

Dentons Flashpoint

Daily Global Situation Report

July 15, 2022

Global Situation Update: July 15, 2022

KEY TAKEAWAYS

Last month was among Earth's warmest Junes ever recorded.

G20 finance leaders meet today in Bali, divided by the Ukraine war, amid rising economic pressures from soaring inflation.

The US and Israel signed a joint declaration pledging to deny Iran nuclear arms.

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WHAT WE'RE WATCHING

French officials are in Niger to redefine the country's strategy to fight Islamist militants in the Sahel after the military junta in neighboring Mali demanded the removal of France-led European Union special forces. The important visit will affirm that Niger is now the West's bulwark against jihadis and Russian influence in Africa.

Jihadists currently control large swathes of territory across the Sahel after coups in Mali, Chad and Burkina Faso weakened counter-terrorism ties between France and its former colonies. If international alliances struggle to stop the further encroachment of Islamist militants on West Africa, there could be negative impacts on everything from foreign direct investment to the breakdown of supply chains of key minerals from the region.



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

Global

A UN survey said 25 million children missed vaccinations to protect them from life-threatening diseases in 2021 because of the COVID-19 pandemic. The number was 2 million higher than in 2020.

- **G20 finance leaders** meet today in Bali, as host Indonesia tries to find common ground in a group divided by the Ukraine war amid rising economic pressures from soaring inflation. US Treasury Secretary Yellen said Russian officials had no place at meeting and called on the global community to hold Russia accountable for the war and its dramatic impact on energy prices and rising food insecurity.
- Last month was among Earth's **warmest Junes** ever recorded, according to data released by NASA and the National Oceanic and Atmospheric Administration.
- The US sought to facilitate Russian food and fertilizer exports by reassuring banks, shipping and insurance companies that such transactions would not breach Washington's sanctions on Moscow over its invasion of Ukraine. Enabling those Russian exports is a key part of attempts by the United Nations and Turkish officials to broker a package deal with Moscow that would also allow for **shipments of Ukraine grain** from the Black Sea port of Odesa.

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Markets & Business

Oil prices have fallen below \$95 a barrel for the first time since Russia invaded Ukraine, as fears of an impending global recession grip commodity markets.

- Elon Musk is facing scrutiny from securities regulators over whether he promptly disclosed his intention to terminate his \$44 billion deal to buy **Twitter Inc.**
- **Celsius Network LLC** has a roughly \$1.2 billion hole in its balance sheet, with the majority of its liabilities owed to the cryptocurrency lender's users. Celsius's terms of use raise questions about whether users may be able to recover their cryptocurrency deposits or collateral.
- Telecom firm **Ericsson** has received CFIUS clearance from the US to complete a \$6.2-billion acquisition of cloud communications firm **Vonage**.
- Saudi Arabia's sovereign wealth fund will become the second-largest shareholder of **Aston Martin** with a nearly 17 percent stake in a capital raise aimed at paying off debt and shoring up its business

Environment, Sustainability & Governance

EU countries are considering alternatives to an EU plan to use a carbon market reserve to help finance their exit from Russian gas, as some fear the proposal would undermine the bloc's main climate change policy.

