

Dentons Flashpoint

Daily Global Situation Report

May 23, 2022

Global Situation Update: May 23, 2022

KEY TAKEAWAYS

The US launches the Indo-Pacific Economic Framework with 13 founding countries.

Australia's Labor Party won the national election, ending a decade of conservative rule.

Chinese authorities lockdown a key commercial area of the Shanghai's financial hub finding new COVID-19 cases.

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WHAT WE'RE WATCHING

An outbreak of Monkeypox continues across the world, with over 100 suspected human cases identified in at least 12 countries, mostly in Africa, Europe, and North America. Monkeypox is a poxvirus from the same family as smallpox and there are existing vaccines and treatments available to help curb the outbreak. However, it is not yet certain what is behind the human-to-human spread of monkeypox, an animal borne virus.

The World Health Organization held an emergency meeting on the outbreak last Friday and warned that the rare disease could accelerate as cases spread across Europe, with more than 100 already detected there. People usually recover within two to four weeks without needing to be hospitalized, but the disease is occasionally deadly.

Monkeypox Cases Reported to WHO (as of 21 May)

Country	Confirmed	Suspected
Australia	1-5	-
Belgium	1-5	1-5
Canada	1-5	11-20
France	1-5	1-5
Germany	1-5	-
Italy	1-5	-
Netherlands	1-5	-
Portugal	21-30	-
Spain	21-30	6-10
Sweden	1-5	-
United Kingdom	21-30	-
United States of America	1-5	-
Total	92	28

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

Global

The number of displaced people in the world has surpassed 100 million for the first time, per UN High Commissioner for Refugees Grandi.

- The **Ukrainian** government has ruled out a **ceasefire** with Moscow, saying it would play into the Kremlin's hands.
- **Ukraine's grain exports** could reach 1.5 million tons in May compared with around 1 million tons in April, according to the Ukrainian Agrarian Business Club Association, citing establishment of alternative routes to export grain.
- Representatives of the US, Canada, New Zealand, Japan and Australia walked out of an **Asia-Pacific Economic Cooperation (APEC) meeting** in the Thai capital, Bangkok, in protest at Russia's invasion of Ukraine.

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Markets & Business

The European Central Bank is likely to raise its deposit rate out of negative territory by the end of September and could lift it further if it sees inflation stabilizing at 2 percent, per ECB President Lagarde.

- International Energy Agency chief Birol warned that the **energy security** crisis since Russia's invasion of Ukraine must not lead to a deeper dependence on fossil fuels, arguing that the right investments, especially in **renewable energy and nuclear power**, mean the world need not choose between energy shortages and accelerated climate change due to fossil fuel emissions.
- The UAE's biggest oil company **ADNOC** and **Borealis AG** are seeking to raise \$2 billion from an initial public offering of their chemicals joint venture in Abu Dhabi, set to be the biggest ever listing in the emirate.
- The US Securities and Exchange commission fined **Wells Fargo Advisors** \$7 million to settle charges of anti-money laundering related violations related to failure to file at least 34 Suspicious Activity Reports (SARs) in a timely manner between April 2017 and October 2021.
- Global private equity firm **General Atlantic** plans to invest \$2 billion into India and Southeast Asia over the next two years after falling valuations made the region's startups more attractive.

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Environment, Sustainability & Governance

Japanese Prime Minister Kishida pledged to require big firms to disclose wage gaps between men and women as a centerpiece of his "*new capitalism*" agenda.

- Insurance firm Swiss Re and banking giant UBS are among five founding buyers of credits from a scheme set up by a Swiss company to drive down the cost of **taking carbon dioxide out of the atmosphere.**
- HSBC Holdings suspended its head of responsible investing pending an internal investigation after he said central bank policymakers and other global authorities are exaggerating the **financial risks of climate change**, per the *Financial Times*.
- Danish engineering group Topsoe plans to build Europe's biggest plant making electrolyzers - machines that produce the **green hydrogen** considered a cornerstone of the shift to cleaner energy.
- British chief **executives' pay** is on track to exceed their employees' median earnings by more than before the COVID-19 pandemic as profits and executive bonuses rebound, per a report from Britain's High Pay Centre.

Africa

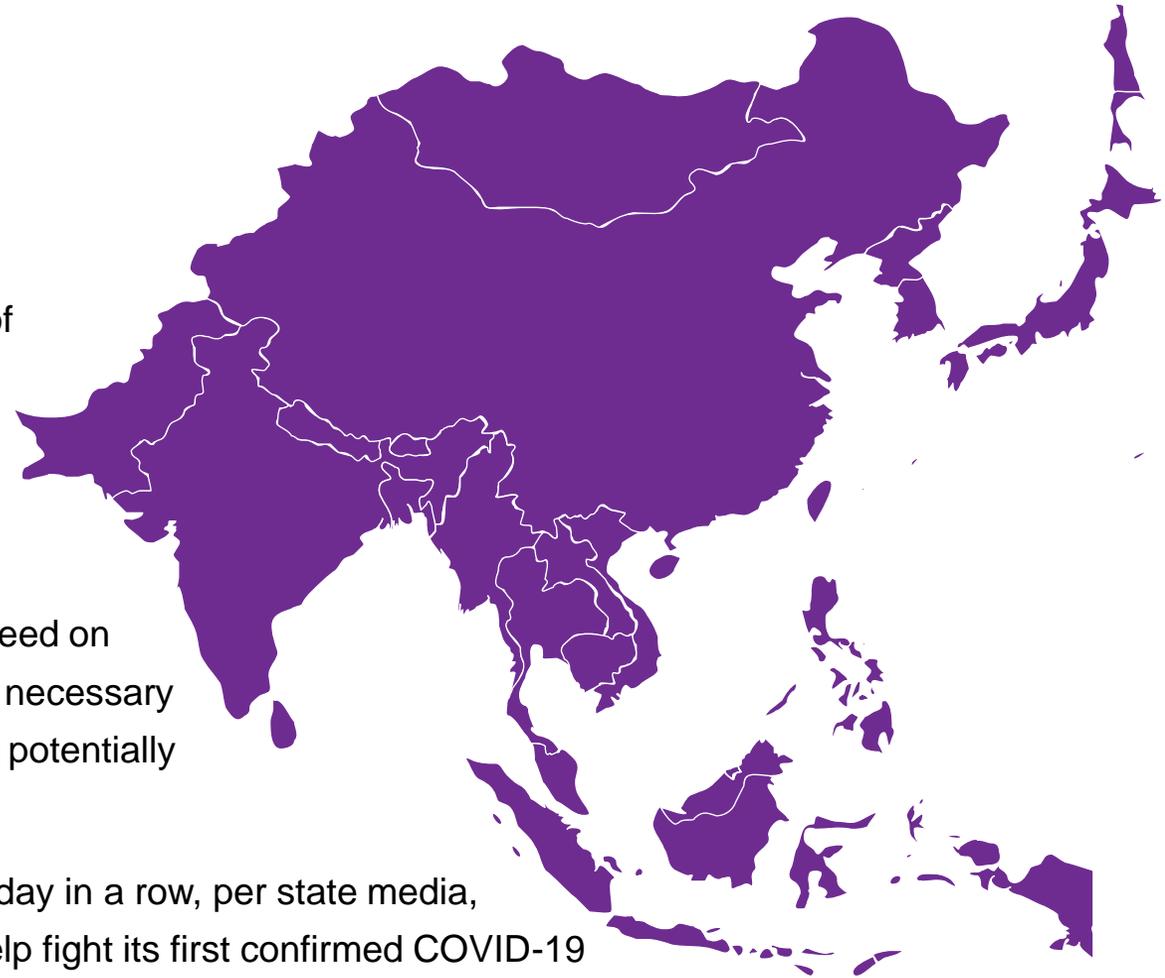
- A prominent **Ethiopian** general, Brigadier General Tefera Mamo, critical of Prime Minister Abiy Ahmed's government appeared in court on Friday after being detained this week, amid the arrests of some ethnic Amhara political activists and journalists. BGen. Tefera Mamo commanded the Amhara region's forces until February
- Armed men kidnapped an **Italian** couple and their son in southern **Mali**, their church said on Friday, as violence spreads in a country ravaged by an Islamist insurgency.
- The **African** Development Bank has approved a \$1.5 billion emergency food production facility for 20 million farmers on the continent to avert a looming food crisis brought on by **Russia's** invasion of **Ukraine**.
- Starting a three-day tour of **Africa**, **German** Chancellor Scholz spoke of the impact of **Ukraine's** war on the continent, saying Berlin would help restore Ukraine's grain exports from Europe to avoid a worsening food crisis.



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Asia

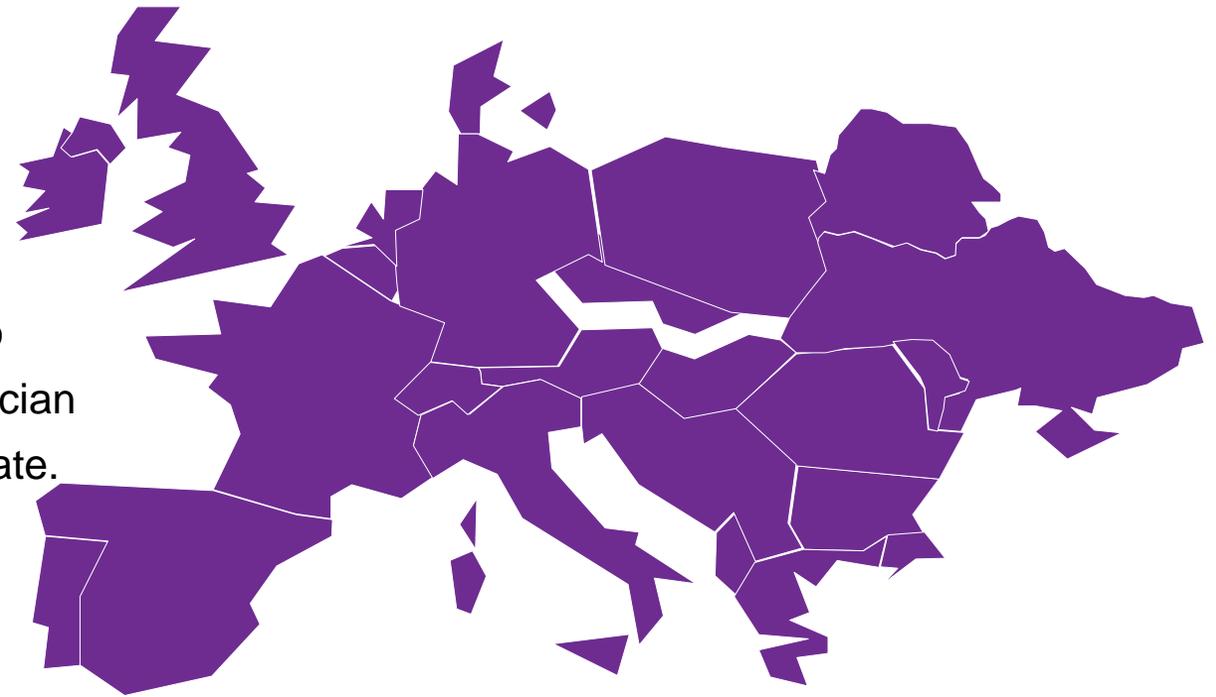
- **Australia's** Labor Party won the national election, ending a decade of conservative rule. Incoming Prime Minister Albanese pledged there will be no major change in **China** policy under his government, while the government will put greater focus on relations with **Southeast Asia** and climate change.
- **South Korean** President Yoon Suk-yeol and **US** President Biden agreed on Saturday to hold larger military drills and deploy more US weapons if necessary to deter **North Korea**, while offering to send COVID-19 vaccines and potentially meet Kim Jong Un.
- **North Korea's** daily fever cases stayed below 200,000 for a second day in a row, per state media, as Pyongyang remained silent on **South Korean and US** offers to help fight its first confirmed COVID-19 outbreak. The death toll rose by one to 66.
- **Chinese** authorities extended work-from-home guidance for many of its 22 million Beijing residents. Shanghai's central Jingan district, a key commercial area of the Chinese financial hub, is requiring all supermarkets and shops to shut and residents to stay home until at least Tuesday while residents undergo COVID-19 testing.



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Europe

- Thousands gathered for a rally in Istanbul on Saturday to protest the conviction of leading **Turkish** opposition politician Canan Kaftancioglu for insulting the president and the state. Kaftancioglu is the leader of the Republican People's Party's (CHP) Istanbul branch.
- **Spain** is sweltering as temperatures soar above May average, with the national weather service reporting that average temperatures in Jaen, Andalusia were 16C higher than normal for this time of year. Elsewhere in Spain, temperatures were at least 7C higher than usual.
- The leaders of **Azerbaijan and Armenia** met on Sunday in Brussels to discuss a peace plan for Nagorno-Karabakh that has stoked a wave of protests in Yerevan over opposition claims that Armenian Prime Minister Pashinyan is being too soft.



How do You Manage Incident Response?

2021 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.

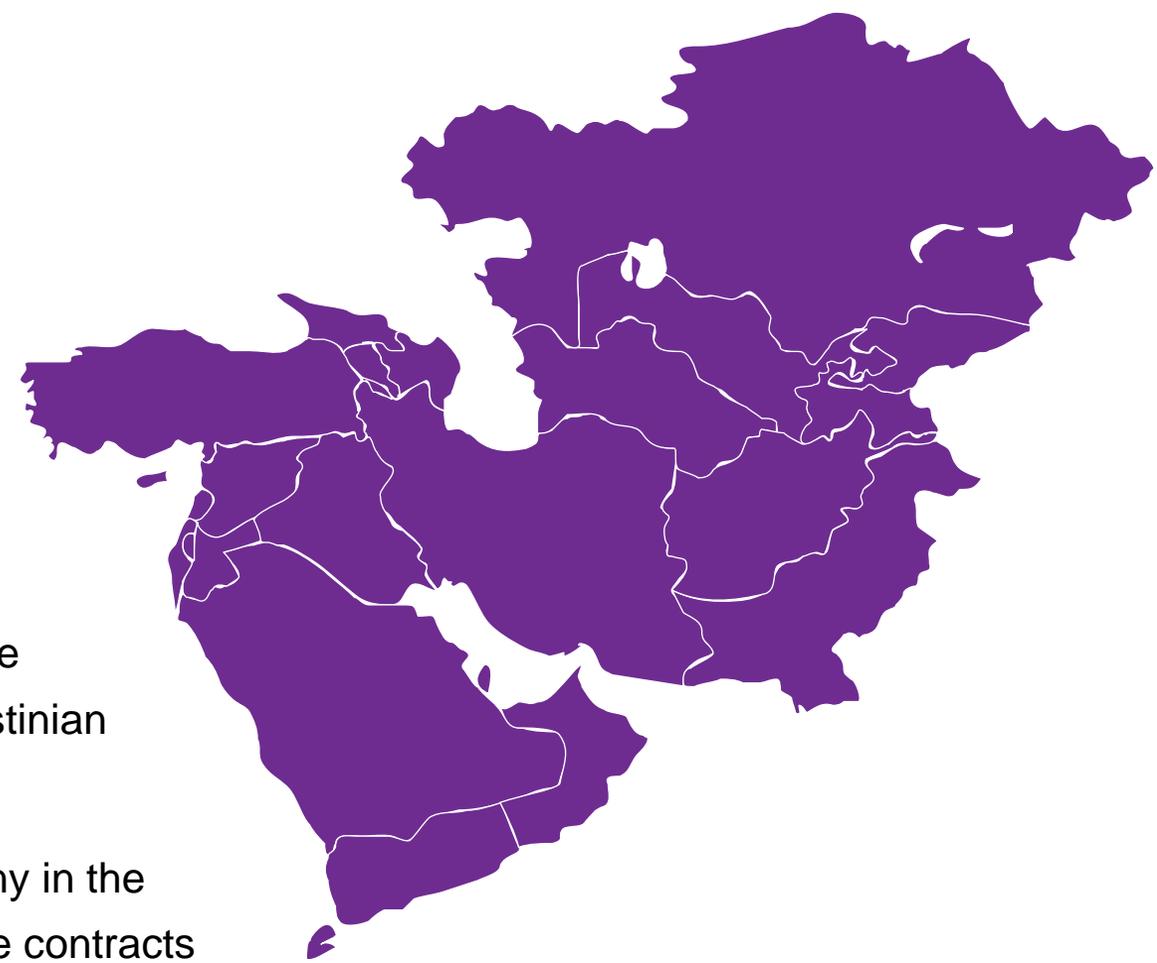
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

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

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

Middle East

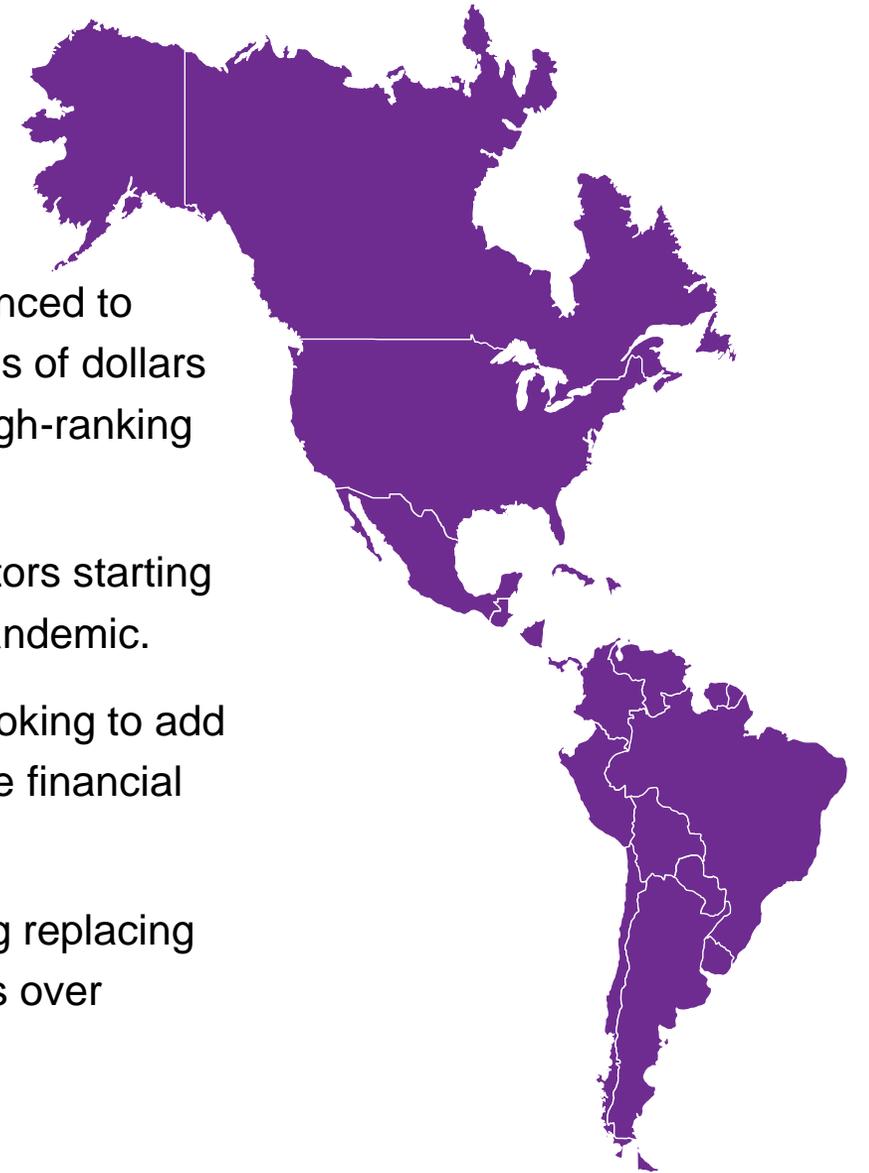


- **Tunisia's** political parties pledged to fight President Saied's decision to exclude them from key political reforms including the drafting of a new constitution, accusing him of seeking to consolidate autocratic rule.
- Over the weekend, Palestinian-Israeli clashes continued in the **West Bank** town of Jenin, with Israeli forces shooting a Palestinian teen throwing firebombs at Israeli troops.
- **Iraq's** federal government aims to establish a new oil company in the Kurdistan region, in an effort to force the transfer of oil service contracts from the Kurdistan Regional Government to the federal government.
- **Iran's** Revolutionary Guards said on Sunday that one of its officers, Colonel Sayad Khodai, was killed in a rare assassination in Tehran.

