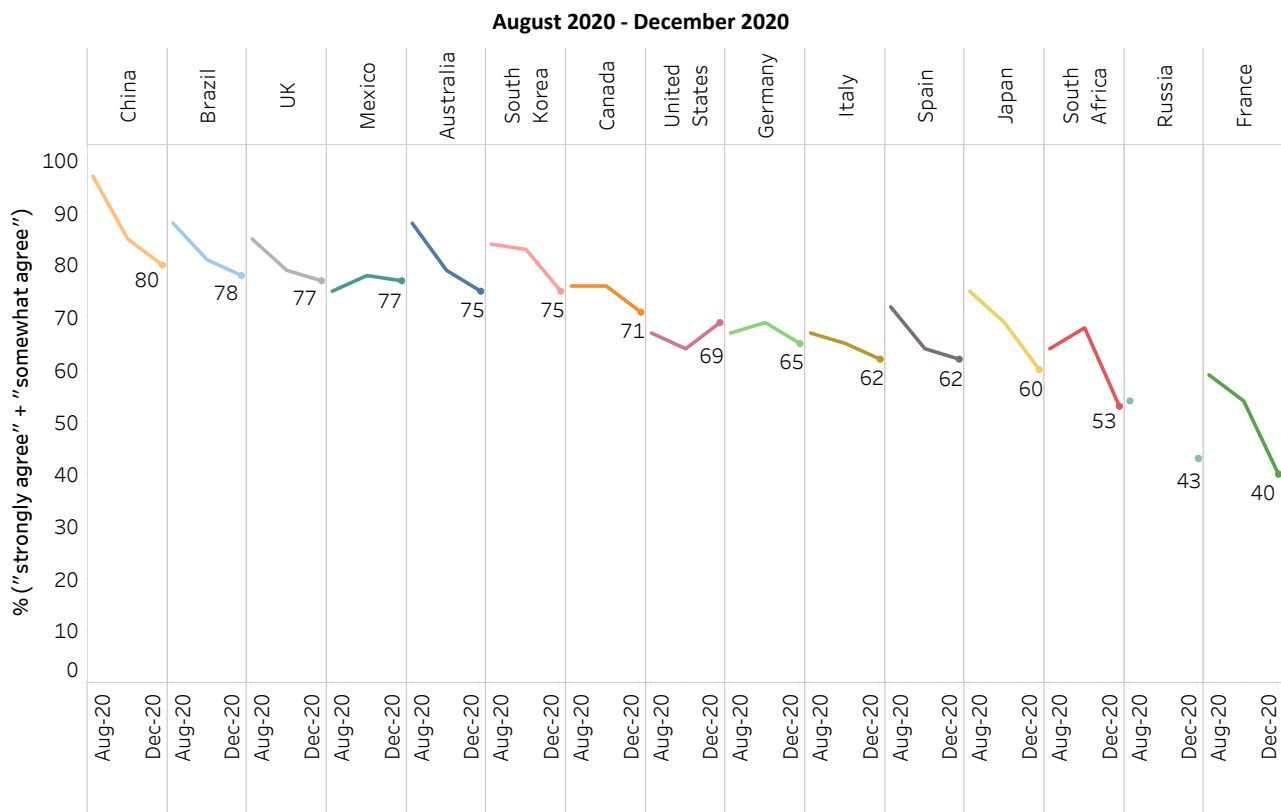


WEEKLY POLITICAL COMPASS

China appears to be pushing back against new US sanctions. **Germany's** Christian Democrats will choose a new party leader. In **Argentina**, three major agricultural unions will start a three-day strike. **Ghana's** Supreme Court will decide on a legal challenge to the presidential election results. Meanwhile, **India** will start the Covid-19 vaccine rollout, **Italy's** coalition government will face another difficult vote in parliament, **Brazil's** fiscal situation continues to create concerns, and **South Africa's** vaccination strategy is facing criticism.

CHART OF THE WEEK

% of people who would get vaccinated against Covid-19



Source: Ipsos (last survey was conducted online on December 17-20, 2020)

Skepticism around the Covid-19 vaccine and its side effects continues to spread across many countries. In fact, the number of people who would get vaccinated appears to have decreased in most countries between August and December. This might explain, for instance, France's cautious approach to the vaccine rollout, which has translated into a very slow start of its immunization campaign. However, vaccine skepticism might decrease over the next weeks for two reasons. First, once the vaccine is available in most countries, and citizens become aware of its effectiveness, they might become more

willing to get it. Second, the concerns around the vaccine's slow rollout amid a worsening of the pandemic in many countries suggest that more restrictions will be needed – unless more people are vaccinated at a faster pace. However, the risk of vaccine skepticism could still increase if the effectiveness of the vaccine strategy is lower than expected – for instance, if the delay of the administration of second shots translates into a lower effectivity rate.

WHAT TO WATCH

China

The Ministry of Commerce sued rules on 9 January to prevent the extraterritorial application of foreign economic sanctions against Chinese companies. They could theoretically force multinationals to choose between compliance with Chinese and foreign law, though the practical impact will depend on Beijing's implementation.

Germany

Chancellor Angela Merkel's Christian Democrats (CDU) will elect a new party leader at their digital convention on 16 January. 1,001 delegates will vote online, whittling down the field of three contenders to one. This will then be followed by a formal postal ballot on the remaining candidate. Right-winger Friedrich Merz remains the most popular candidate at the party grassroots, but among delegates, North Rhine-Westphalia state PM Armin Laschet might have better chances. Foreign affairs expert Norbert Roettgen is widely expected to have merely outsider chances. The confirmatory ballot result is expected by 22 January. While the next CDU leader will have good chances to succeed Merkel, the eventual chancellor candidate will only be determined later, in coordination with the CDU's Bavarian sister party CSU, led by the popular Markus Soeder.

Argentina

Three out of the four major agricultural unions are starting a three-day strike on 11 January to protest against a government order to suspend corn exports for two months. The rationale for the move is to control domestic food prices. However, the agricultural sector has accused the government of arbitrarily intervening in the sector and undermining confidence just as soybean prices have reached a seven-year high. Late last night the government agreed to allow up to 30,000 tonnes of corn exports daily – no doubt in a bid to weaken the strike. However, the partial U-turn is unlikely to fix the damage of an ill-conceived and distortionary initiative.

Ghana

The Supreme Court is scheduled to hear John Mahama's legal challenge to the presidential election results on 17 January. Mahama approached the court in order to annul the official results of the poll, according to which the incumbent Nana Akufo-Addo – who officially commenced his second term on 7 January – secured 51.3% of valid votes cast, against Mahama's 47.4%. The Supreme Court has vowed to resolve Mahama's challenge within 42 days, which would be tremendous progress over the 2012/13 precedent, when it took the court almost nine months to decide.

ON THE HORIZON

ASIA

India

Preparations are on for a countrywide roll out of the vaccine on 16 January. This includes last minute price negotiations with the Serum Institute, which is developing a Covid-19 vaccine in collaboration with AstraZeneca. Some states have expressed reservations about Covaxin, an India-developed vaccine following concerns about its efficacy.

Indonesia

Teneo

China's CoronaVac vaccine has cleared its two main hurdles, the emergency use authorization and halal certification. This allows Indonesia to start its vaccination campaign on 13 January. Although Singapore was the first in the region to start vaccinations, Indonesia will be closely watched because CoronaVac could also be used by the Philippines, Thailand and Malaysia in volume. Indonesia reported a 65.3% efficacy rate for the vaccine on Monday, the lowest among the countries where its Phase 3 trials were conducted.

Japan

It is increasingly likely that the Suga administration will extend its new state of emergency to Osaka prefecture and its neighbors Kyodo and Hyogo as early as Wednesday, 13 January. After the government announced a new state of emergency on 7 January, governors immediately began lobbying for their prefectures to be included as new cases of Covid-19 have continued to surge nationwide. Other governors have continued to lobby for inclusion as well, suggesting that the declaration could continue to expand. The incremental expansion of the state of emergency could lead to more criticism of Prime Minister Yoshihide Suga for a reactive approach to the pandemic.

Kazakhstan

The ruling Nur Otan party – in power since 1999 – claimed victory in the 10 January parliamentary election by receiving 71.1% of votes. According to preliminary results, only two other pro-government parties will enter parliament. The poll was boycotted by all major opposition parties protesting a restrictive political environment and electoral violations. The vote has been accompanied by public protests, resulting in dozens of arrests. The outcome of the vote suggests the continued dominance of the ruling Nur Otan party, headed by Nursultan Nazarbayev, the former president and current chairman of the country's security council. The risk of public unrest will remain considerable.

Kyrgyzstan

As expected, former acting president and prime minister Sadyr Japarov, an independent, has claimed a sweeping victory in the Kyrgyz presidential election. According to preliminary results, Japarov obtained around 79% of votes. In a referendum on the country's future form of governance, held together with the presidential poll, voters overwhelmingly supported a presidential system. This will likely result in Japarov consolidating power by introducing a new constitution. Japarov is expected to maintain close relations with Russia.

Malaysia/Thailand

A continued increase in Covid-19 cases, arguably the most serious for both countries since the start of the pandemic, has increased the likelihood of tightening restrictions in the coming weeks. Authorities are resisting nationwide lockdowns and instead want to focus on localized measures, but the risk of broader, national restrictions being implemented and within the next few days is higher in Malaysia. In Thailand, however, local governments are focusing on inter-provincial travel restrictions.

EUROPE

Italy

A political crisis that has been simmering for weeks will reach its boiling point in the first half of this week. Former premier Matteo Renzi will have to decide whether to support the economic recovery plan prepared by Prime Minister Giuseppe Conte. If Renzi pulls out Italia Viva's two ministers from the cabinet, the PM might come under pressure to resign swiftly and open a full-blown political crisis.

LATIN AMERICA

Brazil

Teneo

Concerns with Brazil's fiscal situation will continue to influence discussions on 2021 legislative agenda. President Jair Bolsonaro said last week that the country was “broke” and could not extend Covid-19-related emergency assistance that expired on 31 December. Markets did not react to his comment but there is great concern with the fact that Brazil may need to start rolling debts as early as April or May. The current numbers of Covid-19 cases and deaths have reached levels only seen when the first wave peaked in July 2020. This is likely to put pressure on the government and legislators for more assistance and stimulus. However, more fiscal stimulus is infeasible and against the law unless new sources of revenue are found. Meanwhile, Congress will be back from recess on 1 February when elections for presiding officers will take place. This week will see further definition of the two main candidacies for house speaker.

MIDDLE EAST AND AFRICA

South Africa

President Cyril Ramaphosa's administration faces heavy criticism for its lack of a convincing Covid-19 vaccination strategy. While the government on 7 January announced a procurement deal for 1.5mn vaccine doses for healthcare workers, the details and timeframes for a broader vaccination drive of some 40mn South Africans are still unclear, as the government has been slow to negotiate with vaccine manufacturers. A slow vaccine rollout would add another downside risk to South Africa's economic recovery prospects, alongside acute power shortages and reform delays.

[Client Portal >>](#)

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

© 2021 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.