

Dentons Flashpoint

Global Situation Report

January 9, 2023

Global Situation Update: January 9, 2023

KEY TAKEAWAYS

China reopens
its borders
to the world.

Former President Jair
Bolsonaro supporters
storm Brazilian
government offices
prompting accusations
of coup-mongering.

US, Mexican and
Canadian leaders
meet to address trade
disagreements and
immigration.

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: January 9, 2023

WHAT WE'RE WATCHING

Nepal kicks off its first parliament session after the election of new Prime Minister Prachanda, leader of the Communist Party of Nepal (Maoist Centre). The former leader of Nepal's Maoist rebels faces some instability as he must build and maintain coalition with the Communist Party of Nepal (Unified Marxist-Leninist) and others against the opposition that holds the largest single majority in parliament.

Nepal's political fragility could dent the Himalayan region's economy and it also holds consequences for foreign policy. Prachanda and other Communist Party factions are seen as pro-China, while the head of the opposition Nepali Congress party is seen as pro-India and pro-America.



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

Global

Russia's self-declared 36-hour cease-fire expired with little letup in the fighting on Sunday morning, as Russian forces continued shelling across eastern Ukraine.

- The US will provide more than \$3.75 billion in **military assistance to Ukraine** and countries affected by the Russian invasion of Ukraine. The US also issued new sanctions targeting suppliers of Iranian drones used to target civilian infrastructure in Ukraine during the conflict with Russia.
- A new **coronavirus variant**, XBB.1.5, is quickly becoming the dominant strain in parts of the US because of a potent mix of mutations that makes it easier to spread broadly, including among those who have been previously infected or vaccinated. The WHO has named XBB.1.5 as “the most transmissible” descendant yet.
- Sweden has said Turkey is demanding concessions that Stockholm cannot give to approve its application to join **NATO**. Stockholm has made a number of concessions to Ankara, including distancing itself from a Kurdish militia, lifting an embargo on weapons exports to Turkey and stressing it would work to combat terrorism, but courts have ruled out deportation of a Kurdish journalist which Ankara is demanding.

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

Markets & Business

Apple Inc. exported more than \$2.5 billion of iPhones from India from April to December, nearly twice the previous fiscal year's total, showing how the US tech giant is accelerating a shift from China with geopolitical tensions on the rise.

- **China's** stock regulator will stop allowing local companies in certain sectors to list on the country's main **stock exchanges** as Beijing works to channel funding into strategic industries.
- Chinese e-commerce firm **Alibaba Group Holding Ltd** is planning a logistics hub at Istanbul Airport and a data center near the Turkish capital Ankara, with the investment valued at more than \$1 billion.
- **Goldman Sachs Group** will start cutting 3,000f jobs across the firm this week, as it prepares for a tough economic environment in the year ahead.
- **AstraZeneca** has agreed to buy US biotech **CinCor** in a deal worth up to \$1.8 billion, as it seeks to expand its pipeline of heart and kidney drugs.

Environment, Sustainability & Governance

The US and Japan launched a task force to promote human rights and international labor standards in supply chains, with plans to invite other governments to join the initiative.

- Britain's **wind farms** contributed a record 26.8 percent of the country's electricity in 2022 although gas-fired power plants remained the biggest source of power.
- The International Seabed Authority, a United Nations observer organization, is drawing up a regulatory framework for **deep-sea mining**. Deep-sea mining for battery materials has gained significant interest over the past year. Mining of the deep sea could be licensed worldwide as early as July of this year, despite worries of potential environmental harm.
- British Prime Minister Sunak said he is willing to discuss **pay rises** for nurses ahead of a meeting with public sector trade union leaders in an effort to end the biggest wave of **industrial disputes** in decades.
- Western Australia state of Kimberley is **under flood waters**, sparked last week by severe weather system Ellie. Military helicopters airlifted hundreds of people from communities cut off by "*once in a century*" floods.

