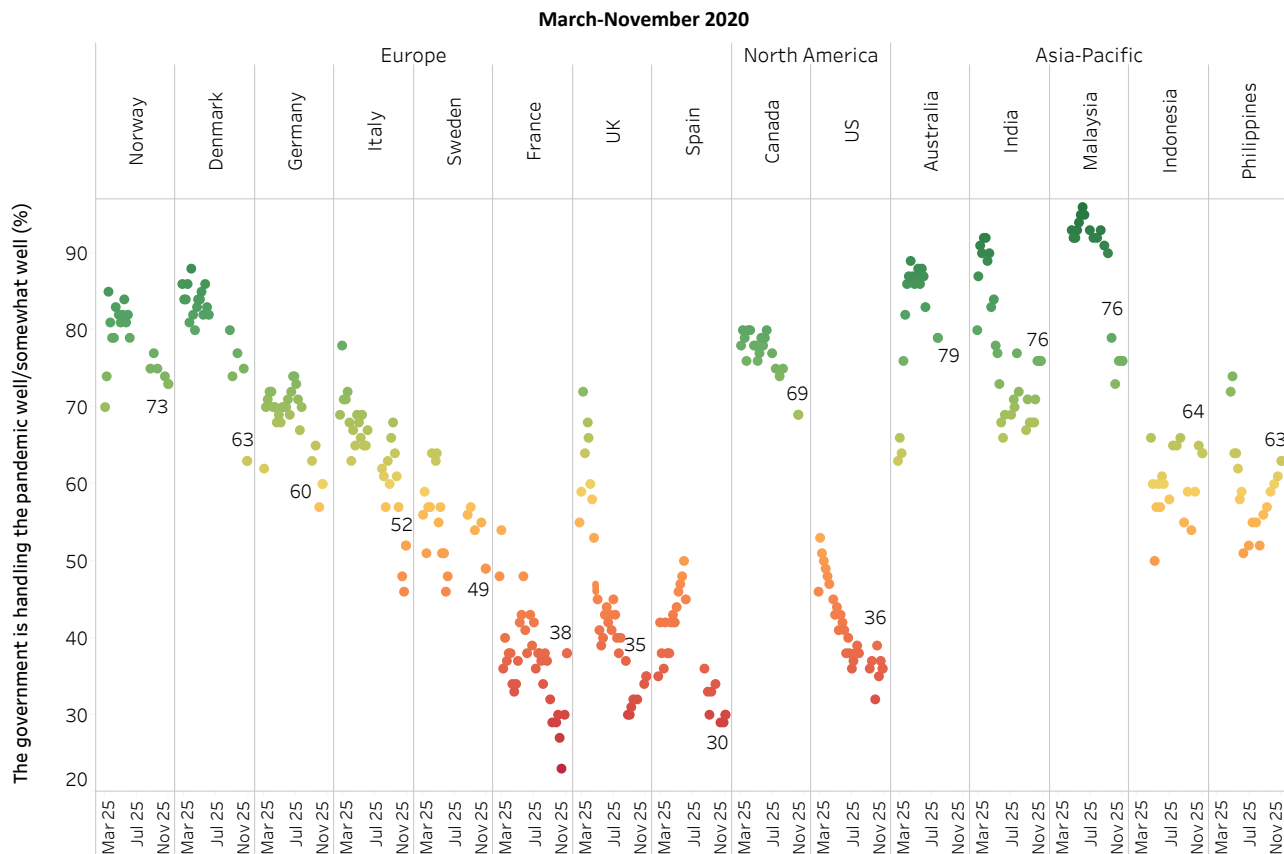


WEEKLY POLITICAL COMPASS

China has imposed new tariffs on **Australian** wine. A last-minute trade deal between the **UK** and the **EU** is still likely. **Venezuela's** legislative elections will be boycotted by opposition parties. **Ethiopia's** army has seized control of Tigray's capital. Meanwhile, a constitutional court decision in **Thailand** could challenge the prime minister's position, **Italy** will announce new Covid-19 related measures, **Brazil's** Supreme Court could rule in favor of the reelection of two Congress leaders, and the results of **Ghana's** presidential elections may be disputed.

CHART OF THE WEEK

Confidence in the government's handling of the Covid-19 pandemic



Source: YouGov

The autumn wave of the Covid-19 pandemic is proving **politically costly and divisive** in many countries. In France, Spain, the UK and the US, confidence in the government's handling of the Covid-19 crisis is close to the lowest levels since the beginning of the year. Even countries with relatively high levels of confidence, such as Germany and Denmark, seem to experience a downward trend, while in Italy, confidence in the government has decreased by 20 points over the past

two months. Confidence in governments seems to follow a more positive trend in countries such as Indonesia and the Philippines, while in Malaysia, confidence levels have deteriorated after a sustained rise in Covid-19 cases. The rollout of the Covid-19 vaccine in the coming months will pose additional challenges for governments across the globe.

WHAT TO WATCH

China/Australia

China's Commerce Ministry announced tariffs of up to 212% on imports of Australian wine, escalating the with Canberra. China accounted for 39% of Australian wine exports last year. The new tariffs come despite the completion of the [RCEP trade deal](#), which includes both countries, earlier this month.

