

Dentons Flashpoint

Daily Global Situation Report

July 6, 2022

Global Situation Update: July 6, 2022

KEY TAKEAWAYS

Canada became the first country to formally ratify Finland and Sweden's accession to NATO.

New cases of COVID-19 are once again on the rise in Europe.

UK Prime Minister Johnson's hold on power is slipping as dozens of ministers resign in protest of Johnson's conduct.

Global Situation Update: July 6, 2022

WHAT WE'RE WATCHING

The global energy crunch is worsening due to adverse weather and security challenges, and the likelihood of power shortages worldwide will increase in July. Rising global energy prices and higher input costs will sustain supply and cost pressures on power grids.

The likelihood of power outages will vary between and within countries. China and Japan are working to overcome energy shortages due to record heat, while others such as Pakistan and South Africa are facing their worst ever blackouts. Resource-rich Australia is meanwhile grappling with a coal power shortage. Companies should ensure that they have a good understanding of specific risks to power generation and grids in the areas where they operate.



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

Global

Food and energy security will figure prominently in a meeting of G20 foreign minister in Bali this week, with the US urging members to press Russia to support UN efforts to reopen sea lanes blocked by Moscow's war in Ukraine.

- Canada became the first country to formally ratify **Finland and Sweden's accession to NATO** in an accelerated process. The accession protocol needs to be ratified by the parliaments of all 30 NATO members before Finland and Sweden can be protected by the NATO defense clause.
- The head of the United Nations nuclear agency gave a sharp warning yesterday about **growing nuclear risks**, saying that Iran's activities risked a regional nuclear arms race and that Russia's occupation of Ukrainian nuclear sites threatened to imperil the agency's ability to ensure nuclear material was not being misused.

Markets & Business

The Norwegian government intervened to end a strike in the petroleum sector that had cut oil and gas output, ending a stalemate that could have worsened Europe's energy supply crunch.

- The British government has delayed for another two months its final judgment on whether to allow the acquisition of Britain's largest semiconductor plant **Newport Wafer Fab** by **Nexperia**, a Dutch subsidiary of Chinese company **Wingtech**.
- **Global corporate net debt** has fallen by 1.9 percent to \$8.15 trillion in the past year as higher borrowing costs reduce appetite for new financing and strong cash flows from years of accommodative monetary conditions help companies repay existing debt.
- Russia's former president Medvedev warned that a proposal from Japan to **cap the price of Russian oil** at around half its current level would lead to significantly less oil on the market and could push prices above \$300-\$400 a barrel.
- **Voyager Digital** filed for Chapter 11 bankruptcy, a week after the crypto lender suspended withdrawals, trading and deposits to its platform.
- **Amazon** has agreed to take a 2 percent stake in **Just Eat Takeaway.com's** US meal delivery business **Grubhub** and will offer its Prime members access to the service for one year.

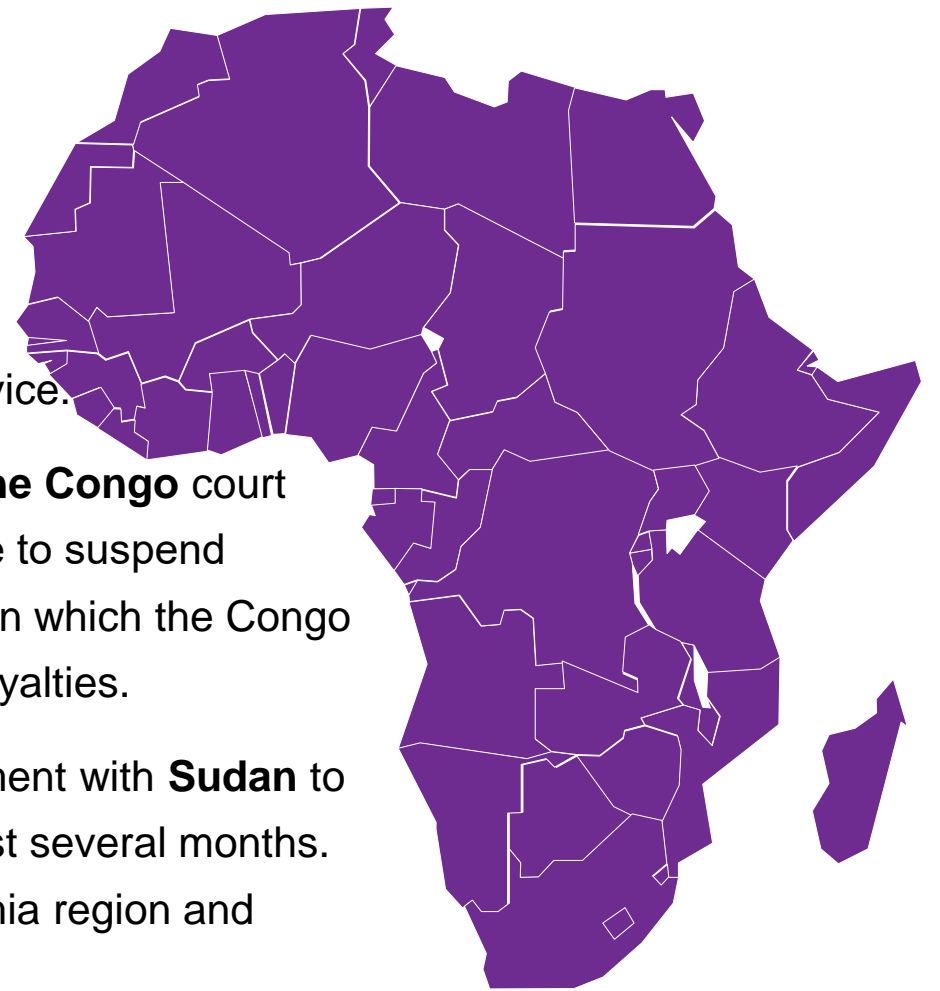
Environment, Sustainability & Governance

