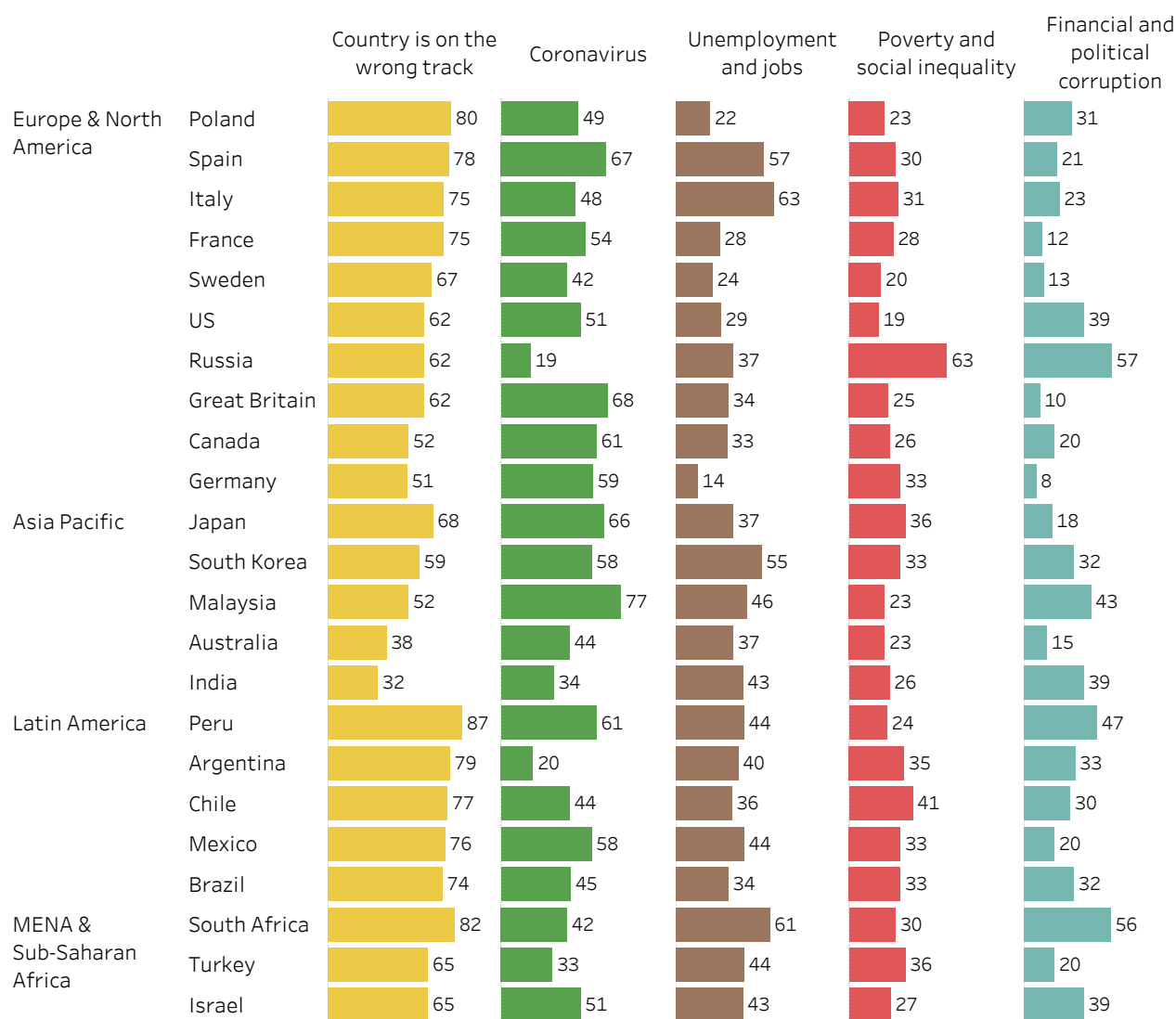


WEEKLY POLITICAL COMPASS

In **Italy**, new Covid restrictions are expected. **Ecuador's** presidential election vote recount is being challenged. Talks between **Zambia's** government and the IMF end this week. Meanwhile, the UN has criticized **China's** human rights record, in the **UK** the chancellor will present his budget, **Brazil's** senate will seek agreement on a constitutional amendment, and **Ghana's** Supreme Court will rule on former president John Mahama's election petition.

CHART OF THE WEEK

Top concerns for citizens around the world (%)



Source: Ipsos. Survey conducted online between Jan 18 and Feb 5 with 19,520 adults (more than 1,000 in each country).

The samples in Brazil, Chile, India, Malaysia, Mexico, Peru, Russia, South Africa, and Turkey are more urban, more educated, and/or more affluent than the general population.

The Covid-19 pandemic has brought into sharp relief **long-standing economic difficulties and political discontent** across the globe. Even though coronavirus is still the leading concern in most countries, citizens are increasingly worried about the economic scars of the pandemic, including unemployment, poverty and inequality. In Italy and South Africa, labor market problems are already more concerning for citizens than the pandemic itself, while in Russia, Malaysia, Peru, and South Africa financial and political corruption is a politically pressing issue. In coming months, the risk is that slow vaccination rollouts force governments to prolong economic support measures, which might be particularly difficult in developing economies. In advanced economies, where fiscal and monetary policy remain loose, the return to sound public finances in the medium term could entail political risks in increasingly fragmented political systems and highly polarized electorates.

WHAT TO WATCH

Italy

The government is due to announce a revised set of coronavirus restrictions amid rising Covid-19 cases. The decree is expected to be approved by 5 March and will stay in place until 6 April. The tiered system that classifies regions into colored zones according to their risk profile will remain in place. For the first time since the end of January, last week two regions – Basilicata and Molise – were shunted into the strictest red zone

Ecuador

The indigenous party Pachakutik (PK) is expected to file a legal challenge with the TCE electoral court as it seeks a much fuller vote recount in the aftermath of the 7 February first round presidential election. Over the weekend, the National Electoral Council (CNE) reviewed 31 vote tally sheets, a tiny proportion of the roughly 20,000 tally sheets that PK's presidential candidate Yaku Perez says need auditing for irregularities. Recall that Perez was edged out of the April run-off vote by just 32,600 votes by the conservative Guillermo Lasso. More radical groups within Conaie are also planning protests in various provinces this week.

Zambia

Three weeks of talks between Lusaka and the International Monetary Fund (IMF) are due to conclude on 3 March. Since Zambia hopes to secure debt treatment under the G20's 'Common Framework for Debt Treatment beyond the DSSI,' the latest talks might generate the most intense speculation yet that the country may finally clinch a deal with the Fund. Rhetoric from both sides may generate positive noise, but Zambia's political fundamentals remain a crucial obstacle to a deal ahead of the 12 August elections.

ON THE HORIZON

ASIA

China

United Nations High Commissioner on Human Rights Michelle Bachelet issued a broad critique of China's human rights record. She mentioned alleged abuses in Xinjiang and Hong Kong, as well as a crackdown on legal activists. Bachelet said she hopes to reach an agreement for the UN Human Rights Office to visit China, which would mark the first such visit since 2005.

Japan

Prime Minister Yoshihide Suga suffered another blow on 1 March when Makiko Yamada, his public affairs officer, was suddenly hospitalized and announced her resignation. Yamada has been implicated in the growing scandal involving links between Suga's son Seigo, a telecommunications executive and the Ministry of Internal Affairs and Communications (MIC), where Yamada was formerly a senior official. The resignation means that the prime minister is likely to continue to face critical scrutiny over the controversy.

EUROPE

Romania

The lower house of parliament is expected to approve the 2021 budget on 2 March. No major changes to the draft budget bill are expected after more than 3,000 amendments filed by the opposition Social Democratic Party were rejected in parliamentary committees. The budget foresees notable spending cuts in the public sector and postpones pension increases in order to cap the deficit at around 8.2% of GDP. Although unlikely, the failure to adopt the legislation would automatically lead to government's resignation.

UK

Chancellor Rishi Sunak will present his budget in the House of Commons on 3 March. In the run-up, speculation continues about the outlook for corporate tax hikes. However, these remain most likely to kick in only in the autumn. At the same time, the politics around this issue remains complicated by the ongoing change within the Conservative party but also by the positive record on vaccinations. The latter might limit the size of the immediate fiscal gap, but a quicker reopening of the economy could also weaken remaining hesitations to making business contribute more.

LATIN AMERICA

Brazil

The Senate will attempt once again to reach an understanding that permits the approval of Constitutional Amendment 186/2019, the so-called “PEC Emergencial”. The original objective of the amendment was to reduce expenditures by means of restructuring spending and creating triggers that would allow government at all levels to take necessary measures to achieve that objective. Since the pandemic, however, it has been expanded to include the reintroduction of the emergency assistance that expired on 31 December. Meanwhile, following the controversial dismissal by President Jair Bolsonaro of Petrobras CEO on 19 February, it is likely that current Banco do Brasil CEO Andre Brandao will resign as soon as a replacement is found.

MIDDLE EAST AND AFRICA

Cote d'Ivoire

President Alassane Ouattara’s Rally of Houphouetists for Democracy and Peace (RHDP) may secure a two-thirds majority in the 6 March legislative election. The party currently holds 148 seats in the 255 national assembly but aims to increase its lead to secure a two-thirds majority. The election is the first vote in about ten years in which all major parties participate. Henri Konan Bedie’s Democratic Party of Ivory Coast (PDCI) has formed an electoral alliance with the wing of the Ivorian Popular Front (FPI) led by exiled former President Laurent Gbagbo, while the FPI faction led by Pascal Affi N’Guessan will compete independently.

Ethiopia

US Secretary of State Antony Blinken has issued a strongly worded statement about the Tigray conflict. The US expressed “grave” concern about atrocities and Tigray’s humanitarian crisis. It has called for the immediate withdrawal of Eritrean and Amhara regional forces from Tigray, unhindered humanitarian access, and a full international investigation. The statement may signal growing international pressure on Prime Minister Abiy Ahmed’s administration. Among other effects, the crisis could worsen the risk of aid suspensions at a delicate time, when Addis Ababa has applied for debt treatment under the G20’s ‘Common Framework.’

Ghana

The Supreme Court will rule on former president John Mahama’s election petition on 4 March. Mahama had approached the court in order to annul the official results of December’s presidential 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%. Evidence from the proceedings thus far suggest the court will likely decide against Mahama.

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