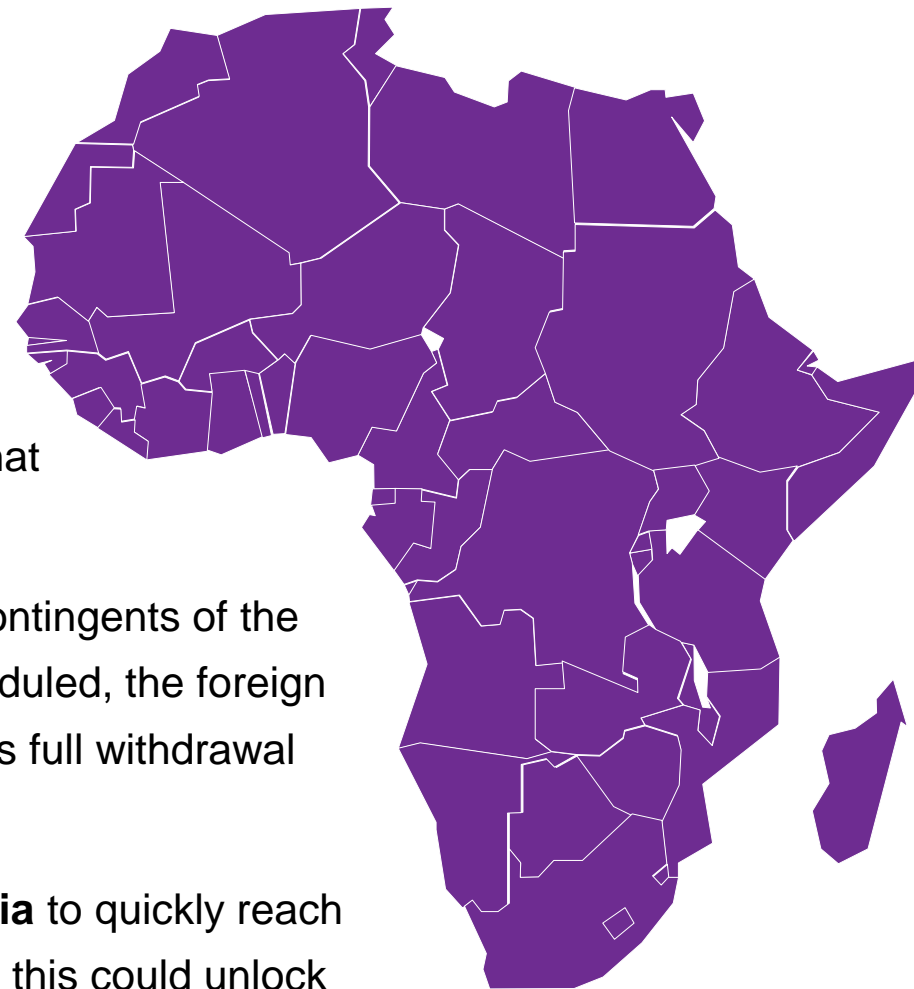
- Meta released its first annual **human rights report** on Thursday, following years of accusations that it turned a blind eye to online abuses that fueled real-world violence in places like India and Myanmar; the report, which covers due diligence performed in 2020 and 2021, includes a summary of a controversial human rights impact assessment of India.
- The Biden administration said it would pour \$56 million into programs aimed at spurring domestic **manufacturing of solar energy products**.
- New legislation approved by the Brazilian Congress reinstated a **tax advantage to biofuels** compared with fossil fuel.
- Global issuance of **bonds focused on environmental or social projects** fell in the first half of the year as supranational issuers scaled back activity and broad market sentiment was hit by war in Ukraine and rising interest rates.

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Africa

- ECOWAS declared that **Nigeria's** seven-month ban on accessing Twitter was illegal and called on Nigeria not to repeat the ban in the future. Nigeria reinstated Twitter earlier this year with the stipulation that Twitter comply with several content regulations.
- **Malian** authorities suspended all rotations of the military and police contingents of the United Nations Mission in Mali (UNMIS), including those already scheduled, the foreign ministry said in a statement. The move comes as France completes its full withdrawal from the country.
- The IMF called on creditor committees for **Chad, Ethiopia and Zambia** to quickly reach agreements with authorities to restructure the countries' debts, saying this could unlock IMF financing programs and disbursements for them.
- Southern African Development Community countries agreed on yesterday to extend their troop deployment in **Mozambique** for another month to help it fight an Islamic State-linked insurgency.

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Asia

- **Japan** warned that a new wave of COVID infections is gathering speed and urged people to take special care ahead of an approaching long weekend and school summer vacations.
- **China's** economic growth slowed sharply in the second quarter, highlighting the toll on activity from extensive COVID lockdowns.
- The Central Bank of **Myanmar** ordered companies and individual borrowers to suspend repayment of foreign loans, the latest in a series of steps to defend the nation's dwindling foreign exchange reserves.
- **Sri Lankan** president Gotabaya Rajapaksa submitted a letter of resignation yesterday, after fleeing to Singapore following mass protests over an economic meltdown. Talks with the IMF about a potential bailout loan have been interrupted by the latest government chaos.



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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:

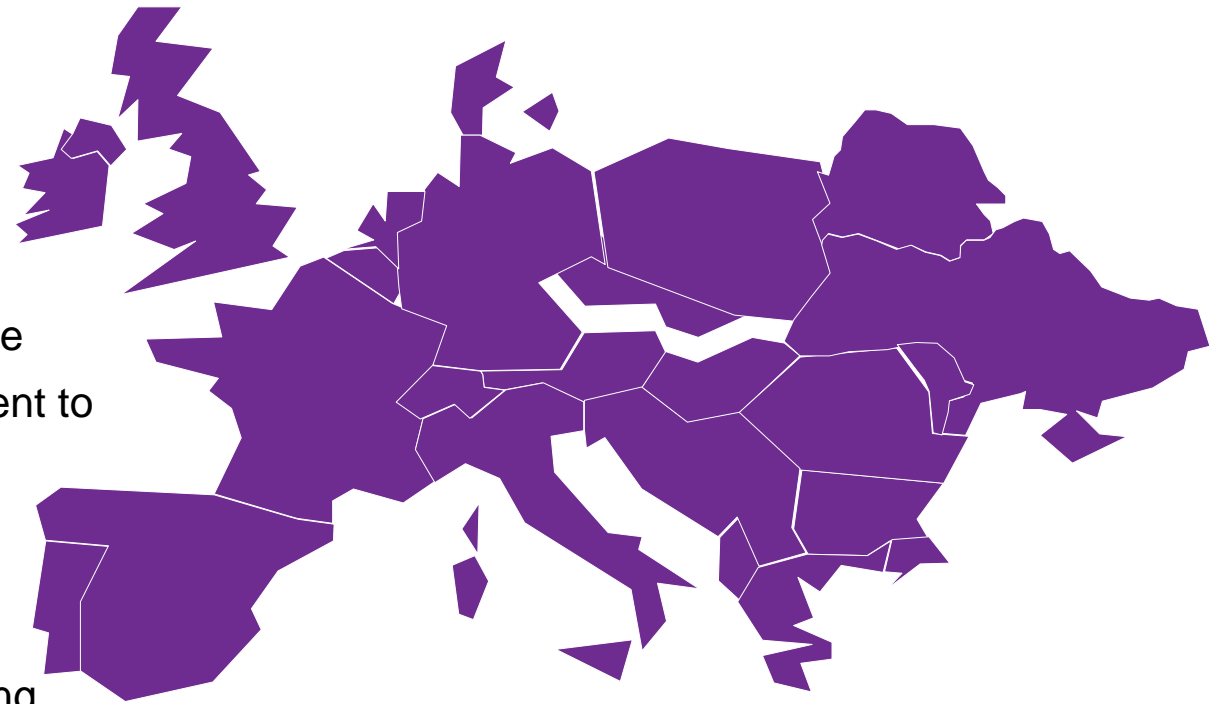
- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Europe

- The **Italian** head of state rejected the resignation of Prime Minister Mario Draghi and asked him to address parliament to get a clear picture of the political situation.
- The **European** Commission is set to adopt today its seventh package of sanctions against **Russia**, which will add a ban to the import of Russian gold and tweak existing restrictive measures to avoid hampering food exports.
- Hundreds more people were evacuated from their homes as wildfires continued to rage out of control in southwestern **France**. The fires have now burnt 7,300 hectares. Wildfires also raged across **Portugal, Spain and Croatia**.
- At the **Ukraine** Accountability Conference in The Hague, the International Criminal Court (ICC) and 45 countries have pledged stronger cooperation on prosecuting war crimes perpetrated by **Russia** in Ukraine. The countries also pledged \$20 million to assist the ICC, as well as the prosecutor general's office in Ukraine and United Nations support efforts.



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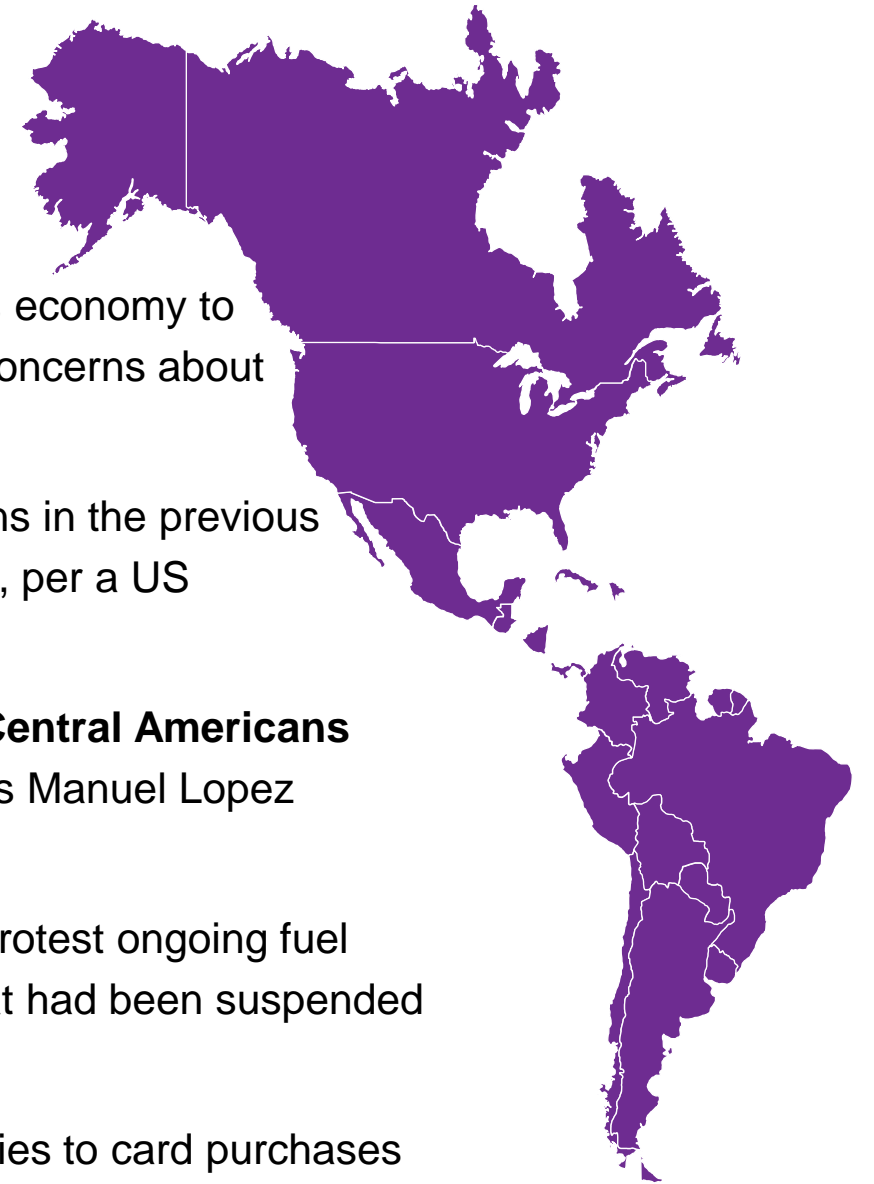
Middle East



- **Turkey** has resumed the back-and-forth transfer of **Syrian** mercenaries operating in Libya following the decision in late June to halt the transfer process until the end of 2022.
- **Saudi Arabia** reportedly more than doubled the amount of **Russian** fuel oil it imported in the second quarter to feed power stations to meet summer cooling demands and free up its own crude for export, despite Western calls to limit Russian oil purchases.
- During **US** President Biden's first visit to the Middle East, the leaders of **Israel, the UAE, the US and India** convened the first meeting of I2U2 forum to explore cooperation on clean energy and food security. Saudi Arabia announced it will open its airspace to all air carriers, paving the way for more overflights to and from Israel.
- **Israeli** Prime Minister Lapid and **US** President Biden signed a joint declaration pledging to deny **Iran** nuclear arms. In a speech, Biden pledged to keep the IRGC on the US terror list. Today, Biden meets with Palestinian President Abbas in the **West Bank** with offers of economic assistance, but no new plans to advance a political process with Israel.

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Americas



- **Peruvian** Finance Minister Graham said that he still expects the country's economy to grow 3.6 percent in 2022, reiterating an earlier forecast despite growing concerns about the potential for a worldwide economic slowdown.
- **Colombia's** potential cocaine output fell to 972 tons in 2021, from 994 tons in the previous year, and the size of coca crops, the drug's chief ingredient, also declined, per a US investigation.
- The **US** agreed to increase the number of work visas for **Mexicans and Central Americans** during high-level talks in Washington this week, Mexican President Andres Manuel Lopez Obrador said.
- **Haitian** demonstrators burned tires and blocked streets of the capital to protest ongoing fuel shortages even as the country's main fuel terminal renewed deliveries that had been suspended due to an outbreak of gang violence.
- The **Argentine** government raised by 10 percentage points the tax it applies to card purchases made abroad in foreign currency, as it sought to defend its already low level of reserves.

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Americas: US

- Experts say the risk of **reinfection from COVID-19** has increased due to the number of Americans who have had a first infection and the dropping of mitigation measures, like mask-wearing, across the country. Additionally, studies suggest that vaccines and previous infection do not offer as much protection against BA.5 compared to past variants.
- The number of Americans filing new claims for **unemployment** benefits increased to an eight-month high last week, suggesting some cooling in the labor market amid rising interest rates and tighter financial conditions.
- The Justice Department told prosecutors to step up their efforts to fight **crime on tribal lands**, where federal statistics have shown that Native Americans are victims of violence at more than twice the national rate.
- The House voted 329-101 to pass a massive annual **defense-policy bill** yesterday that would boost America's total national security budget for fiscal year 2023 to \$850.3 billion, tens of billions of dollars more than President Biden requested. The bill would give troops a 4.6 percent pay raise and provide a minimum 2.4 percent "*inflation bonus*" for military and civilian personnel who earn less than \$45,000 a year.

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Ukraine War Complicates Already Complicated Russia-Kazakhstan Relationship, Adding Risks to Global Oil Supply

Russia and Kazakhstan are engaged in a high stakes power struggle that is playing out through a seemingly operational dispute over environmental safety of the Caspian Pipeline Consortium (CPC).

Russia's oil regulator cited the pipeline operators for violations under the "Oil Spill Response Plan" and a district court in Novorossiysk (Russia's biggest Black Sea port) ordered the pipeline closed for 30 days as punishment for the offense. The CPC pipeline is the route for nearly all Kazakh oil exports. Kazakh oil makes up a relatively small percentage of European Union (EU) imports (around 6 percent); however, the Kazakh government in Nur-Sultan sees Europe as an attractive energy market due to proximity and hopes to increase market share as Europe cuts back on Russian oil. However, Moscow finds Kazakhstan's Tokayev government insufficiently attentive to Russian interests -- inappropriate for a country that Russia considers to be in the Kremlin's sphere of influence.

Kazakh Oil Exports and the Caspian Pipeline Troubles

Kazakhstan produces some 1.6 million bpd of oil, and exports about 80 percent of that volume, mostly through the CPC. The pipeline runs from the Kazakh oil field in Tengiz, westward into Russia and ends in Novorossiysk on the Black Sea. More than 50 percent of Nur-Sultan's monthly budget revenue depends on oil exports.

The CPC has been in operation for over 20 years with few operational problems. Yet, since the start of the Ukraine war, there have been three stoppages. The first was on March 22, when two loading buoys were allegedly damaged during a storm, shutting down operations for several weeks. However, German investigative reporters uncovered that there had been no storm and no apparent technical reason to cause the stoppage.

In June, a Russian seabed survey "*discovered*" a World War II mine, requiring closure of loading from two of the three buoys. The search for additional explosive devices kept them shut through July 15.

The July 5 shutdown order cited risk of oil spills. However, no oil spills have been reported. The company was given until November 30 to rectify the violations.

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On July 11, the Krasnodar regional court reversed the ruling, deciding that CPC should pay a 200,000 ruble (\$3,250) fine for alleged environmental violations instead of the one-month-long freeze.

Kremlin watchers assess these incidents have been manufactured in order to send a message to Kazakhstan's President Tokayev and the EU.

Kazakhstan's "Independent" Stance on the Ukraine War

Kazakhstan is a former state of the Soviet Union and current member of the Russian-controlled Collective Security Treaty Organization (CSTO). In January 2022, Russia deployed troops to Kazakhstan after the latter requested help from the CSTO due to civil unrest. Additionally, Moscow and Nur-Sultan have more than 60 bilateral agreements that regulate defense and military-technical cooperation.

This close military cooperation has not kept Kazakhstan from diversifying its trade partners. In 2015, Kazakhstan and the EU signed Enhanced Partnership and Cooperation Agreement which went into force in 2020 (after being ratified by all EU member states).

In 2020, the EU was Kazakhstan's biggest trade partner, accounting for almost 30 percent of total trade goods. The EU's top imports were energy and mining products. Kazakhstan also benefited from strong foreign direct investment flows from the EU. Even before the Ukraine war, Kazakhstan had adopted a strategic plan to expand energy exports to the EU.

Since the Russian invasion of Ukraine, President Tokayev has been trying to balance its interests with Russia and the EU. Tokayev has not criticized Russia, nor has he adopted pro-Kremlin stances. At the St. Petersburg Economic Forum, organized by Moscow last month, Tokayev stated that he did not intend to recognize the pro-Russian "republics" of Luhansk and Donetsk in eastern Ukraine as independent territories, and that he would heed Western sanctions against Moscow. Nur-Sultan has not imposed additional sanctions but does not want to become caught up in sanctions evasion, which would risk its economic relationship with the EU.

Temporary Pause but Risks Remain

Tokayev's reaction to the threat of a shutdown of oil exports was not to go to Moscow and negotiate terms. Instead, he reached out to

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Western oil companies and European leaders for an alternative export route for Kazakh crude that would bypass Russia, specifically leading along the Caspian Sea to Azerbaijan, where an existing pipeline connects the country with the Turkish Mediterranean port of Ceyhan. Kazakhstan already has access to the Baku-Tbilisi-Ceyhan pipeline, which is operated by a consortium of energy companies. The pipeline would need to be expanded to transport additional Kazakh crude, however, and that would take time. Kazakhstan could also increase exports through China.

The Russian court decision to reverse the shutdown has removed the immediate threat to the global oil supply, but risks remain. While Moscow denies any political agenda, Russia watchers assess that the Kremlin is using these targeted shutdowns as leverage against both Kazakhstan and the EU. The Kremlin may be playing a longer influence game to prime Kazakhstan to be more responsive to Moscow's requests, especially should Russia find that sanctions are cutting off needed imports that Kazakhstan could source and divert. Nur-Sultan has seen how Russia has wielded the trade weapon against other non-cooperative partners, such as Turkey over Syria.