Environmental groups are suing the Dutch subsidiary of Air France KLM over an advertising campaign they allege breaches European consumer law by misleading the public over how sustainable its flights are.

- Ben & Jerry's sued its parent Unilever to block the sale of its Israeli business to a local licensee, saying it was inconsistent with its values to sell its ice cream in the occupied West Bank. Unilever had sought to distance itself from the contentious **boycott, divestment and sanctions debate**.
- Pfizer announced a series of new climate commitments, including goals to reach **net zero greenhouse gas** by 2040.
- **Renewable energy** accounted for 49 percent of **German power consumption** in the first half of 2022, up 6 percent percentage points from a year earlier thanks to favorable weather conditions, industry groups said.
- The Polish cabinet adopted legislation easing rules on the development of **wind farms**.

Africa

- At least two UN peacekeepers were killed and five wounded in northern **Mali** when a logistics convoy hit an improvised explosive device.
- A temporary administrator appointed by a **Democratic Republic of the Congo** court ordered the majority **Chinese** owner of the world's largest cobalt mine to suspend marketing and export of its production, an escalation of a legal battle in which the Congo has accused the Chinese firm of underestimating yield to underpay royalties.
- **Ethiopian** Prime Minister Ahmed said that he had reached an agreement with **Sudan** to settle a border dispute that has resulted in violent clashes over the last several months. Ahmed accused Oromo rebels of a new civilian massacre in the Oromia region and vowed to eliminate the rebel group.
- **Zimbabwe's** central bank said it would start selling gold coins this month as a store of value to tame runaway inflation, which has considerably weakened the local currency.



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

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](#).