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Americas

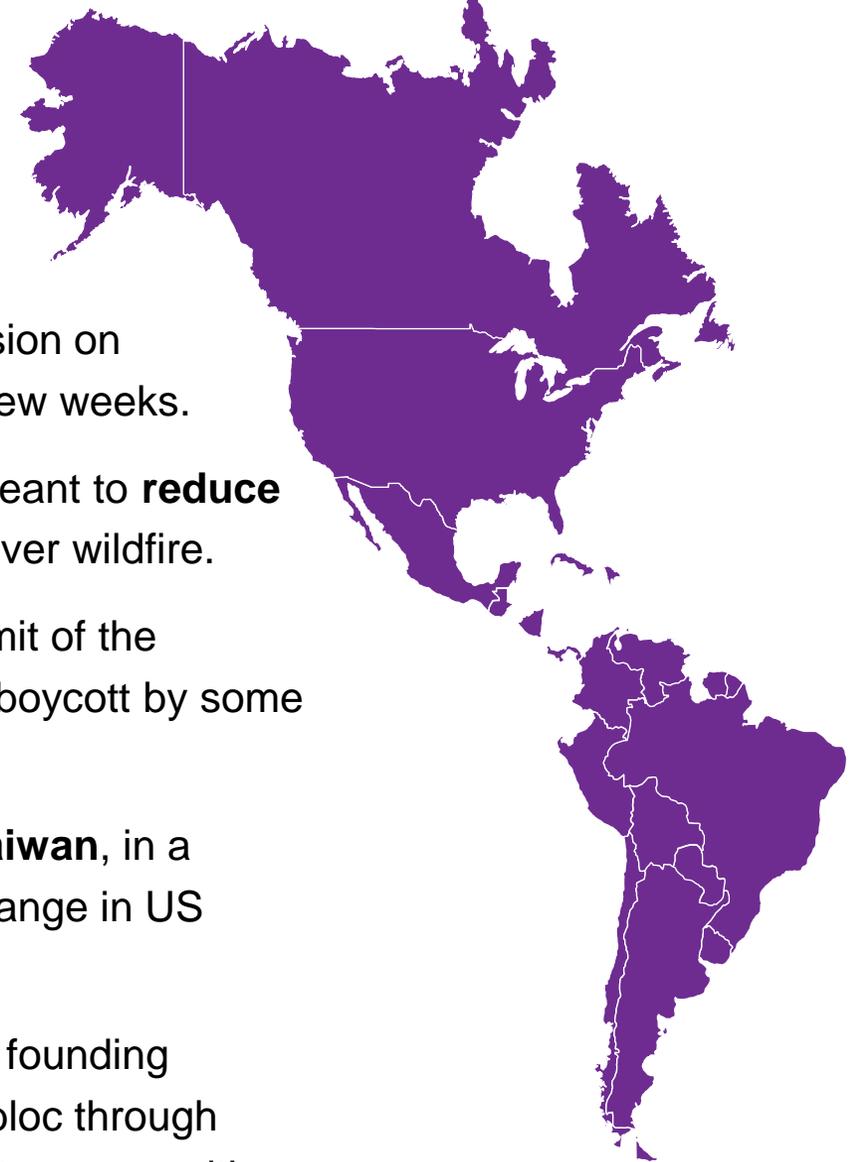
- Two sons of former **Panamanian** President Ricardo Martinelli were sentenced to three-year prison terms on Friday in a **US** court for helping launder millions of dollars in bribe payments that Brazilian construction firm Odebrecht made to a high-ranking Panamanian official.
- Easter Island, one of **Chile's** biggest tourist attractions, will reopen to visitors starting August 1 after access was restricted at the beginning of the COVID-19 pandemic.
- **Mexico** and the **UK** have agreed to launch talks over a free trade deal, looking to add services to its current agreement as well as aiming to increase trade in the financial and digital sectors.
- **Peru's** President Castillo shuffled his Cabinet over the weekend, including replacing the interior minister and the important mining minister amid rising tensions over protests in the world's second largest copper producing country.



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Americas: US

- White House COVID-19 response coordinator Dr. Jha expects an FDA decision on authorizing Moderna's **vaccine for children** under age five within the next few weeks.
- The Forest Service called a temporary nationwide halt to controlled burns meant to **reduce fire risk** after the agency accidentally started part of New Mexico's largest ever wildfire.
- The US considering inviting a **Cuban** representative to the US-hosted Summit of the Americas, as Washington scrambled to head off a potentially embarrassing boycott by some regional leaders.
- President Biden, in Tokyo, said he would be willing to use force to defend **Taiwan**, in a series of critical comments about China that an aide said represented no change in US policy.
- President Biden launched the **Indo-Pacific Economic Framework**, with 13 founding countries. The Framework targets unlocking of trade potential in a regional bloc through establishment of shared trade standards, as opposed to offering new market access, with the political goal of pushing back against Chinese trade practices.



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Indo-Pacific Economic Framework: A Trade Deal or Political Challenge to China?

US President Joe Biden is launching the Indo-Pacific Economic Framework (IPEF) today on his first tour of Asia as president. The US has spent the past year consulting with Indo-Pacific allies to shape the framework, building anticipation for its launch and implementation. However, mixed messaging has led to confusion over US intentions and the specific goals of this unusual trade proposal. While US trade stakeholders see the benefits of establishing rules of the road, regional partners are asking ‘where’s the beef?’

IPEF is Not a Free Trade Agreement

IPEF will consist of four “pillars” of work: 1) fair and resilient trade (encompassing seven subtopics, including labor, environmental, and digital standards); 2) supply chain resilience; 3) infrastructure, clean energy, and decarbonization; and 4) tax and anti-corruption. The first pillar will be led by the US Trade Representative office (USTR) and the latter three by the Commerce Department. The US was planning on having the launch this week begin negotiations on these pillars with agreements to be reached over the next 18 months in time for the US-hosted Asia-Pacific Economic Cooperation (APEC) Leaders’ Meeting in November 2023.

Regional allies can select the pillars in which they want to participate. Initial response has been positive in terms of seeing a return of American leadership to the region. The decision by the US to walk away from the Trans-Pacific Partnership free trade agreement – an ambitious regional trade proposal negotiated by the Obama Administration – left the region doubting US commitment. The TPP went on to become the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) signed by 11 Asian-Pacific countries, representing 13 percent of global trade. Member countries include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam with the UK, Ecuador, Taiwan and China seeking to join.

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Indo-Pacific Economic Framework: A Trade Deal or Political Challenge to China?

The Obama Administration launched the TPP not only to open up trade to the region, but to establish standards for free trade, pushing back against what was perceived as China's predatory trade practices. The TPP was meant to be the counterpoint of the Chinese-led Regional Comprehensive Economic Partnership (RCEP). US domestic politics and growing trade protectionism sentiment have rendered free trade agreements unwelcome in Washington, with neither political party supporting market access policies seen to eliminate American jobs without creating new sources of wealth for the middle class.

The IPEF is intended to be an affirmative partnership to promote shared economic interests. However, the IPEF does not include terms for access to the US market because it is not a free trade agreement. The IPEF, instead, is a series of US "asks" for countries to agree to standards in an inclusive Indo-Pacific market, which will unlock trade by reducing non-tariff barriers. While this sounds positive in principle, in practice, many of the regional countries do not see the benefits. With the exclusion of market access terms, some regional partners are concerned that the IPEF is primarily a political endeavor meant to counter China, rather than a sincere and

thoughtful economic policy integration initiative. This perception of an anti-China agenda is a deterrent for some South and Southeast Asian countries who want to deepen economic relationships with both the US and China.

Inclusiveness versus Gold Standards

In order for the IPEF to be successful, according to trade experts, it needs to be inclusive. Promoting a regional trading bloc cannot be achieved by an agreement between the countries which already have robust trade with the US and each other, such as Australia, New Zealand, Japan, South Korea and Singapore, and who are largely aligned with the US on the rules, standards, and norms for the issues of IPEF focus. The inclusion of other regional economies, especially the large emerging markets of the Association of Southeast Asian Nations (ASEAN), will be necessary to build a comprehensive economic framework that can influence the overall region. The inclusion of Vietnam, Indonesia, and Thailand is seen as key – but IPEF offers these emerging markets many risks and few tangible benefits without the accompaniment of increased market access outcomes.

Indo-Pacific Economic Framework: A Trade Deal or Political Challenge to China?

A political agreement is not sufficient, given other options on offer by new regional trade agreements such as the RCEP and financing mechanisms through China's Belt and Road Initiative (BRI). Many of the standards championed by the US will likely trigger opposition within different countries' domestic politics, such as labor and environmental requirements, or require a change in local laws, such as those regulating data localization requirements or a commitment to free cross-border data flows.

The alternative is for the US to seek to partner with a smaller group of Indo-Pacific countries whose policies are already in general alignment and who see benefit in a formal codification of high trade practice standards, particularly in the digital economy, to advance a more open and interoperable market. However, a small group defeats the purpose of creating a regional trading block under a high set of common standards that can anchor the region's development to the existing norms and standards set by liberal democracies – and not the revisionist vision of China.

But the challenge is not really choosing between inclusiveness and standards but finding a balance so that the IPEF has enough

benefits – or prospect for benefits – to draw in key stakeholders. Some western economists suggest that the US focus on trade facilitation that targets administrative barriers impeding trade. Trade facilitation has also been a key priority of the region and has been a standing policy priority for ASEAN for decades. The US could, for example, offer inclusion in Authorized Economic Operator (AEO)/Trusted Trader programs, which verify that the authorized participant maintains an adequate level of supply chain security so that the customs screenings for exports and imports can be expedited. What many of the countries in the region hope is that the benefit of the IPEF will be bringing the US one step closer to joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

In the launch, Biden identified 13 founding participants: Australia, Brunei, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, Vietnam and the US. Neither Taiwan nor China are included. The founding countries will start negotiations on what standards they wish to abide by, how they will be enforced, whether their domestic legislatures will need to ratify them and how to consider potential future members.

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Ukraine War Update: Ukraine Rejects Ceasefire, Russia pounds Donbas and Mykolaiv regions, Zelensky Addresses Davos

The Ukrainian government has ruled out a ceasefire with Moscow, saying it would play into the Kremlin's hands. Italian Foreign Minister Luigi Di Maio, on Friday, submitted a peace plan for Ukraine to UN Secretary-General Guterres. According to Di Maio, the plan calls for local cease-fires to evacuate civilians along humanitarian corridors and create the conditions for a general cease-fire leading "to a long-lasting peace."

Political Developments

With the Ukraine war about to enter its fourth month, the country's parliament prolonged general mobilization for another 90 days. Martial law will also stay in effect at least until August 23.

During a visit to Kyiv, Polish President Duda told Ukrainian lawmakers he supported Ukraine joining the EU. Ukraine and Poland agreed to establish a joint border customs control and work on a shared railway company to ease the movement of people and increase Ukraine's exports.

The US Defense Department is organizing a video conference for the Ukraine contact group with some 40 countries expected to attend the event hosted.

Representatives of the US, Canada, New Zealand, Japan and Australia walked out of an Asia-Pacific Economic Cooperation (APEC) meeting in the Thai capital, Bangkok, in protest at Russia's invasion of Ukraine.

Russia published a list of 963 Americans banned from entering the country, including previously announced moves against President Joe Biden and other top. Separately, the Foreign Ministry said it had added 26 new names to a list of Canadians it has barred from travelling to Russia, including defense chiefs, defense industry executives and Sophie Gregoire Trudeau, the wife of Prime Minister Justin Trudeau.

The crowd at a rock concert in St. Petersburg was recorded chanting an anti-war slogan on Friday, causing a stir in a country where media

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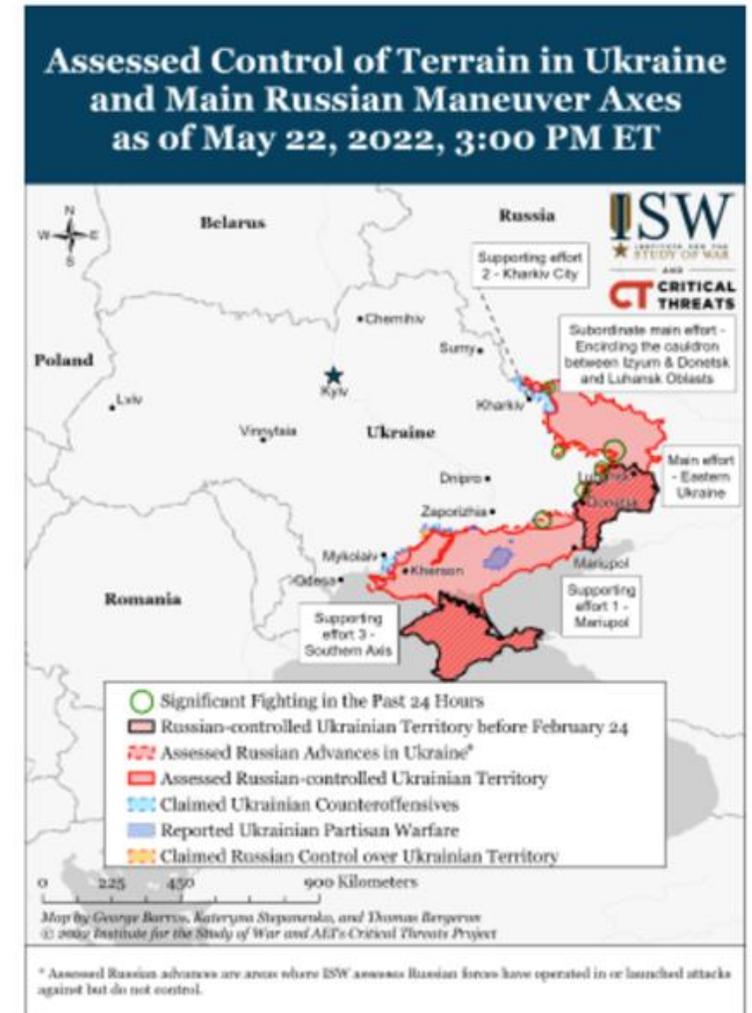
is banned from using words like "war" and "invasion" to describe Russia's attack on Ukraine.

Battlefield Developments

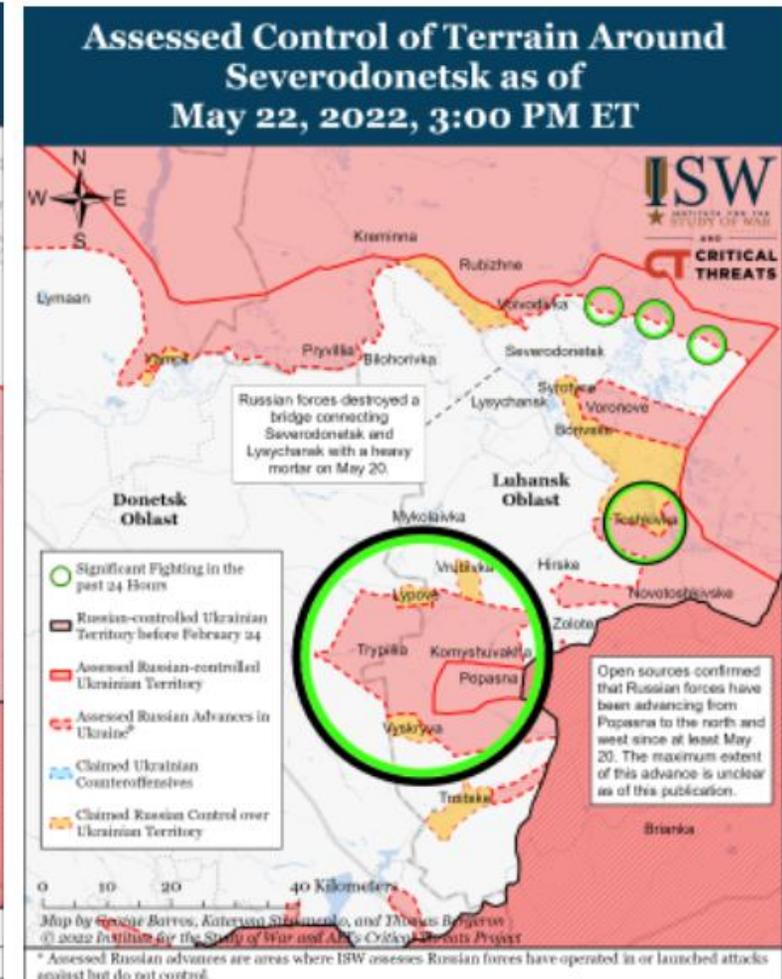
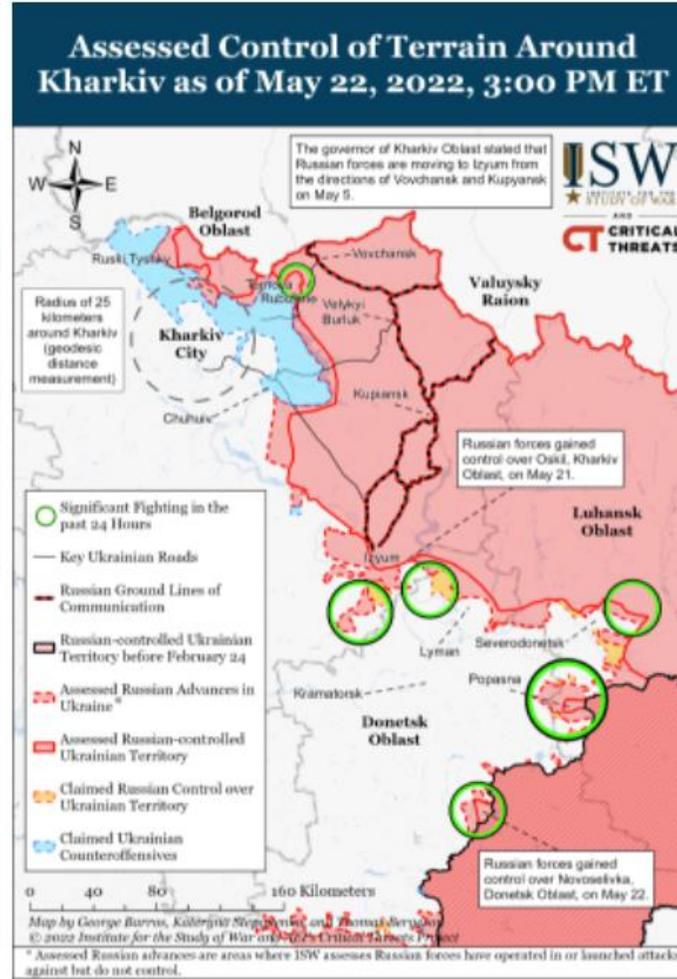
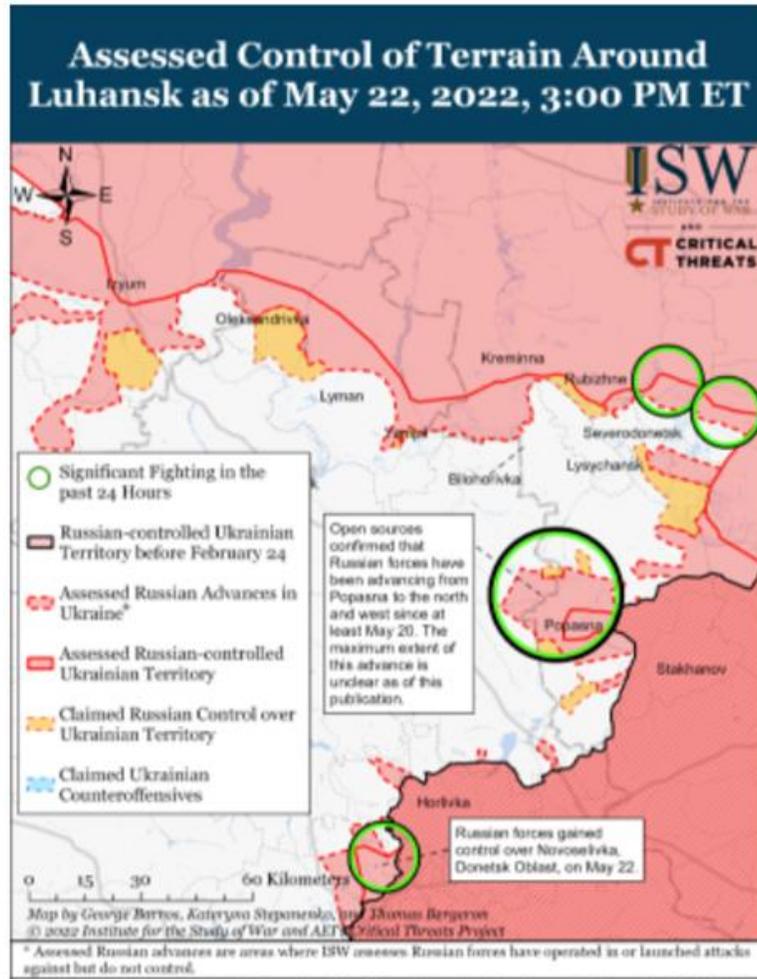
Over the weekend, Russia increased attacks on the Donbas and Mykolaiv regions with air strikes and artillery fire, in what Ukraine has described as a "scorched-earth" strategy to win control of the eastern front. Russian forces hit Ukrainian forces at several locations in eastern and southern Ukraine, targeting command centers, troops and ammunition depots with airstrikes and artillery, per Russia's Ministry of Defense. Russian Defense Ministry also claimed that Russian forces had successfully targeted a Ukrainian military transport rail station in the town of Malyn in the Zhytomyr region. Ukrainian sources reported the bombing of the town Sunday night.