Africa

- Gunmen armed with AK-47 rifles have abducted more than 30 people from a train station in **Nigeria's** southern Edo state, in the latest example of the growing insecurity in the country.
- **Mali's** junta leader has pardoned 49 Ivorian soldiers arrested in July and accused of conspiring against the Malian government. The soldiers' arrest sparked a diplomatic dispute between Mali and neighboring **Ivory Coast**.
- Voters in **Benin** went to the polls on Sunday for a parliamentary election seen as a test of democracy, with opposition parties back on the ballot after boycotting or being excluded from the most recent presidential and legislative votes. Preliminary results are expected on January 11.
- The UN rights chief called on the transitional authorities in jihadist-hit **Burkina Faso** to swiftly and transparently probe the killing of 28 people whose bodies were found last weekend.



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

Asia

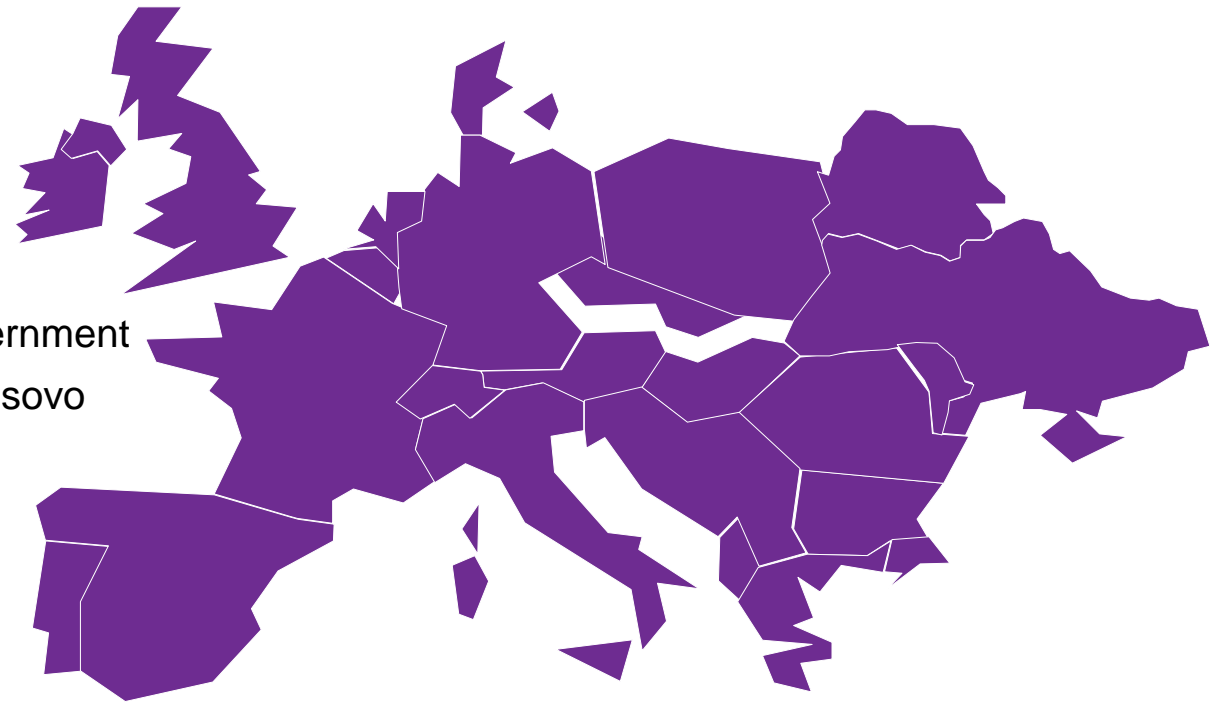
- **China** lifted quarantine requirements for inbound travelers on Sunday, ending almost three years of self-imposed isolation even as the country battles a surge in Covid cases.
- **China** is implementing new rules to restrict the production of ‘deepfakes,’ media generated or edited by artificial-intelligence software that can make people appear to say and do things they never did.
- **Taiwan** condemned **China** on Monday for holding its second military combat drills in less than a month in the sea and airspace around Taiwan, focused on land strikes and sea assaults.
- In **Myanmar**, the military regime is conducting a census in Rakhine state, aimed at forcing ethnic parties such as the United League of Arakan to participate in and effectively legitimize a forthcoming election widely regarded as a sham.



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

Europe

- NATO's mission in **Kosovo**, KFOR, declined a **Serbian** government request to send up to 1,000 police and army personnel to Kosovo after clashes between Serbs and the Kosovo authorities.
- **German** police arrested a 32-year-old **Iranian** citizen suspected of having procured deadly poisons cyanide and ricin to commit an "Islamist-motivated" attack,
- **British** foreign minister Cleverly will meet with the **European** Commission Vice-President Sefcovic in London today with discussions focusing on resolving disputes over a post-Brexit trade relationship and the Northern Ireland Protocol. While the meeting is not expected to provide an immediate breakthrough, the hope is the latest talks will give an impetus to accelerate negotiations.
- The **EU** accused **Mexico** of dragging its heels on signing off on a trade deal that was agreed four years ago. Mexico is seen as a potentially leading exporter of machinery, appliances and mineral products to the EU as Brussels seeks to reduce its reliance on **China**.



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



- The **Tunisian** president dismissed the Trade Minister Fadhila Rabhi, amid an economic crisis and record inflation.
- Shipping traffic in the **Suez Canal** was proceeding normally on Monday after tugs towed a cargo vessel that broke down during its passage through the waterway. The Suez Canal is one of the world's busiest waterways and the shortest shipping route between Europe and Asia.
- **Iran** hanged two men on Saturday for allegedly killing a member of the security forces during nationwide protests that followed the death of Mahsa Amini on Sept. 16. The latest executions bring to four the number of protesters officially known to have been executed in the aftermath of the unrest. On Monday, Iran sentenced to death an additional three people accused of killing members of the security forces.
- In retaliation against an appeal by the Palestinians to the International Court of Justice for an opinion on the legal consequences of **Israel's** occupation of Palestinian territories, Israelis security cabinet announced a series of steps, including revoking VIP travel passes, using Palestinian money to compensate victims of Palestinian militant attacks and imposing a moratorium on Palestinian construction in some areas of the Israeli-occupied **West Bank**.

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

Americas



- **Chilean** Justice Minister Marcela Rios has resigned her post, amid accusations of wrongdoing over pardons given to people connected to violent 2019 protests.
- Supporters of **Brazil's** far-right former President Jair Bolsonaro on Sunday stormed the country's Congress, presidential palace and Supreme Court in Brasilia, wreaking havoc in the capital, culminating months of tension following elections and Bolsonaro's defeat. Justice Minister Dino said the acts amounted to terrorism and coup-mongering and that authorities have begun tracking those who paid for the buses that transported protesters to the capital.
- **Argentina and China** formalized the expansion of a currency swap deal, allowing Argentina to increase its depleted foreign currency reserves needed to cover trade costs and future debt repayments. China is Argentina's second biggest trade partner, after Brazil.
- **Mexican** President Obrador will host **US** President Biden and **Canada's** Prime Minister Trudeau for talks in Mexico City from Monday through Wednesday, the first summit between the three since late 2021. The leaders seek to move beyond a major dispute over Mexico's energy policies which has distracted from cooperation on other issues like immigration.

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

Americas: US

- The US economy added jobs at a solid rate in December, pushing the **unemployment rate** back to a pre-pandemic low of 3.5 percent as the labor market remains tight. **Wage growth**, however, eased, showing signs of responding to the Federal Reserve's efforts to slow inflation.
- The Environmental Protection Agency will tighten **national air quality standards** for fine particle pollution (soot) emitted from vehicles and industrial sources for the first time since 2012.
- After 14 rounds of voting, Kevin McCarthy was elected **Speaker of the House**. Today, the House will vote on a rules package for the 118th Congress that will enshrine some of the pledges regarding legislative procedure McCarthy made to win over holdouts in his speaker election.
- President Biden visited the US-Mexico border on Sunday for the first time since taking office, amid criticism from both parties of his **immigration policy**.



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

Top Risks to Business in 2023

The great differentiator for businesses in 2023 will be between companies that ride the top of the wave of change and those that get caught in the after currents. While this may not sound new, the shear scope and tempo of change will be. 2023 will be remembered as the year when emerging trends pass the tipping point and became the reality.

Energy has transitioned in favor of renewables. Climate change is here to stay. Emerging technologies have gone mainstream. Geopolitical tensions have reshaped the global economy. Risks emerging from these changes to our world will be interconnected, with a real potential of creating high-impact surprises. Business leaders will have their hands full in 2023 making decisions to lead their companies in new directions in this complex and transforming world. We have identified top global risks to increase your operational awareness and ability to plan for what is foreseeable as well as potential geopolitical surprises.

Economic Stress Triggering Labor Instability and Political Change

If 2022 was the recovery year for businesses after the global pandemic, 2023 will be the year of third order effects, as the world economies react to too rapid of recovery and people's resiliency is tested.

Central banks' efforts to tame inflation that emerged in the second half of 2022 will continue into early 2023, likely resulting in a recession in the US which could expand globally. China, which is out of synch with the rest of the world having only shed the Zero-Covid policy at the end of 2022, will see the release of pent-up demand, spurring economic recovery – and new inflationary pressures. The timing is not ideal. A surge in inflation in China could come in early 2023 just when global inflation is moderating, causing central banks to rethink plans on pausing rate hikes, creating heightened uncertainty for markets. Also, in this environment, supply shortages prevalent in 2022 may turn into gluts.

With economic downturn and high inflation hitting pocketbooks, we will see a wave of labor unrest in both the developed and developing world. Layoffs are triggering protests, strike actions and unionization

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

Top Risks to Business in 2023

drives. While employers are seeing tighter profit margins, workers want a great share of those profits, especially given how inflation has eroded salaries. In countries with little to no social security nets, the prospect of violent protests will increase in 2023.

Recession, inflation and popular discontent will put pressure on governments, which could result in changes at the top in countries with regional import. The slide to the right in Europe may continue with the elections in Spain in December where the right-wing People's Party has surged sharply since February, and it is likely to win the largest vote-share in the election. The most important election to watch in 2023 will be the Turkish presidential and parliamentary elections in June. President Erdogan will face one of the toughest tests of his 20-year rule and is likely to lose his majority in parliament. Montenegro and Bulgaria are particularly vulnerable to political instability, given limited ability to absorb shocks, public discontent and low institutional effectiveness, and may see snap elections. Eyes will also be on Nigeria's election in February. With the largest population in Africa, the country could see a generational shift to a younger leader, breaking the hold of the octogenarian political class. Past Nigerian contests have been marred by violence

and vote buying. The race will be to capture the votes of Nigeria's disenchanted youth. In Argentina, the inflation rate is over 90 percent, and more than 30 percent of Argentinians live below the poverty line. Current President Alberto Fernández is so unpopular, he may not even run for re-election in the October general election.

In 2022, three countries spiraled into failed states as we forecasted (Afghanistan, Lebanon and Mali.) For 2023, we are watching Iran for risk of revolution. The Iranian state has been weakened after decades of sanctions, gross mismanagement and political repression. In 2022, the pandemic, water scarcity, 60 percent inflation on food and basis goods and the killing of a teenage girl by the religious police tipped the Iranians into open revolt. Four months in, the protests are growing more organized, and external groups are mobilizing support. The government seems paralyzed, neither negotiating nor crushing dissent. Iranians' future hangs in the balance.

For businesses, political change adds additional layers of uncertainty, with the risks of rising economic nationalism, regulatory changes, new export controls and currency risks.

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

Top Risks to Business in 2023

Geopolitical Tensions Risk Geopolitical Surprises

The Ukraine War is re-writing the political and economic map of Europe. Russia has been isolated and has no way to win in Ukraine. That, however, does not mean Russia cannot play the spoiler or trigger geopolitical surprise. European, American and Asian allies have had remarkable resolve in supporting Ukraine despite the steep economic costs of the war. Ukrainian forces are on the counteroffensive, focused on freeing territory captured by Russia. It is likely that Ukraine will seek to reclaim Crimea. In 2023, there will be growing pressure for a negotiated settlement, with political will of supporters potentially flagging if Ukraine seeks total military victory on the battleground. Western intelligence experts are warning that a potential risk of a “defeat” of Russia is Russian President Putin’s fall from power and a brutal contest between ultra-nationalists and current Kremlin elite. Another risk is that Putin could move towards nuclear escalation if he convinces himself that Russia and his survival are dependent on maintaining control over Crimea.

While sanctions on Russia and its enablers in the Ukraine War have created a complex compliance environment for international businesses, they are also creating new opportunity as trade

relationships shift in reaction. Europe must now source a wide range of products and raw materials from outside Russia and Belarus, with energy being just one of many commodities impacted. Transit routes from China across Russia have been disrupted, driving up prices, opening new opportunities for western suppliers.

While Russia tries to reorient its economy towards Asia, China is coming out on top of that relationship, giving Beijing a significant power boost. In 2023, President Xi, with his uncontested leadership role reaffirmed at home and Zero-Covid policy behind him, will return in person to the global stage. China’s agenda is clear: Beijing wants to be the global leader and rule setter, with the world’s largest economy and the renminbi displacing the dollar as the international reserve currency. While these are long term goals, in 2023 the US and allies are set to push back hard against Chinese influence operations in the Indo-Pacific (especially in the South China Seas) and Africa, while expanding support for Taiwan. The US will also continue to restrict Chinese access to western cutting-edge technology, dominance over which will determine the economic leader in the Digital Age. Businesses are responding to trade tensions by diversifying their supply chains to reduce dependence on

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

Top Risks to Business in 2023

China. While trade tensions will remain high, they are unlikely to spark conflict. An invasion of Taiwan is the key risk for a potential geopolitical surprise in Asia. Some analysts believe Beijing has been deterred from a military move on Taiwan after seeing the international reaction to Russia's invasion of Ukraine. However, in 2022, Beijing escalated military operations testing Taiwan's defenses, and the US military is not discounting the possibility that China will invade Taiwan in 2023.

Disruptive Technologies Hit Main Street

Technology innovation and deployment in 2023 will change Main Street, from widespread adoption of renewable power to Generative AI. Companies that invest in using advanced digital technologies will find themselves in a strong position to leverage the opportunities presented by the changing technological landscape.

While the opportunities of adopting metaverse-based virtual workspaces, quantum computing, green energy sources, robots and satellite connectivity will be abundant, so will the downside risks of uneven transitions and technology-empowered criminals, hackers and privacy-abusing authoritarian governments.

Energy is an area where the costs of uneven transition are already apparent. Global energy prices for fossil fuels were volatile in 2022, as regional and geopolitical conflicts restricted supply, and investment in new oil and gas sources were deterred by high of risks to return on investment. Many producers on the margin, seeing the future is in renewables, declined to bet on short term gains. Transition to electric vehicles similarly faces uncertain supply chains, from the availability of lithium and copper needed for batteries, to yet-to-be-figured-out economic model for charging stations.

If you thought 2022 was a bad year for businesses attacked by cyber criminals, put on your crash helmet for 2023. This year, the global annual cost of cyber crime is predicted to top \$8 trillion, according to a recent Cybersecurity Ventures report. Economic tightening has led to companies reducing the size of cyber security teams and if not actually cutting budgets, not increasing them to keep up with inflation. As preventive and remediation capabilities flatten out, bad actors with modest technical skills have access to powerful ransomware tools purchased on the dark web, making startup costs for malware-as-a-service less than \$100. Politically motivated cyber attacks are also on the upswing, with Russian-based groups

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

Top Risks to Business in 2023

targeting US and European companies in ransomware attacks in the new age of hybrid war. State-sponsored cyber espionage is also a growth industry. The US-China Economic and Security Review Commission's 2022 Annual Report to Congress assessed that Beijing's increasing reliance on cyber operations—to enable information warfare activities, conduct cyberespionage efforts and promote its national security interests by controlling cyberspace—“pose a serious threat to US government, business and critical infrastructure networks in the new and highly competitive cyber domain.” The report also stated that China is “developing sophisticated offensive cyber capabilities and perpetrating cyberespionage to steal foreign intellectual property at industrial scale.” China's cyber-related legislation “weaponizes the country's cybersecurity industry and research by requiring companies and researchers to submit all discovered software and hardware vulnerabilities to the government before providing them to the vendors that can patch them.”

Looking back to 2022

Making predictions is an inherently risky business. A review of Dentons' [“Top Six Business Risks for 2022”](#) shows we got it right. 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 intelligence and risk services from Dentons please contact us today.

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

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.

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.

Karl Hopkins

Partner and Global Chief Security Officer
Dentons
Washington, DC

D +1 202 408 9225
karl.hopkins@dentons.com

Melissa Mahle

Senior Analyst
Dentons
Washington, DC

D +1 202 408 6383
melissa.mahle@dentons.com