Asia

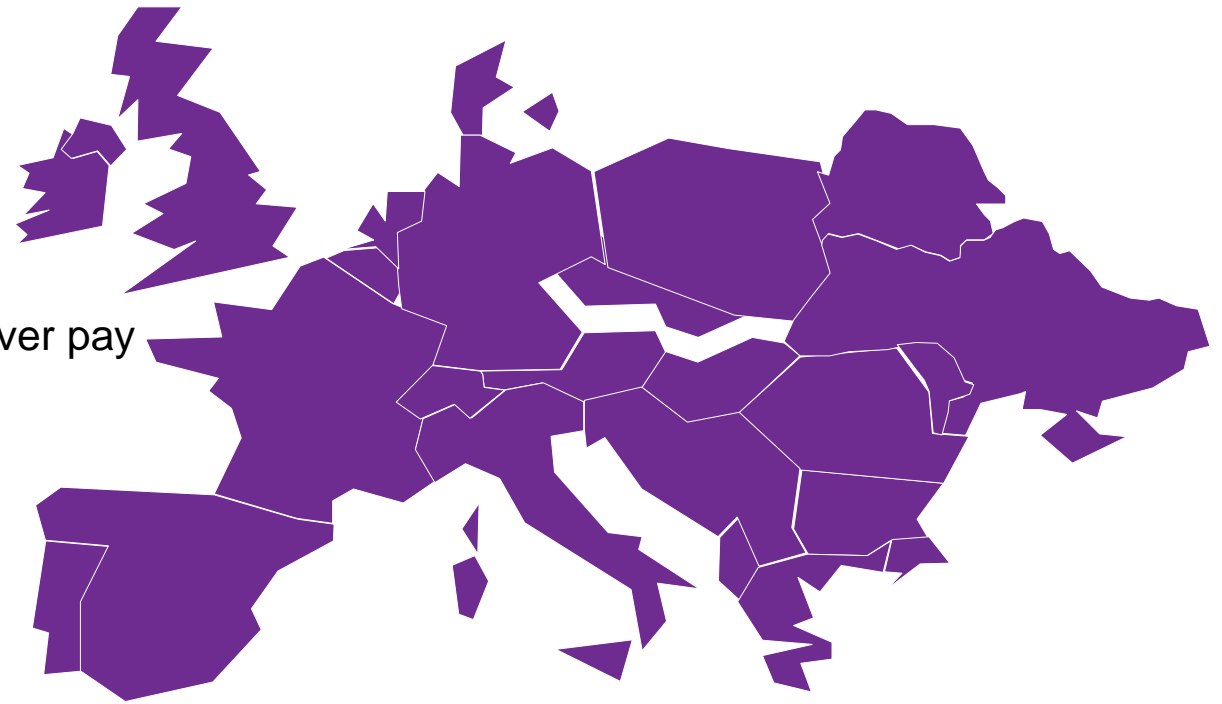
- Without notice, **North Korea** appears to have released water from a dam near its border with **South Korea**, prompting vacationers in the neighboring country to evacuate over rising water levels on the Imjin River. North Korea has been stepping up efforts to prevent flood damage from recent heavy rains.
- **China** plans to establish a state infrastructure investment fund worth 500 billion yuan (\$74.69 billion) to spur infrastructure spending and revive a flagging economy.
- Another 50,000 **Australian** residents in New South Wales, most in Sydney's western suburbs, have been told to either evacuate or warned they might receive evacuation orders, up from Monday's 30,000, as torrential rains increase flooding.
- The **Chinese** western city of Xi'an ordered entertainment venues to close and restaurants to suspend dine-in services for a week, while schools will start their summer vacation early, following the detection of the highly infectious BA.5 subvariant. Shanghai also reported several dozen new infections, raised the specter of another lockdown.



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

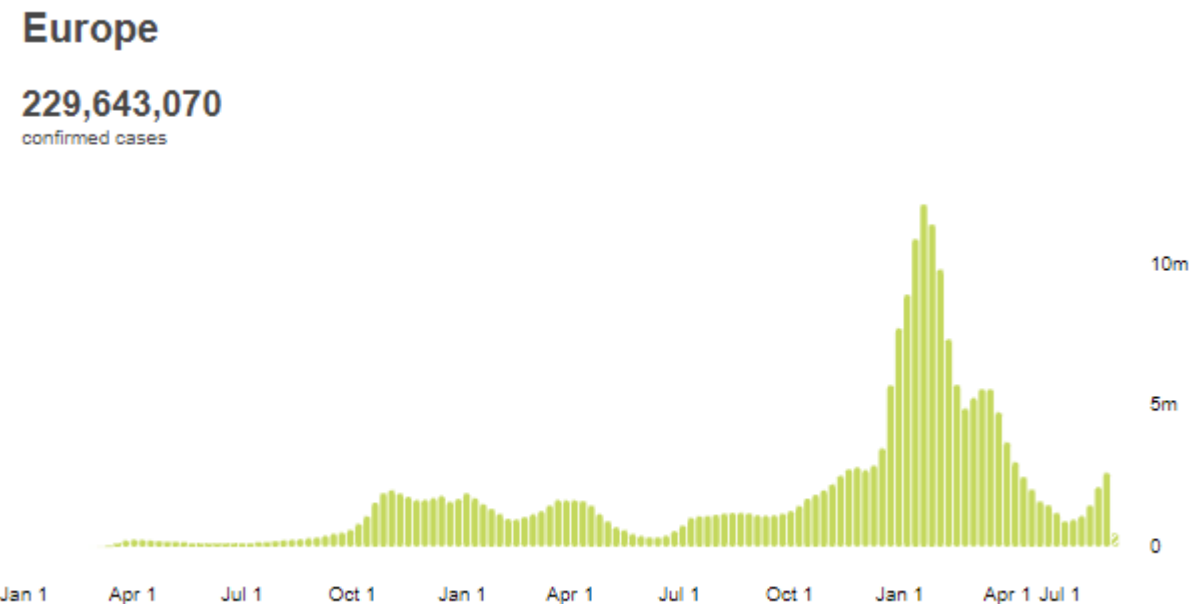
Europe

- Rail workers in **France** went on strike today, protesting over pay and conditions.
- **Italy** reported 132,274 COVID-19 cases on Tuesday, surpassing 100,000 for the first time since February 8.
- **British** Prime Minister Johnson is fighting for his political survival after finance minister Rishi Sunak and more than a dozen other ministers abruptly resigned yesterday and today, saying Johnson was not fit to govern. Johnson appointed Nadhim Zahawi as Sunak's replacement.
- **Ukraine** asked **Turkey** to help investigate three additional **Russian**-flagged ships as part of Kyiv's efforts to probe what it alleges is the theft of grain from Russian-occupied territory.
- The governor of Donetsk, the last remaining eastern province of **Ukraine** partially under Kyiv control, has urged more than 350,000 residents to flee. **Russian** troops are advancing toward the Donbas cities of Sloviansk and Kramatorsk.