According to the UK Ministry of Defense, the Severodonetsk area in Ukraine's eastern Donbas region is one of Russia's "immediate tactical priorities," with Moscow's only operational company of BMP-Terminator tank support vehicles likely to have been deployed there. The presence of the vehicles suggests that the Central Grouping of Forces, which tried to take Kyiv in the early days of Russia's invasion, is involved in the operation. However, it said the Terminators, designed for urban combat, were too few in number to significantly aid Russian military efforts. The UK Ministry of Defense also assessed Russia has likely lost as many soldiers during the first three months of the Ukraine war as the Soviet Union lost during its nine-year intervention in Afghanistan.

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Ukraine War Update: Ukraine Rejects Ceasefire, Russia pounds Donbas and Mykolaiv regions, Zelensky Addresses Davos



Source: [Institute for the Study of War](https://www.instituteforthestudyofwar.org/)

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Ukraine War Update: Ukraine Rejects Ceasefire, Russia pounds Donbas and Mykolaiv regions, Zelensky Addresses Davos

Institute for the Study of War (ISW) noted that Ukrainian sources confirmed that Russian forces have secured local advances to the north and west of Popasna since at least May 20. Russian forces likely seek to push further west toward Bakhmut and north to support the encirclement of Severodonetsk but remain unlikely to achieve rapid advances. ISW also assessed Russian forces will likely attempt to hold positions west of the Siverskyi Donets River against Ukrainian attacks (rather than retreating across the river) to prevent further Ukrainian advances from threatening Russian lines of communication to Izyum.

Moscow is nearing full control of the separatist region of Lugansk in eastern Ukraine, according to Russian Defense Minister Shoigu. Russian soldiers started cleared mines and debris on the industrial grounds of the Azovstal steelworks in Mariupol over the weekend after taking full control of the city.

Humanitarian Developments

The UN's refugee agency, UNHCR, reported that more than 6.4 million people have left Ukraine since Russia began its invasion on February 24. Most have gone to Poland, which has taken in 3.4

million people from Ukraine. Romania, Russia and Hungary were the other main destinations for refugees from Ukraine. Germany, the Czech Republic and Italy were the non-neighboring countries that had taken in the most Ukrainian refugees.

Economic Developments

Ukrainian President Zelensky addressed the opening session of the World Economic Forum in Davos with a video address. World Economic Forum president Brende called for a "Marshall Plan" to rebuild Ukraine just ahead the start of the annual meeting.

Ukraine's grain exports could reach 1.5 million tons in May compared with around 1 million tons in April, according to the Ukrainian Agrarian Business Club Association, citing establishment of alternative routes to export grain.

Biden signed a bill providing Ukraine with \$40 billion (€38 billion) in aid to help fund its war effort amid the Russian invasion.

German Chancellor Olaf Scholz has called upon former Chancellor Gerhard Schröder to cease all support for Russian companies. This

Ukraine War Update: Ukraine Rejects Ceasefire, Russia pounds Donbas and Mykolaiv regions, Zelensky Addresses Davos

comes after Schröder stepped down from his role on the board of Russian energy company Rosneft under immense pressure in Germany.

Poland decided to terminate an intergovernmental agreement with Russia on the Yamal gas pipeline. Termination of the contract comes after Russia halted supplies to Poland last month, breaching the contract.

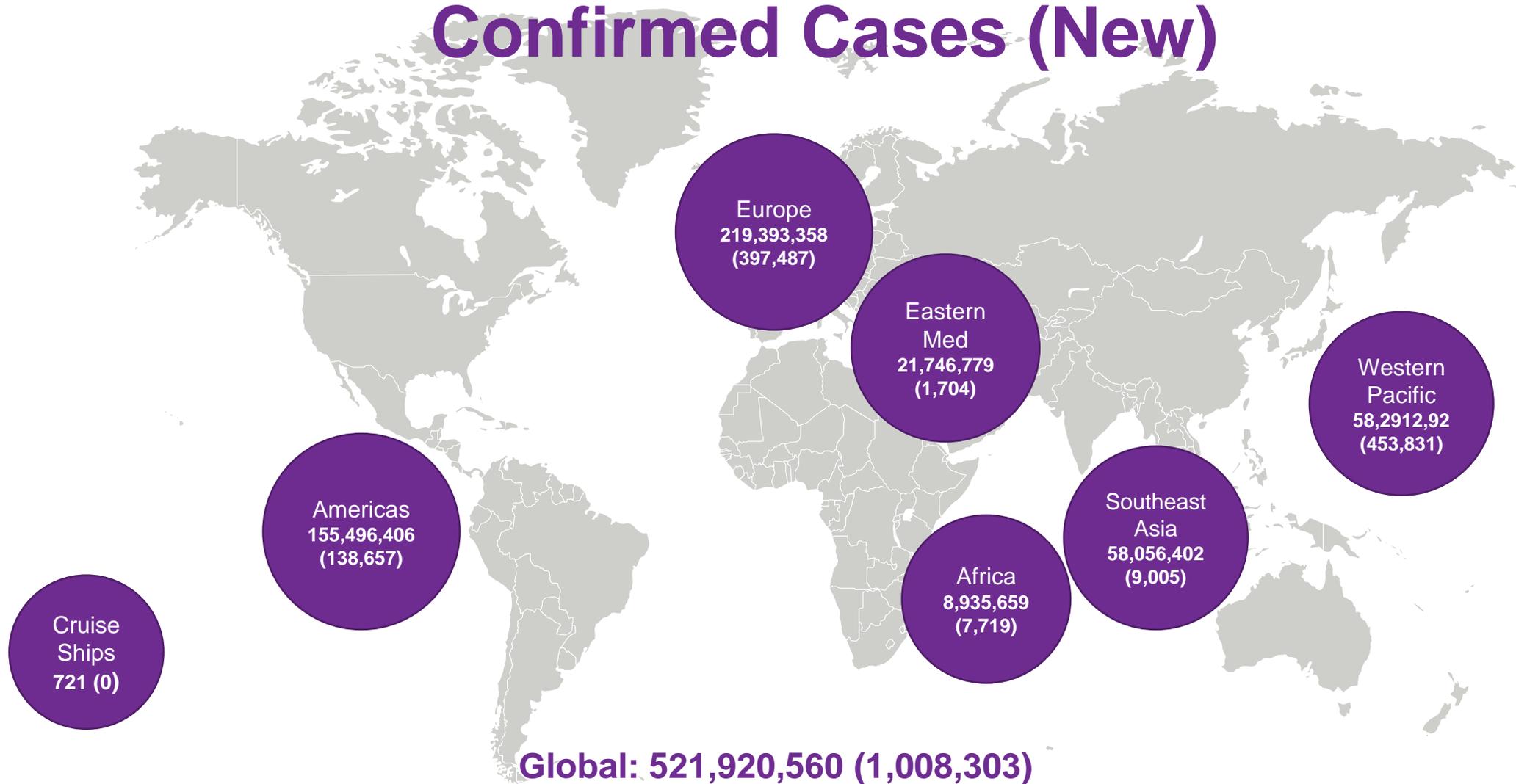
Russia is considering a plan to ease a key control on capital flows which has helped drive the ruble to the highest levels in four years. With the rally now threatening to hurt budget revenues and exporters, a decision to cut the share of hard-currency revenue exporters must convert into rubles to 50% from 80% could come as early as this week.

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Coronavirus Condition Updates

As of 10:14 pm CEST on May 20, 2022

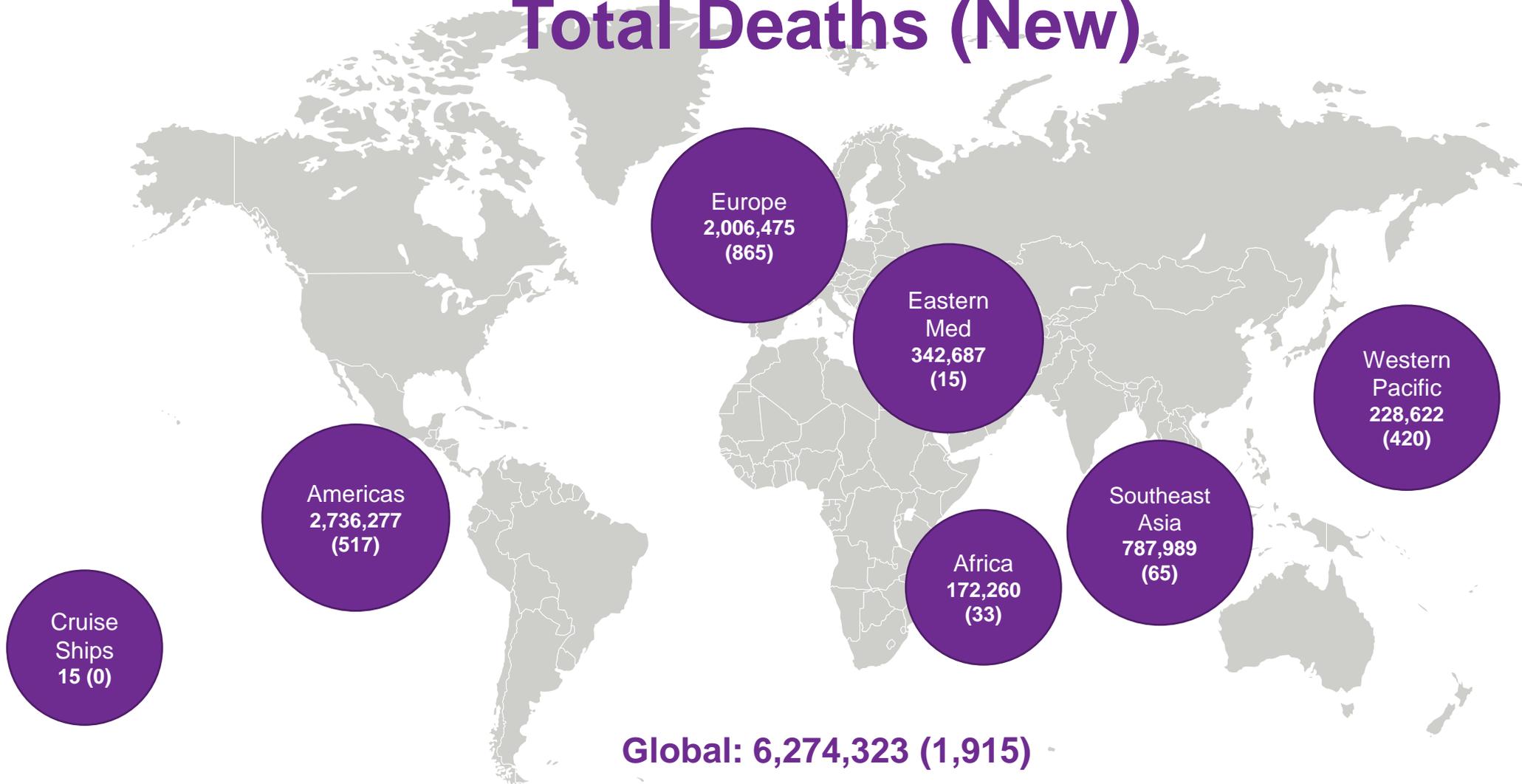
Confirmed Cases (New)



Reflects data as of 10:14 pm CEST on May 20, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 10:14 pm CEST on May 20, 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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