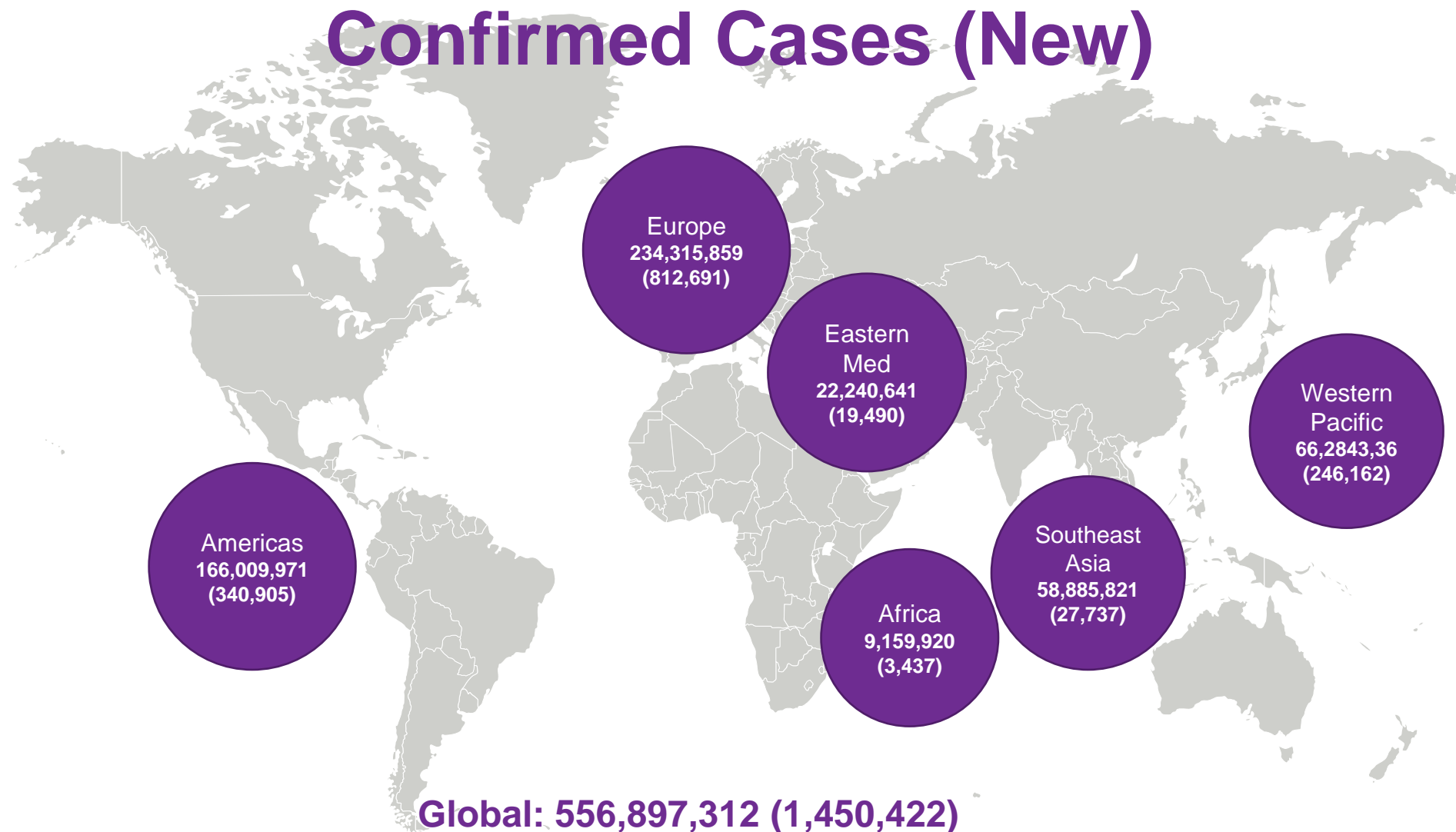
While an abrupt and prolonged cut off of Kazakh oil exports is not likely – absent some new development that causes the Kremlin to seek a dramatic escalation – additional periodic “*disruptions*” seem likely as Moscow continues to retaliate against Europe to deter new sanctions, such as the price cap currently under discussion by the G7.

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Coronavirus Condition Updates

As of 5:45 pm CEST on July 14, 2022

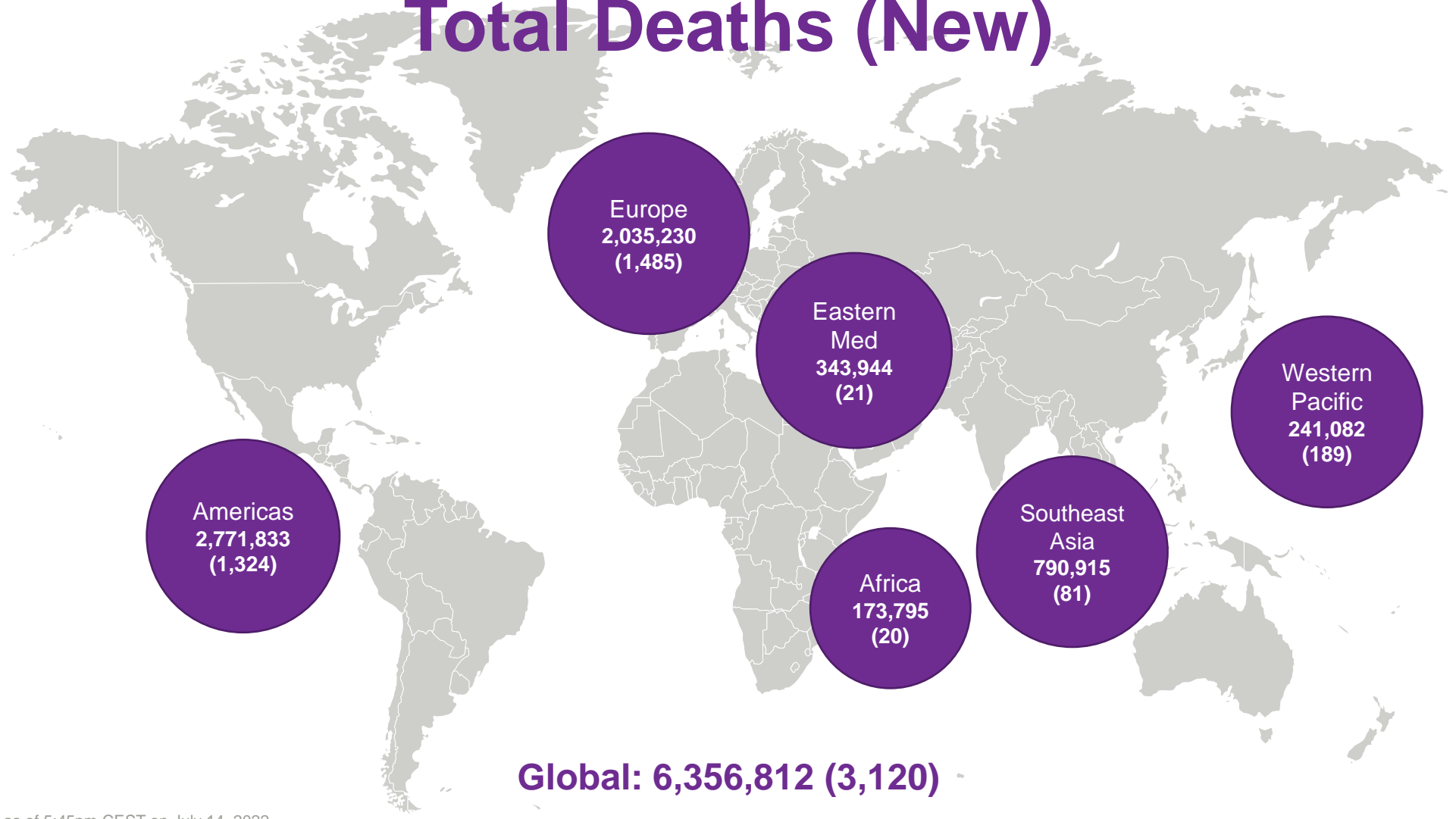
Confirmed Cases (New)



Reflects data as of 5:45pm CEST on July 14, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:45pm CEST on July 14, 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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