Europe

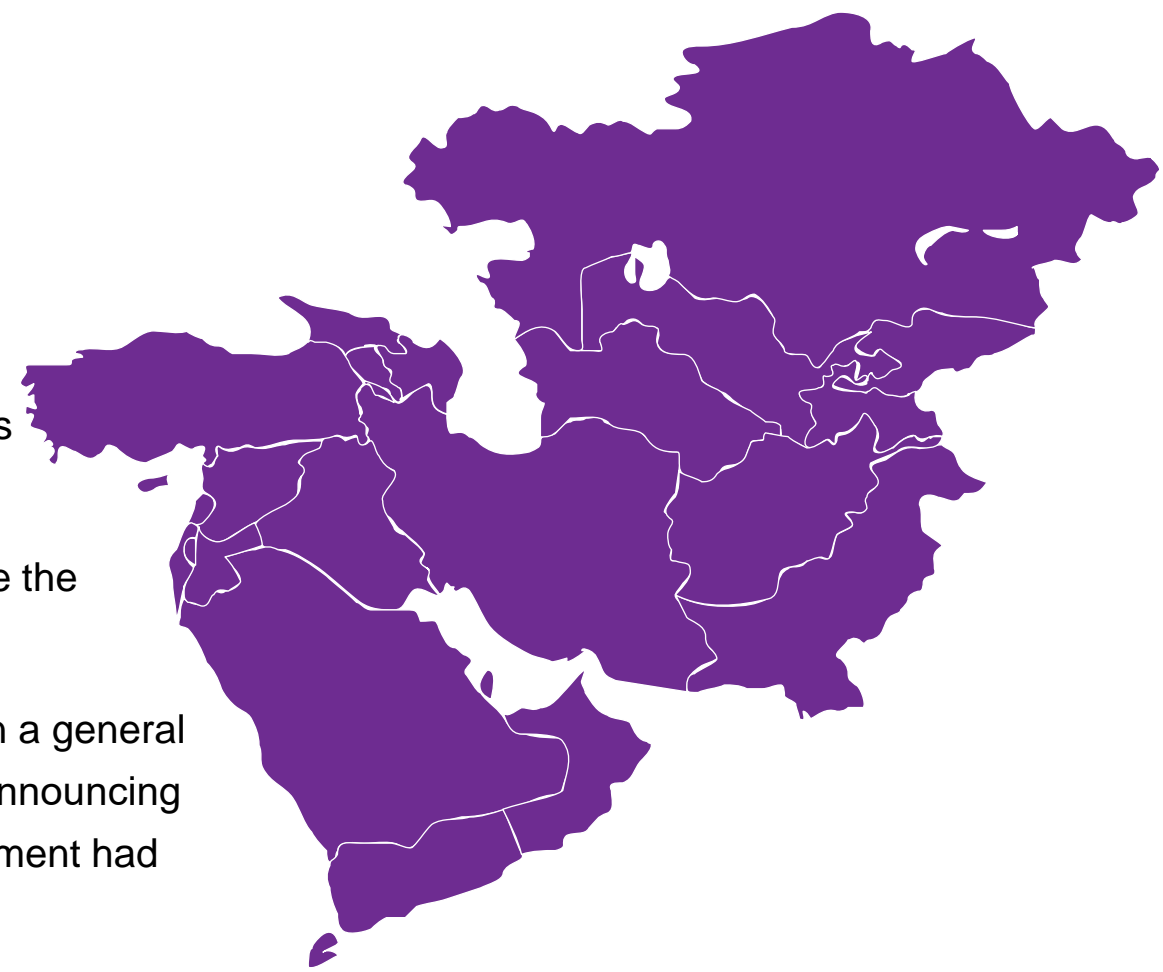
Omicron subvariants BA.4 and BA.5 are on the rise in the EU, spurring officials there to warn that a surge of COVID-19 cases will likely follow in the coming weeks. States are unlikely to impose new travel restrictions.



Source: WHO

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

Middle East



- **Israel's** defense minister said that **Iranian** ships have been increasing their presence in the Red Sea, entrenching themselves to the highest levels seen in a decade.
- **Algeria** opened its land border with **Tunisia** for the first time since the onset of the pandemic.
- **Libya's** Tripoli-based parliament announced that it had agreed on a general framework for resolving the country's political deadlock, without announcing the details of the deal or whether the opposing Sirte-based parliament had been involved.
- Over 1 million are expected in Mecca for the Hajj pilgrimage, the largest pilgrimage since the pandemic began and **Saudi Arabia** severely constrained the permitted number of worshipers.

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

Americas

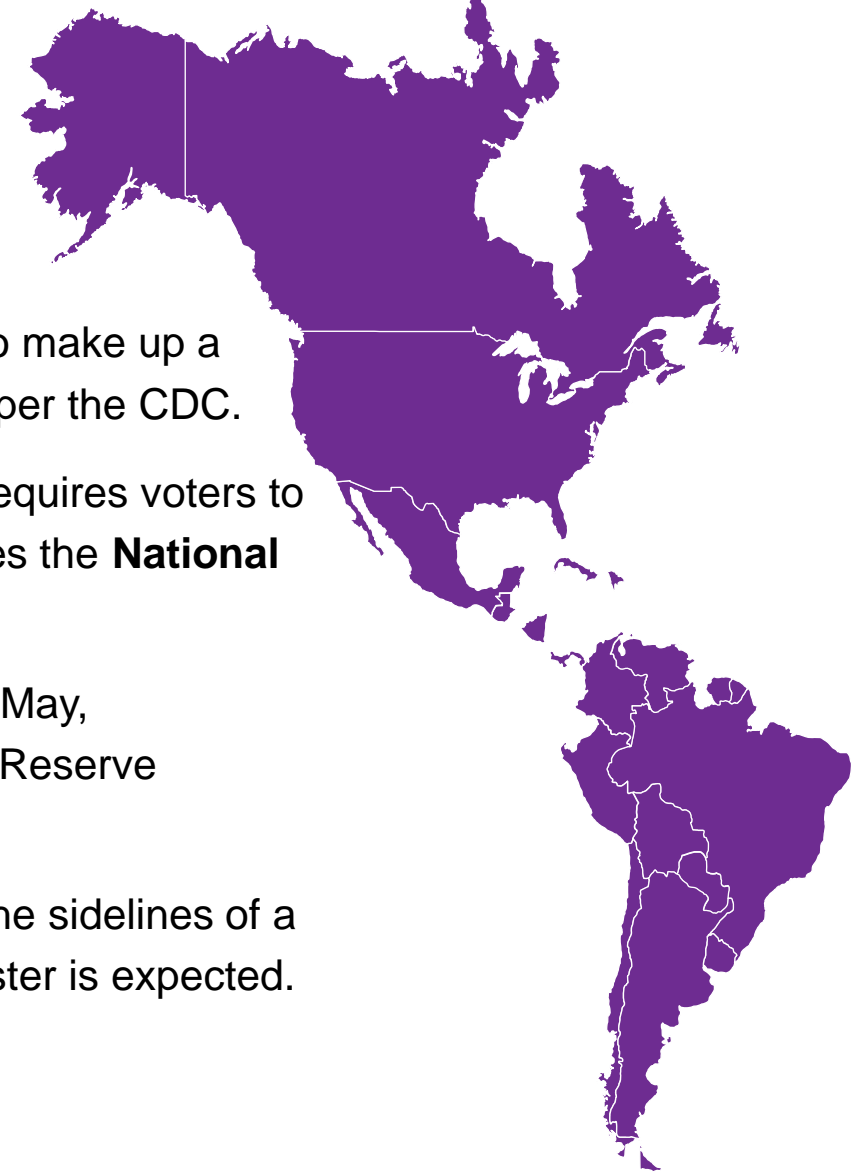
- **Ecuador's** President Lasso accepted the resignations of his ministers of transportation, economy and finances, and health, a move that was unexplained but likely linked to last week's agreement with protesters.
- **Argentina's** planned meeting with the Paris Club group of lenders will not be held today as planned following the surprise resignation of Argentina's finance minister this weekend. Argentina's closely watched black market peso rebounded from record lows, though sovereign bonds continued to plunge.
- **Mexico's** President Obrador introduced a bill eliminating daylight savings.



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 fast-spreading BA.4 and BA.5 sub-lineages of Omicron are estimated to make up a combined 70.1 percent of the **coronavirus variants** in the US as of July 2, per the CDC.
- The Justice Department sued the state of Arizona to block a state law that requires voters to provide proof of citizenship for some federal elections, saying the law violates the **National Voter Registration Act**.
- New orders for **US-manufactured goods** increased more than expected in May, underscoring that demand for products remains strong even as the Federal Reserve aggressively tightens financial conditions.
- Secretary of State Blinken will meet **Chinese** Foreign Minister Wang Yi on the sidelines of a G20 foreign ministers' gathering, but no meeting with **Russia's** foreign minister is expected.