UK/EU

The longer the agreement on a trade deal gets delayed, the more likely it becomes a last-minute sign-off procedure. Given that the eventual texts will need to be translated into the EU's 24 official languages in a legally watertight way, the European Parliament might need to convene between Christmas and New Year's. However, there is still speculation whether sign-off could also be done on the basis of an English text only. Moreover, the depth of commitments in areas such as transport will determine whether member state parliaments might have to be involved, too – and whether governments could find procedural ways to work around this requirement under European law.

Venezuela

National Assembly (AN) elections for the five-year term starting in January take place on 6 December. Most opposition parties are boycotting the vote, though small pliant or co-opted opposition groups will participate, allowing the regime to simulate democratic competition. Turnout is not seen as rising above 30%, though the regime may claim higher participation rates. Food handouts will be the main mechanism the regime uses to mobilize voters. In parallel, the opposition is holding its own, unofficial, and mostly online vote from 5 December to 12 December to repudiate the Nicolas Maduro regime and reenergize its own legitimacy for the period ahead.

Ethiopia

Over the weekend, Prime Minister Abiy Ahmed announced that the army had taken control of Tigray's capital Mekelle. While he stated that military operations had now ceased, a manhunt against top leaders of the Tigray People's Liberation Front (TPLF) was under way. It is not yet clear whether the army's takeover of Mekelle represents a true breakthrough in the three-week-old conflict. TPLF sources have claimed that fighting has continued. Most importantly, Abiy could struggle to keep the peace and avoid a protracted low-level conflict in a regional state that fears marginalization by Addis Ababa. The next steps, particularly any political negotiations, will prove crucial for Tigray's and the country's stability outlook.

ON THE HORIZON

ASIA

India

Prime Minister Narendra Modi has called for an all-party meeting on 4 December to discuss the Covid-19 situation in the country. The government is also likely to present its plans for the vaccine rollout.

Thailand

The Constitutional Court is expected to rule on 2 December on whether Prime Minister Prayuth Chan-ocha has been illegally occupying a residence owned by the Thai military for the past six years. He retired from the armed

forces in 2014 and, according to the complaint, should have not been provided any residence on military property. The court could simply require Prayuth to vacate the premises, but it could also find a serious ethical violation that would require him to step down from office.

EUROPE

Italy

The government is expected to adopt on 2 December a new set of measures to contain the virus during the festive season. The upcoming decree would likely limit people's movement across regions and would maintain a nightly curfew. New rules for shops and other business activities will be issued in order to guarantee longer shopping hours for the holidays.

Romania

The ruling National Liberal Party (PNL) is expected to win the parliamentary election on 6 December. The party will lead the formation of the next coalition government. The PNL's most likely coalition partners include the USR PLUS alliance as well as the conservative People's Movement Party (PMP). The new parliament will likely pursue a more cautious fiscal policy and scale down or postpone the 40% pension hike, which was adopted in September but is still under review in the constitutional court.

LATIN AMERICA

Brazil

This week may see an intensification of discussions on the agenda for 2020 and 2021. This would be the case if the Supreme Court (STF) rules on December 4 in favor of the reelection of congressional presiding officers, including Lower House Speaker Rodrigo Maia and Senate Chairman David Alcolumbre. This would unblock deliberations on all issues, including first and foremost the choice of rapporteur for the budget directives law (LDO) that sets out the contours of the annual budget law (LOA). Both laws could be approved in December. Furthermore, discussions this week might also clarify whether there might be movement in the so-called emergency constitutional amendment (PEC *Emergencial*) in December, which would signal the commitment by government and congress to adopt spending containment measures as soon as possible. This might also include President Jair Bolsonaro's favored cash transfer program *Renda Cidadã* by freeing funds currently spent on subsidies.

MIDDLE EAST AND AFRICA

Ghana

President Nana Akufo-Addo and his New Patriotic Party (NPP) are the frontrunners in the 7 December general elections, but the results may be disputed. Akufo-Addo won the 2016 election against then-incumbent John Mahama (National Democratic Congress, NDC), scoring 53.7% of the vote against Mahama's 44.5%. The upcoming vote sees the same main protagonists compete, and it seems likely that Akufo-Addo will defend his majority, albeit with a narrower margin. Should neither candidate receive an absolute majority of votes cast in the first round, a run-off vote will be held within 21 days. A narrow victory would raise the likelihood for the losing side to challenge the results in court, as happened in 2012. This would likely take months to resolve, casting a shadow of uncertainty on Ghana's political trajectory and putting major investment decisions on hold.

South Africa

On 3 December parliament will debate a motion of no confidence in President Cyril Ramaphosa. Ramaphosa's first no confidence motion was brought by the two-seat African Transformation Movement (ATM) opposition party and has virtually no chance of passing. The more significant challenges facing Ramaphosa will be: 1) dealing with ANC factional

battles over whether Secretary-General Ace Magashule should be suspended given corruption charges, 2) the ever more urgent need for economic reforms, which has been reinforced by a fresh round of credit rating downgrades, and 3) a fresh surge in Covid-19 cases.

[Client Portal >>](#)

Macro Research
+44 20 7186 8894
Macro@teneo.com

© 2020 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo.