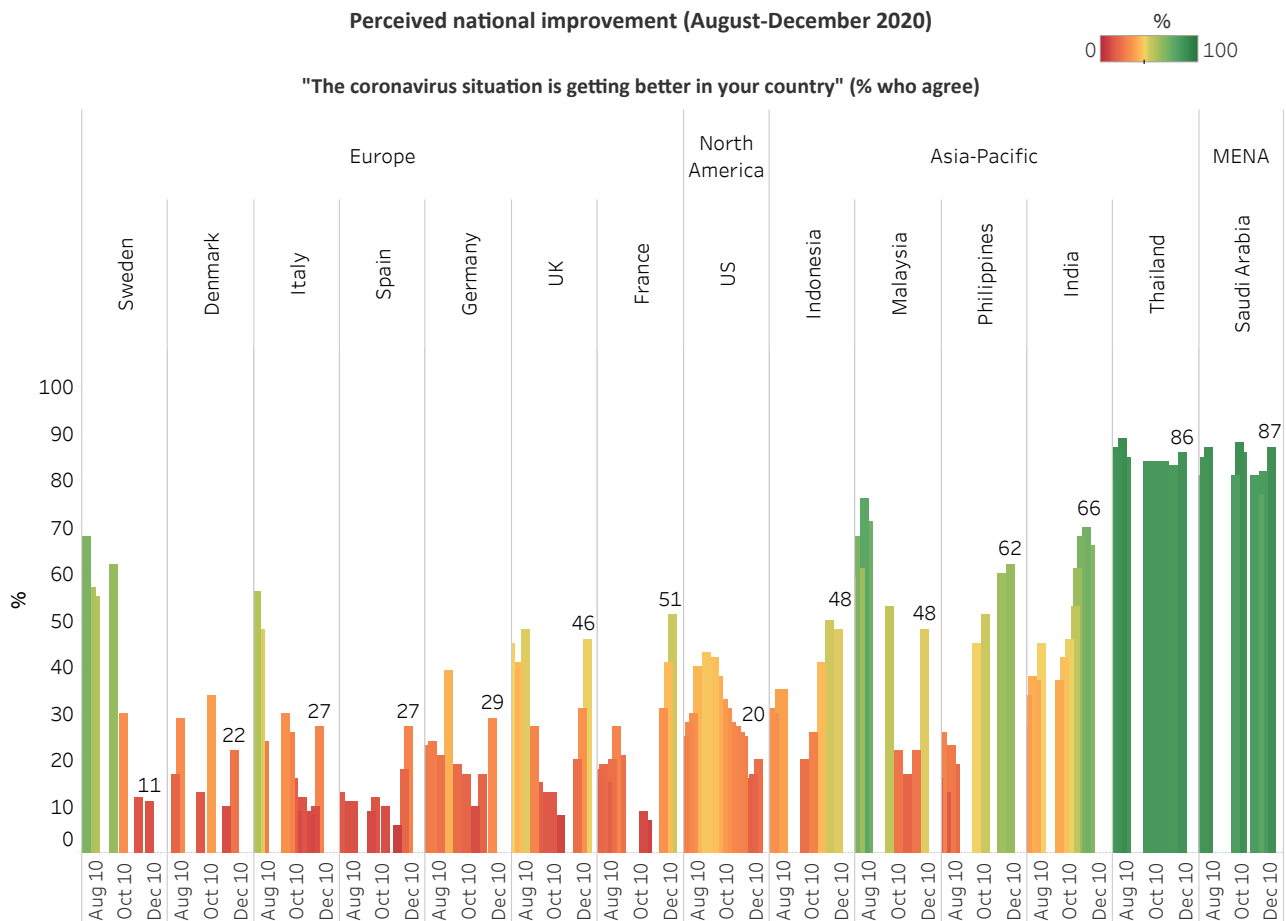


WEEKLY POLITICAL COMPASS

Indonesia and Brazil have received doses of a vaccine made in **China**. **EU** leaders will try to overcome vetoes against the bloc's budget and recovery fund. **UK-EU** trade talks continue. Presidential and parliamentary elections will be held in **Ghana**. Meanwhile, the **Japanese** government will approve further fiscal stimulus, **Italy's** parliament will vote on a resolution on ESM reform, **Venezuela's** parliamentary elections results will be confirmed, and fighting continues in **Ethiopia's** Tigray region.

CHART OF THE WEEK



Source: YouGov

Despite positive news about Covid-19 vaccines in recent weeks, **optimism about the future Covid-19 situation** still varies substantially across countries. While in the UK and France the level of optimism has increased substantially over the past three weeks, in the US the public remains more pessimistic given the recent worsening of the pandemic situation. Meanwhile, citizens tend to be more hopeful in Southeast Asia – much more in Thailand than in Indonesia and Malaysia –

as well as in Saudi Arabia. The public's optimism might increase over the next weeks in Europe. The risk, however, is that governments do not manage the expectations around the timing of the vaccine process in a realistic way, potentially causing disappointment among citizens if the process were to face obstacles and delays.

WHAT TO WATCH

China

Indonesia and Brazil have received 1.2mn and 1mn doses respectively of CoronaVac, produced by China's Sinovac Biotech. Turkey will receive its first shipment on 11 December. A senior Chinese government scientist said on Friday he expects China can produce 600mn vaccine doses before the end of this year, a figure that includes all three Chinese vaccine candidates.

EU

The ECB is expected to expand and extend QE on 10 December, amid doubts whether the European Council starting on the same day can resolve the blockage of the EU budget and recovery fund. The ECB will likely focus on an extension of PEPP and a new round of TLTROs, while leaders in the Council might try to overcome the Polish and Hungarian vetoes by offering additional reassurances in the form of explanatory declarations. Western countries could then highlight that the new rule-of-law mechanism will come into effect anyway, while Poland and Hungary could point to its limitations, as outlined once more in the declarations. These could also be of interest in any potential future cases on the mechanism in front of the ECJ.

UK/EU

Talks on the post-Brexit relationship remain deadlocked over the thorny issues of fish, governance and the level playing field. Among the next signposts is another call between PM Boris Johnson and Commission chief Ursula von der Leyen planned for tonight, 7 December. The return of the UK internal market bill to the Commons today and the presentation of the finance bill on 9 December are additional sticking points. While it would be helpful if both sides reached an agreement ahead of these events, talks could still continue into the second half of this week.

Ghana

Presidential and parliamentary elections take place on 7 December, with results expected to be announced later in the week. President Nana Akufo-Addo and his New Patriotic Party (NPP) are the frontrunners in a race that pits them mainly against former president John Mahama and the National Democratic Congress (NDC). The electoral commission may announce preliminary results as early as Tuesday.

ON THE HORIZON

ASIA

Japan

The cabinet will approve a new supplemental budget on 8 December that is expected to total nearly JPY 20tn (USD 191.9bn). The new budget will be part of a broader stimulus package that could exceed JPY 70tn (USD 671.7bn) once financial measures are included. The budget, the third supplemental budget of the fiscal year, will extend the government's main income support program as well as the controversial "Go To Travel" subsidy program. With the extraordinary session of the Diet's having just closed, the budget's passage will have to wait until January, with a new session expected to begin on 18 January.

India

Teneo

A countrywide strike has been called on 8 December by protesting farmers. Although bank workers and lawyers have announced they will join it, traders and transport services are expected to stay operational, limiting the effect of the action.

Philippines

Several economic bills are expected to be approved by Congress, possibly as early as this week. Both the upper and lower houses have passed their differing versions, and these are now being reconciled by bicameral committees, after which they will be submitted for final approval by the legislature, with the target being before congress adjourns on 18 December. Aside from the 2021 budget, these bills include one that reduces corporate income tax rates and streamlines the grant of investment incentives and another that creates the framework for banks to offload their bad loans to asset management companies.

EUROPE

Italy

A 9 December parliamentary vote on a resolution to approve the reform of the ESM statute is unlikely to bring down Prime Minister Giuseppe Conte's government. A resolution drafted with vague-enough language to accommodate the diverse, even opposite, views expressed by the ruling coalition parties will be the necessary compromise to avert a crisis.

Romania

The ruling National Liberal Party (PNL) is expected to form the next coalition government with the liberal alliance USR-PLUS and, potentially, Hungarian ethnic minority UDMR. Given public health concerns and a crowded policy agenda, the coalition talks might be swift, with the government entering office still this month. The handling of the pandemic together with the postponement of pension and public sector wage increases will be priorities in the near term.

Turkey/EU

Turkey will be again be on the agenda again during the 10-11 December EU summit. Despite the lack of any progress in the dispute in the Eastern Mediterranean, Ankara is unlikely to get punished with biting economic sanctions.

LATIN AMERICA

Brazil

Discussions will continue this week on a possible congressional agenda for December. However, progress will be difficult due to the continuing lack of definition about the election of a house speaker and a senate chairman scheduled for the first week of February. The Supreme Court (STF) ended its virtual plenary vote on 6 December and formed a majority to bar reelections of presiding officers in Congress. This has effectively blocked the candidacies of current House Speaker Rodrigo Maia and Senate Chairman Davi Alcolumbre. This may aggravate divergences in both chambers of Congress but Alcolumbre has at least scheduled for 16 December the vote on the Budget Directives Law (LDO) that sets the parameters for the 2021 Budget Law (LOA 2021). In the House, the STF decision will not help matters and the current impasse is likely to continue. In addition, there is still no concrete basis for an agreement on either the extension of emergency assistance into 2021 or an "Emergency" constitutional amendment (PEC Emergencial) that could make possible the creation of a new permanent cash transfer program, as favored by the president.

Venezuela

Full results from the 6 December National Assembly elections should be confirmed early this week. According to preliminary results released by the regime-controlled National Electoral Council (CNE), the pro-regime coalition has won 67.6% of the vote. Turnout figures are confused, with the CNE putting participation at 31%, though the official figure of 5.2mn votes cast would mean turnout was closer to 25%. The opposition put turnout at a little over 16%, while also

recording the use of regime checkpoints, get-out-the-vote operations, and food handouts being distributed at polling centers. Opposition leader Juan Guaido has urged Venezuelans to participate in his parallel public consultation to repudiate the regime, to be held on 12 December but also operating as an online vote.

MIDDLE EAST AND AFRICA

Ethiopia

Fighting, looting and lawlessness is reportedly continuing in Tigray regional state. Last week, Prime Minister Abiy Ahmed had announced the end of the military's month-long "law enforcement" operation. While Tigray People's Liberation Front (TPLF) forces appear to have withdrawn from the regional capital Mekelle, fighting has reportedly continued in other areas. Abiy's next steps will determine how protracted the conflict could become, including the manner in which Addis Ababa sets up an interim regional administration and whether it agrees to any form of political dialogue.

South Africa

The ANC National Executive Committee (NEC) is meeting from Sunday to Tuesday. The most contested issue will be whether the party implements a resolution that ANC members facing corruption charges, namely Secretary-General Ace Magashule, must step down. How the party tackles the issue (or not) will provide clues regarding the factional balance of power and President Cyril Ramaphosa's strength. The political dynamics will be seen as signals for the reform outlook, which is overshadowed by the state's battle to reduce its public sector wage bill and the debt burden of public enterprises.

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