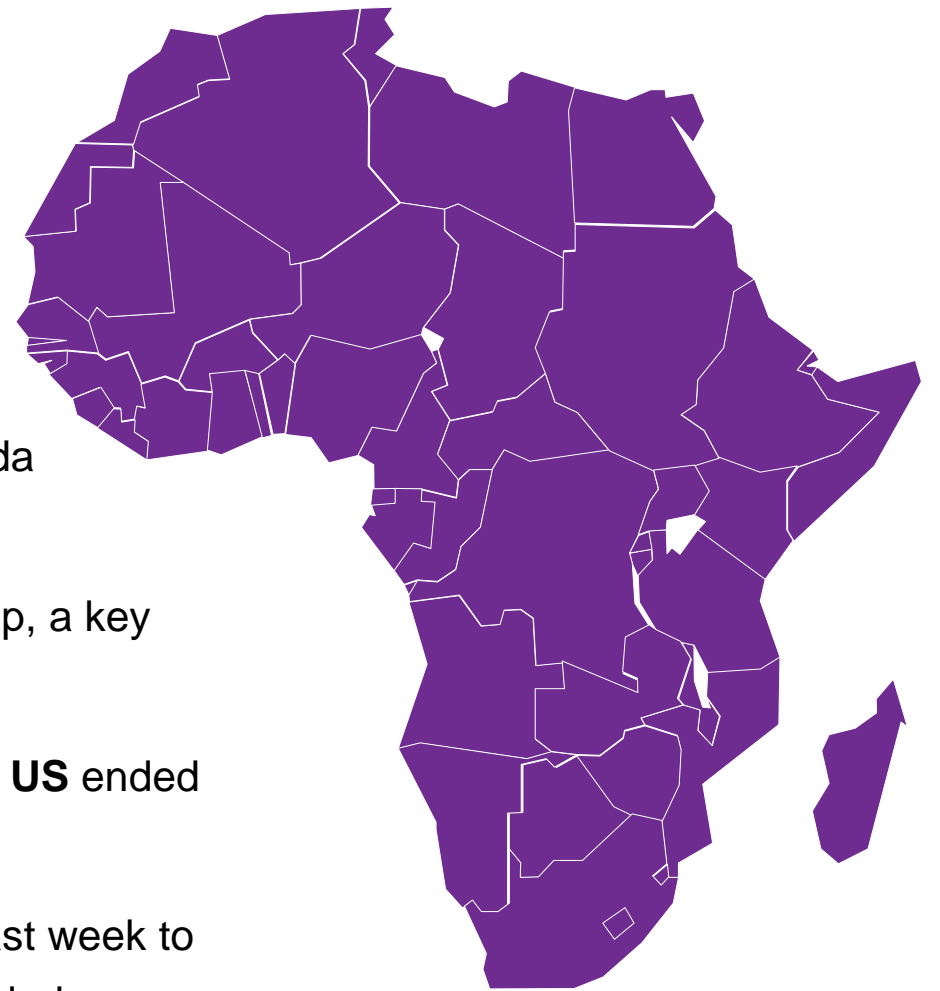
Environment, Sustainability & Governance

Economic and political turbulence caused by the COVID-19 pandemic and Russia's invasion of Ukraine will be likely to heighten environmental, social and governance (ESG) credit risks this year, per credit rating agency Moody's.

- French sugar and ethanol maker Tereos was ordered to pay more than 9.5 million euros for **polluting** in 2020 a river that flows from France to Belgium, killing thousands of fish.
- The top US securities regulator has cited April as the release date for a long-anticipated rule on companies' **climate-related disclosures**.
- More than 7,000 nurses in New York City ended a three-day **strike** and returned to work on Thursday after reaching tentative deals with hospitals over **staffing levels and pay increases**.
- Bulgaria's lawmakers backed a resolution aimed at avoiding an early phase-out of **coal-fired power plants** as more than 1,500 miners and utility workers demonstrated in front of the parliament in support of the coal industry.

Africa

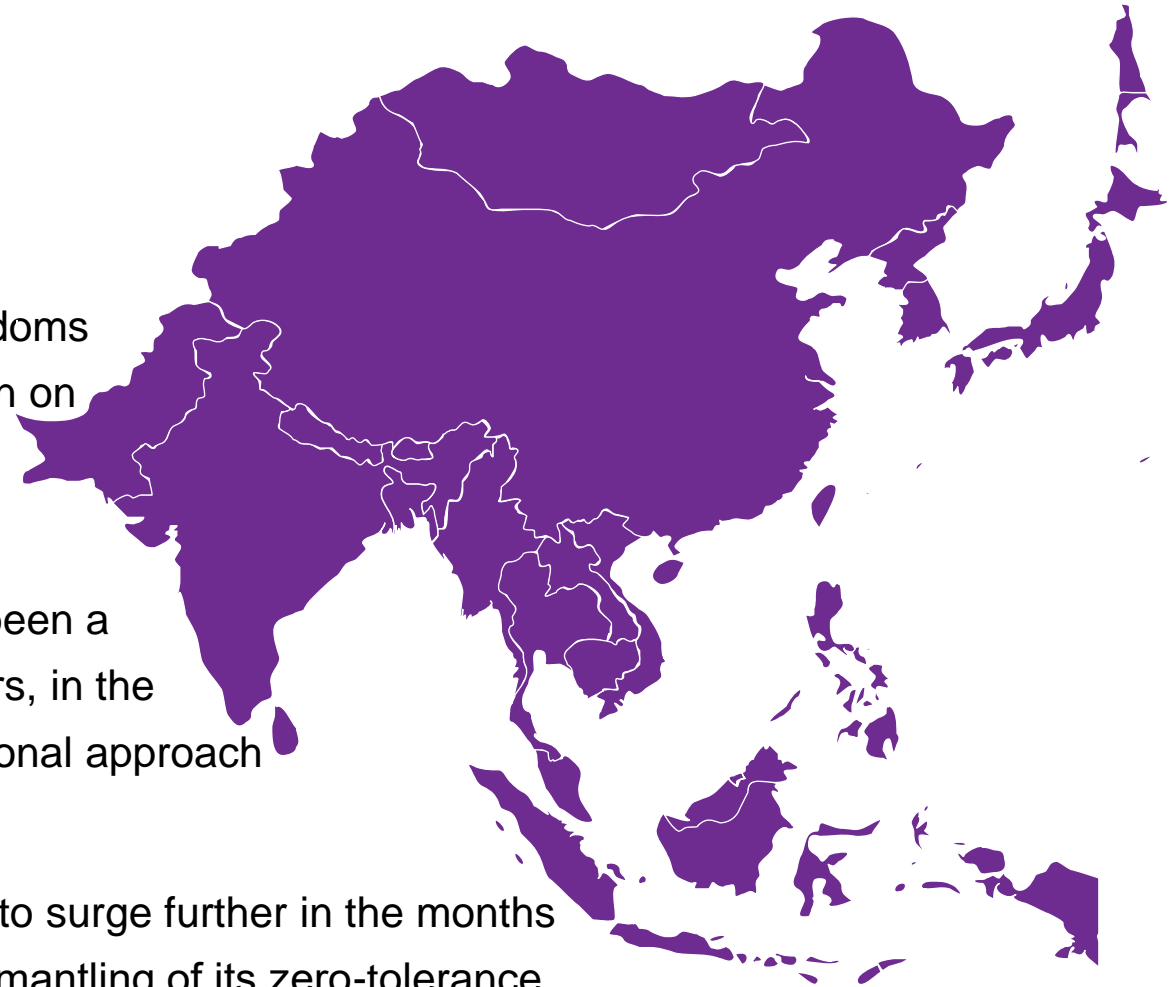
- The **Democratic Republic of the Congo** accused **Rwanda** of using refugees for political purposes after the country refused to continue accepting refugees fleeing violence in the neighboring country; Rwanda backtracked the comments.
- Tigrayan authorities provided photos of them disarming a military camp, a key stipulation of last year's peace agreement with **Ethiopia**.
- **Uganda** declared the end of a nearly four-month Ebola outbreak. The **US** ended arrival screenings for Ebola for Ugandan arrivals.
- An opposition party in **Benin** won enough votes in a legislative vote last week to join the two ruling parties in parliament following an election that included more opposition parties than usual.



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Asia

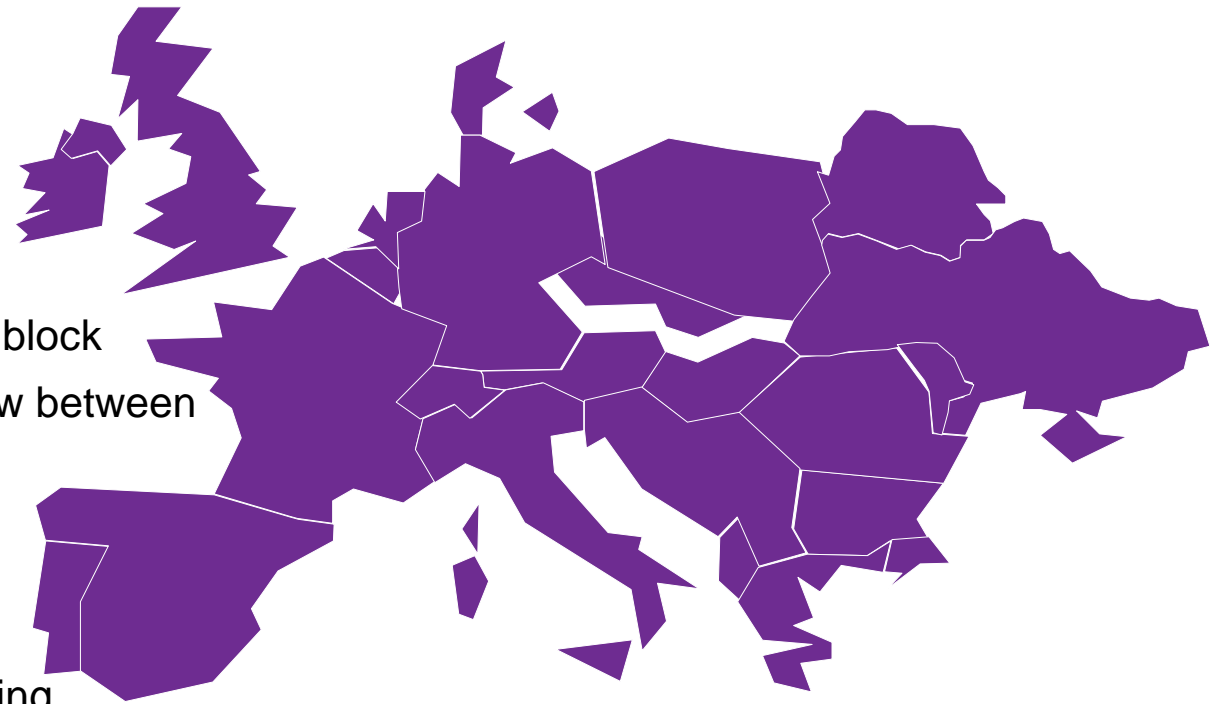
- In a new report, **Britain** criticized systematic erosion of freedoms in **Hong Kong** by the **Chinese** government and a crackdown on free speech by authorities in the former British colony, drawing an angry response from China.
- **China** effectively ended a ban on **Australian** coal that has been a key cause of a diplomatic dispute lasting more than two years, in the latest indication that Beijing may be taking a less confrontational approach in its foreign policy as the economy struggles.
- Inflation in **China** accelerated in December and is expected to surge further in the months ahead as the economy revs up following Beijing's abrupt dismantling of its zero-tolerance measures to contain Covid-19. China's exports suffered the sharpest decline in almost three years in December, piling on further economic pressure.
- **Malaysia** threatened to stop exporting palm oil to the **EU** in response to a new EU law aimed at protecting forests by strictly regulating sale of the product. The EU is the world's third-largest palm oil consumer



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Europe

- **Polish** lawmakers adopted a judicial reform which will unblock billions of euros in **EU** funds withheld over an ongoing row between Warsaw and Brussels over the rule of law in Poland.
- Migrant arrivals in **Italy** have increased by more than 50 percent since far-right premier Giorgia Meloni took office at the end last October, official statistics show, putting pressure on Meloni's new government.
- **Eurozone** consumers' inflation expectations for the year ahead declined for the first time in two years, easing pressure on the European Central Bank to raise rates this year. **German** economic output stagnated in Q4 of 2022 and grew 1.9 percent over the full year, adding to signs that Europe's largest economy may avoid a recession.
- **Russian** President Putin removed his top commander in **Ukraine** just three months after he was appointed Chief of the General Staff. Valery Gerasimov will now take the lead replacing Sergei Surovikin who has overseen recent brutal attacks on Ukraine's energy infrastructure. Russia may raise the upper age limit for citizens to be conscripted into the armed forces as soon as this spring, to boost the number of Russian troops by 30 percent.



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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.

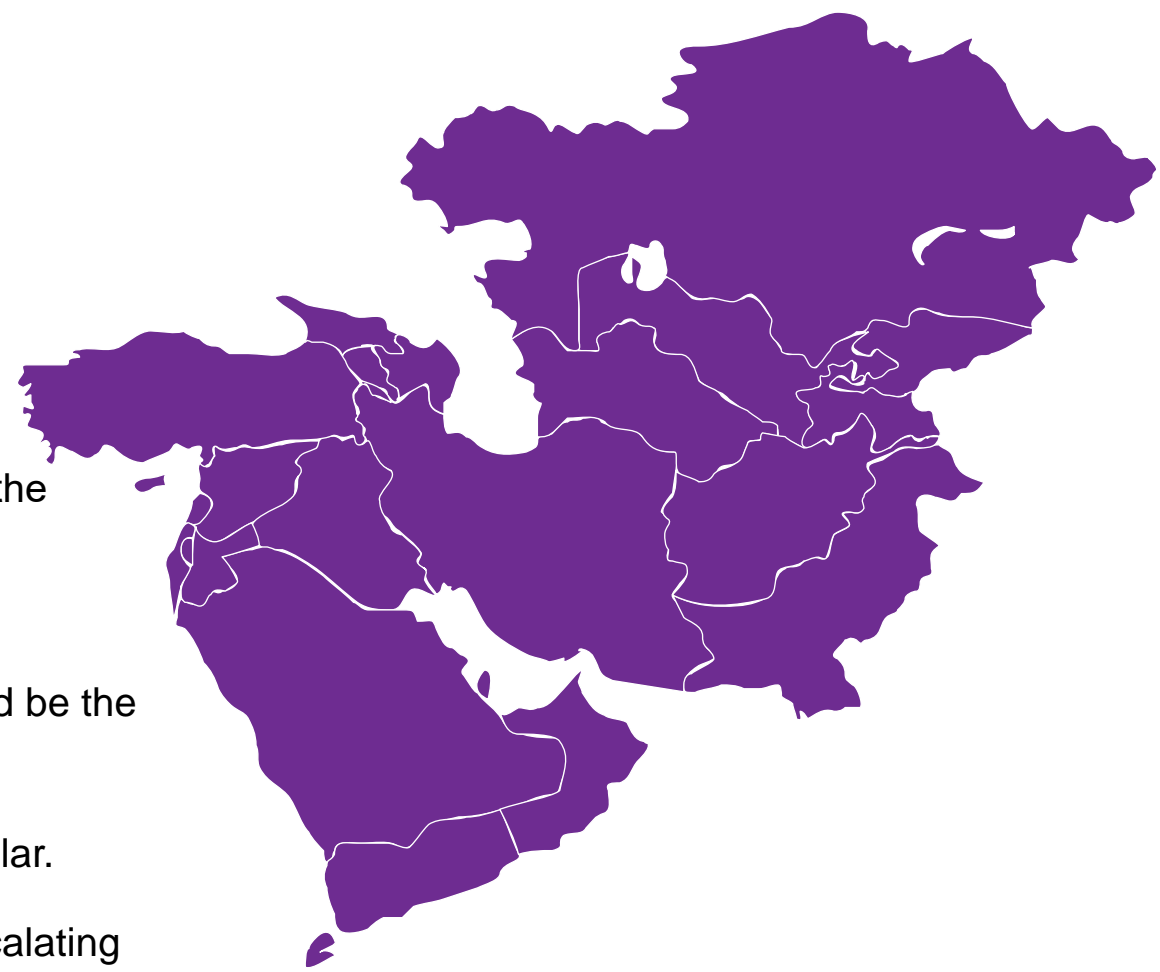
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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



- Over 100 members of the European Parliament called on the **EU** to take a tougher stance in response to **Iran's** crackdown on protests. The **UK** said that it is “*actively considering*” designating the IRGC a terrorist organization.
- **Turkish** Foreign Minister Cavusoglu said that he could meet his **Syrian** counterpart Faisal Mekdad early in February in what would be the first high-level bilateral meeting since 2011.
- The value of **Egypt's** currency hit a record low against the US dollar.
- **Azerbaijan** appointed its first ever ambassador to Israel amid escalating tensions with its neighbor **Iran**.
- **Saudi Arabia** plans to use domestically-sourced uranium to build up its nuclear power industry, per the energy minister.

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Americas

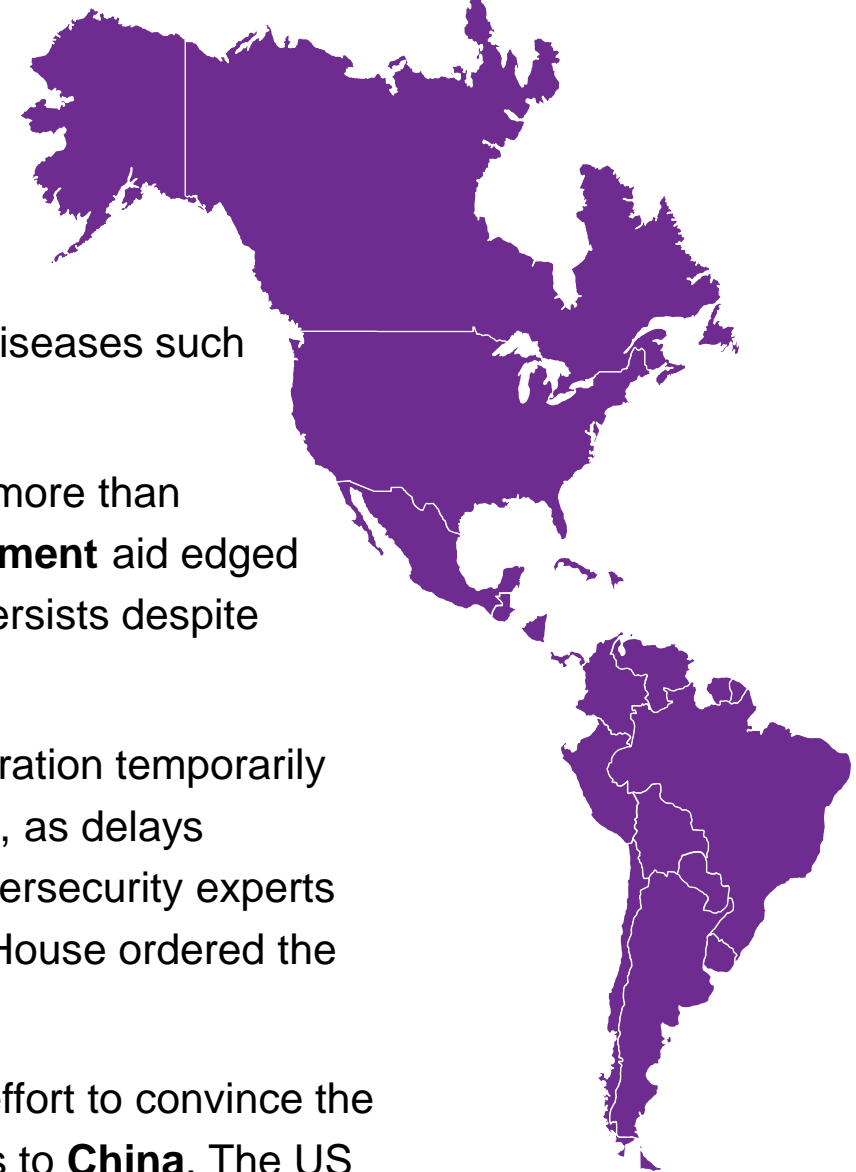
- **Brazilian** President Lula said that security force members were complicit in letting an anti-government mob ransack the seat of power in Brasilia and promised to weed out hardcore supporters of his predecessor. Lula said that he plans to have policies ready within 100 days in an attempt to reassure markets.
- A group of vandals attacked a Glencore copper mine in **Peru**, the country's top mining official told reporters, amid a deepening political crisis.
- **Canada** delivered armored vehicles to **Haiti** to help combat criminal gangs.
- A trade panel ruled in favor of **Mexico and Canada** in a dispute with the **US** over rules to calculate regional content required for tariff-free imports of vehicles under the US, Mexico, Canada Agreement,
- **Argentina** closed the year with annual inflation accelerating to 95 percent, bringing the South American country narrowly outside the five triple-digit inflation nations globally.



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Americas: US

- **Vaccination rates** among kindergarten children against potentially deadly diseases such as polio, measles and diphtheria fell in the 2021-2022 school year.
- US consumer prices fell in December in the first month-to-month decline in more than 2-1/2 years, and underlying **inflation** slowed. New applicants for **unemployment** aid edged down last week to a three-month low, signaling that a strong labor market persists despite higher interest rates.
- **Airlines** have resume normal operations after the Federal Aviation Administration temporarily paused domestic departures because of the outage of a critical alert system, as delays persisted into a second day Thursday. Biden administration officials and cybersecurity experts said the outage did not appear to be the result of a cyberattack. The White House ordered the FAA to investigate the incident.
- President Biden will meet with Dutch Prime Minister Rutte next week in an effort to convince the **Netherlands** to ban the export of cutting-edge silicon chip making machines to **China**. The US has been pressing the Netherlands and **Japan** to match its export controls of Beijing to prevent it catching up with advanced technology used in weapons systems.



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A More Diverse Ransomware Landscape Lies Ahead in 2023

By Emilio Iasiello, Global Cyber Threat Intelligence Manager, Scott Muir, Senior Analyst, and Courtney Barnard, Global Cyber Threat Intelligence Coordinator

The ransomware ecosystem will become more varied in 2023 as gangs develop new methods of attack against improving cybersecurity and recovery protections and test new strains against targets in every sector.

Ransomware operators will continue to make threats to disrupt and extort businesses with data encryption via malware, but also with distributed denial-of-service attacks and data exfiltration, destruction and leakage. A global recession in 2023 would impact the threat landscape as small time hackers around the world buy ransomware-as-a-service software on black markets to generate much needed income, while companies freeze security budgets and new hires of IT professionals and network defenders. Workforce security education at all levels is therefore critical for staff to be aware of the latest ransomware threats.

Extortion, Multiplied

Savvy ransomware gangs will increase pressure on compromised organizations with double and triple extortion threats since they successfully coerced victims into paying ransoms in 2022, as

evidenced by average ransomware payments up 71 percent to almost one million dollars. Cybercriminals will demand a ransom for unlocking data – or a “return to business” – and expect another ransom for not going public with stolen data. In 2023, triple extortion attempts will rise as ransomware gangs also demand a ransom for not taking offline victim websites with a DDoS attack or not permanently erasing data with wiper malware. Whether these are effective or not entirely depends on how companies respond to them.

Exfiltration Emphasis

In 2023, top ransomware gangs may choose to focus on data exfiltration to support their extortion and move away from the actual deployment of malware. The most successful operators such as LockBit, BlackCat/ALPHV, BlackBasta, and Hive, and emerging gangs such as Play Ransomware, may consider moving away from

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the actual deployment of malware. The most successful operators such as LockBit, BlackCat/ALPHV, BlackBasta, and Hive, and emerging gangs such as Play Ransomware, may consider moving away from encryption to focusing on data theft as a way to eliminate development investment and reduce overhead costs, allowing them to focus on extortion rather than development of the latest strains. This would allow those gangs to dedicate more time and effort to honing tactics and techniques for breaching a network, identifying valuable information and extorting the victims in a multitude of ways.

Crime, Not War

The more established and successful ransomware gangs are likely to avoid getting involved in geopolitical conflicts in 2023 after witnessing how the war in Ukraine broke apart various groups due to their diverse ethnic composition and difference of opinions over which side is to blame. The ransomware gang Conti, for example, fell apart in mid-2022 after internal disagreement and conflicting loyalties toward Ukraine and Russia. Also, if ransomware operators are perceived as partisans of a nation-state they are more likely to come under the scrutiny of powerful counter-ransomware agencies and be

dismantled. Gangs will, of course, continue to take advantage of tense geopolitical rivalries and war to exploit the fear of individuals and organizations through social engineering and tailored targeting.

Supply Chain Exploitation

In 2023, more advanced gangs could aim to compromise the supply chains of critical sectors by delivering ransomware and exploiting trusted access between organizations and vendors. The industries most targeted by ransomware groups last year were manufacturing, healthcare, construction, and professional services because cybercriminals believe they have money to spend on ransoms. Recent examples of supply chain attacks include in late 2022 when Evil Corp targeted specific visitors to the websites of over 250 media organizations in the US, and in 2021, when the REvil ransomware gang exploited a vulnerability in Kaseya's VSA software (a cloud-based IT management product) to access the systems of multiple IT service providers and their customers. Enterprising gangs could try to replicate this in 2023 as such a compromise would potentially gain them entry into several customers at once, rather than launching attacks on individual targets.

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What to Do

Governments worldwide are ramping up their efforts to address the ransomware scourge, while the private sector nowadays has access to timely and helpful information about indicators of compromise. However, the latest ransomware groups and strains are continually evolving, and cyber insurers are considering exemption clauses to deny coverage for ransomware and other specific attack types. Organizations are reminded to keep monitoring ransomware developments and consider the Department of Homeland Security's Ransomware Guide to adopt best practices to mitigate their exposure to this ongoing threat.

Dentons offers business leaders a full complement of counseling and advice for cyber risk management for threats like ransomware and also offers regulatory and litigation services. Analysis and intelligence products from Dentons can help to better understand fast-changing complex operating environments like what we will see in 2023 and, importantly, all interaction is attorney-client privileged. To learn more about the bespoke cyber intelligence and risk services from Dentons please contact us today.

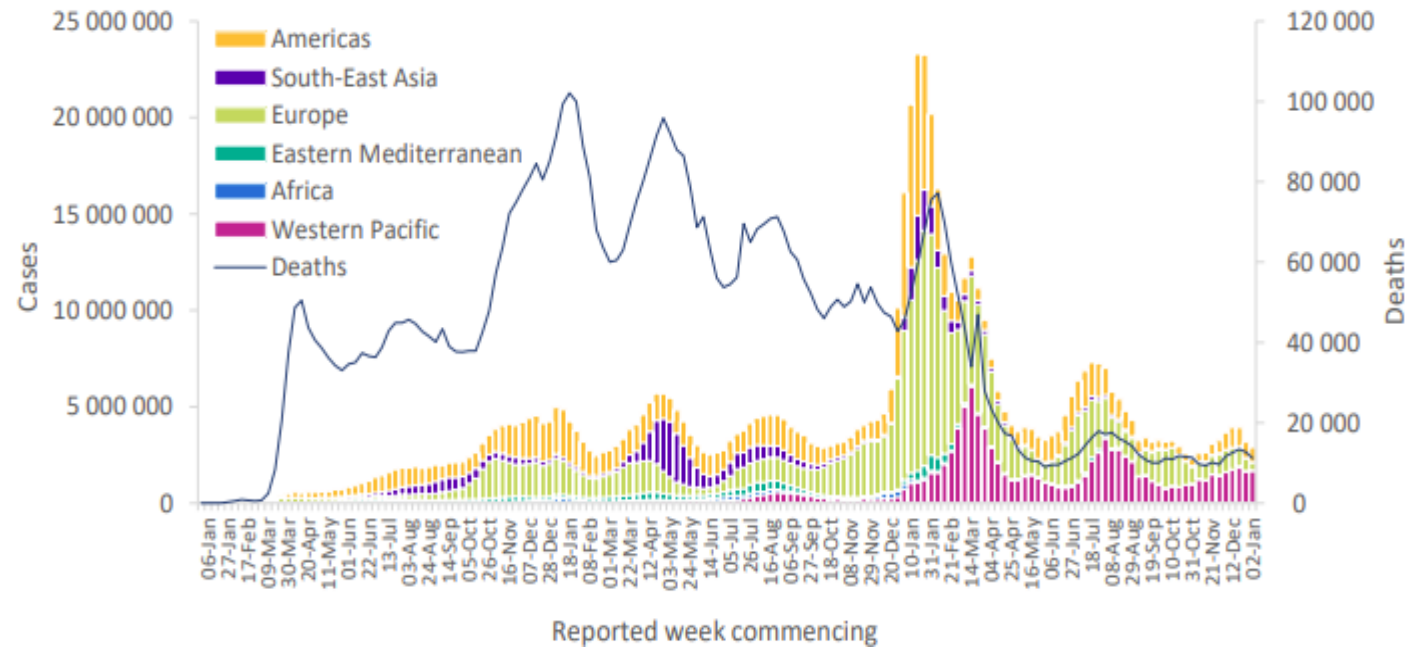
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Coronavirus Snapshot

As of 8 January 2023, over 659 million confirmed cases and over 6.6 million deaths have been reported globally.

- Globally, nearly 2.9 million new cases and over 11,000 deaths were reported in the week of 2 to 8 January 2023. This represents a reduction in weekly cases and deaths of 9 percent and 12 percent, respectively.
- Between 12 December 2022 and 8 January 2023, over 13.9 million cases and over 49,000 new deaths were reported globally – an increase of 10 percent and 22 percent respectively, compared to the previous 28 days.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 8 January 2023**



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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. 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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