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

Emerging and Existing Hotspots: Tensions in the Aegean Sea

By Matt Skros

A regional rivalry between Turkey and Greece has escalated in the past several months, heightening tensions and damaging already-fraught relations between the two Aegean powers. The risk of conflict will remain high amid escalating rhetoric, and weapons purchases by both sides raise the possibility of an arms race between Ankara and Athens.

While Greece and Turkey have long been regional rivals, tensions between Athens and Ankara in the Aegean Sea have increased over the past several months, heightening the risk of a clash between these two NATO allies. The crisis began when President Recep Tayyip Erdogan of Turkey announced that he had “written off” Greek Prime Minister Kyriakos Mitsotakis in late May over Mitsotakis’ lobbying against US military equipment sales to Turkey, apparently insinuating that he would no longer engage with the leader. Since Erdogan’s refusal to speak to his

Greek counterpart, the situation has spiraled into a war of words and military maneuvers, with Turkey halting bilateral talks and launching incursions into Greek airspace. Turkey claims that Greece has ignored historic treaties by militarizing islands in the Aegean, arguing that that militarization calls into question Greek sovereignty over those islands. The two countries have come to the brink of war before (in 1996 and 2020), and the risk of conflict in the Aegean will be heightened so long as this crisis continues to persist, presenting risks of fracturing the NATO-aligned bloc amidst the Ukraine War and impacting natural gas exploration in the Mediterranean. These tensions could also impact container shipping through the Aegean, worsening global supply chain problems. Finally, losses of tourism and impacts to the fishing industry will result from the crisis, compounding the economic impacts to the region.

While there are almost one thousand islands in the Aegean Sea, most are Greek territory, including some near Turkey’s mainland. Both nations have made competing claims over borders in the Aegean and have disagreed about the interpretation of some of the treaties that created those borders.

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

Emerging and Existing Hotspots: Tensions in the Aegean Sea

Under the terms of the Lausanne Treaty of 1923 defining the boundaries of Turkey and Greece, Greece was required to keep those islands demilitarized. Later, the Paris Peace Treaties of 1947 gave more islands to Greece, again with the demilitarization stipulation. Turkey recognizes these treaties, but Greece argues that the 1936 Montreux Convention giving Turkey the power to militarize the Aegean supersedes the original Lausanne treaty, thus relieving Greece of the obligation to keep its islands demilitarized. Greece has deployed military forces to some of these islands, including the ones near Turkey.

Greece and Turkey have also attempted to stretch the internationally recognized boundaries of the islands under their control. For example, Greece has claimed that the island of Kastellorizo, which is very close Turkey's coast, has an Exclusive Economic Zone extending 200 miles from its coastline, an assertion that cuts into Turkey's claimed zones. In some of its bilateral negotiations with other nations, Turkey has ignored some zones extending from Greek islands, including in a 2019 agreement with the UN-recognized Libyan government. The unresolved disagreements over Cyprus have also raised tensions, especially given the presence of large gas

deposits in the seabed off the island. Turkey attempted to survey for oil inside Greece's economic zone in 2020, leading to a naval standoff.

During his May 2022 visit to Washington, Prime Minister Mitsotakis lobbied Biden Administration officials and Congressional lawmakers to reject an F-16 sale to Turkey while also decrying Turkish incursions into Greek airspace in a speech before a joint session of Congress. This led Erdogan to remark that, "*Mitsotakis no longer exists for me,*" and that he, "*will never agree to meet him.*" Turkish Foreign Minister Cavusoglu issued a statement accusing Greece of violating the historic treaties, saying that, "*If Greece does not change its position, then the sovereignty of these islands is debatable.*" The breakdown in communications between the leaders raises the possibility of a miscalculation, increasing the risks of a clash between the two sides, although all-out war between Turkey and Greece remains unlikely.

Greece has likely watched the war in Ukraine with trepidation, heightening their fear of an aggressive Turkish neighbor acting against their territory. Greece has responded by strengthening ties

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

Emerging and Existing Hotspots: Tensions in the Aegean Sea

with Washington and bolstering its military, including by making an official request to buy twenty F-35 fighter jets from the US. Turkey likely fears a US-Greek alliance designed to counter Turkish regional ambitions. Ankara, too, has taken steps to improve its military posture through an F-16 purchase from the US. However, Congressional opposition to that F-16 sale could impede its completion.

While the risk of a large armed conflict between Greece and Turkey remains low, the tension between two NATO allies could not come at a worse time for the alliance as it attempts to project a unified front in support of Ukraine. Turkey has been keeping a delicate balancing act with regards to the war in Ukraine, and many world leaders likely fear that a more forceful posture in support of Greece might tip Turkey and Erdogan away from their stance of “pro-Kyiv” neutrality. The tensions will also impact oil and gas exploration opportunities, as the Eastern Mediterranean is becoming a sought-after spot to hunt for natural gas. Container shipping through the Sea into the Greek port of Thessaloniki could be affected along with tourist and fishing activity, adding to the economic repercussions. Moreover, if both sides attempt to buy weapons from the United States in

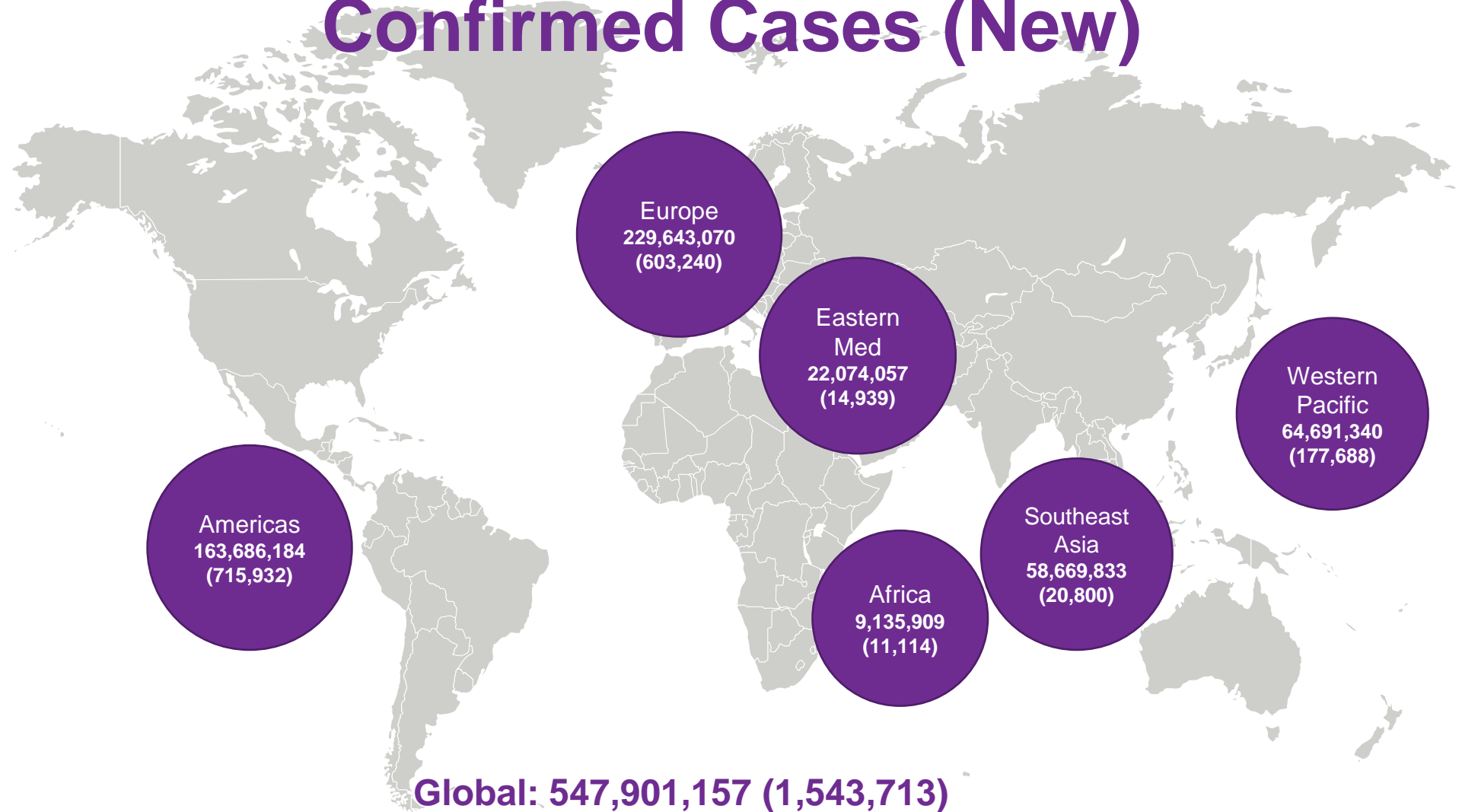
response to the crisis, an arms race could ensue. While NATO has called for Greece and Turkey to avoid escalation and the European Union has called for Turkey to act “*constructively*,” the longer Greek and Turkish leaders do not speak to one another, the higher the possibility of the crisis further spiraling will be. Additionally, with Turkey’s elections coming up and President Erdogan’s past use of foreign policy to shore up domestic support, such rhetoric from Ankara may continue in the lead up to the 2023 poll.

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

Coronavirus Condition Updates

As of 5:52 pm CEST on July 5, 2022

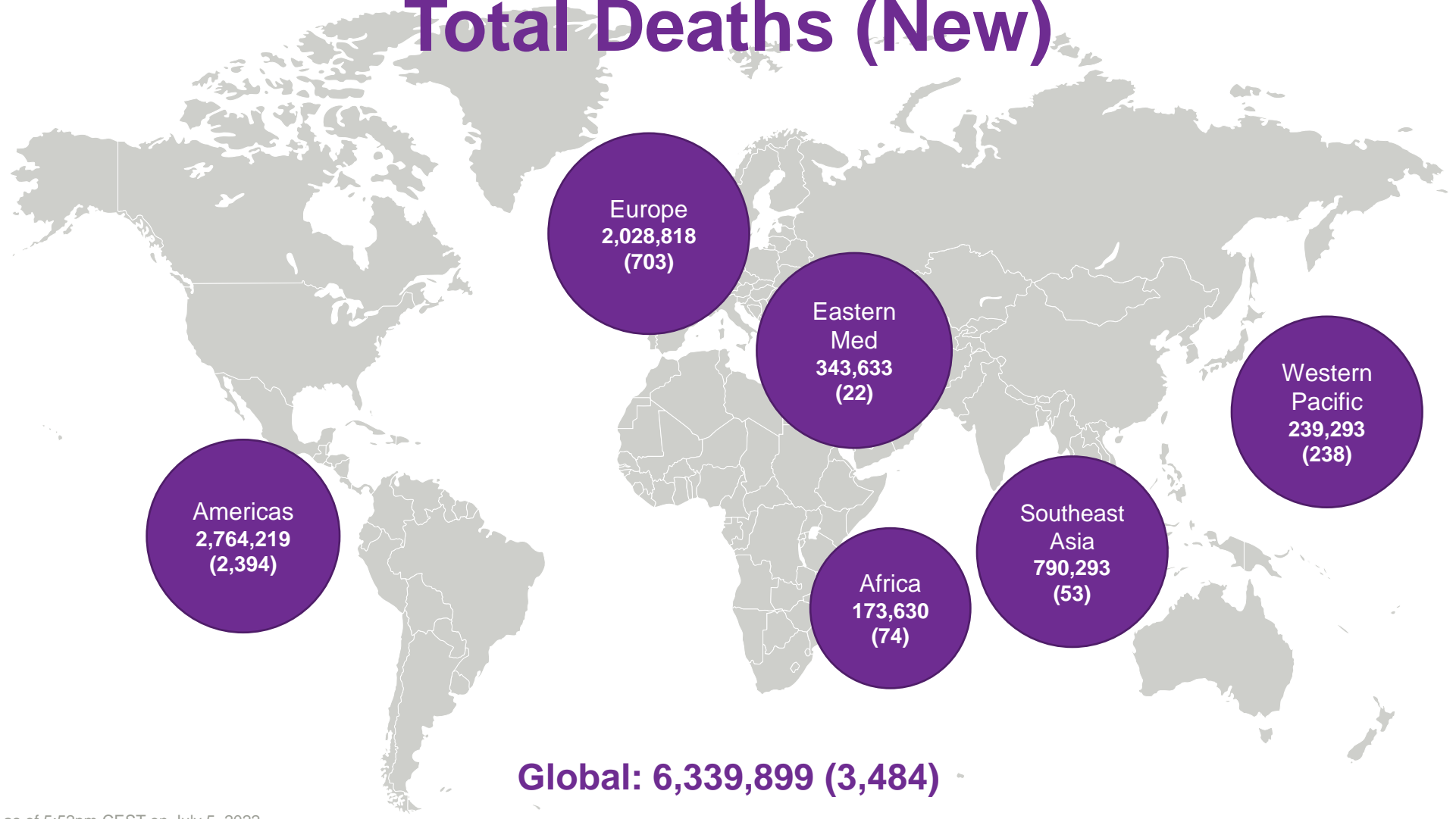
Confirmed Cases (New)



Reflects data as of 5:52pm CEST on July 5, 2022.
Data Source: World Health Organization

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

Total Deaths (New)



Reflects data as of 5:52pm CEST on July 5, 2022.
Data Source: World Health Organization

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, 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.

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