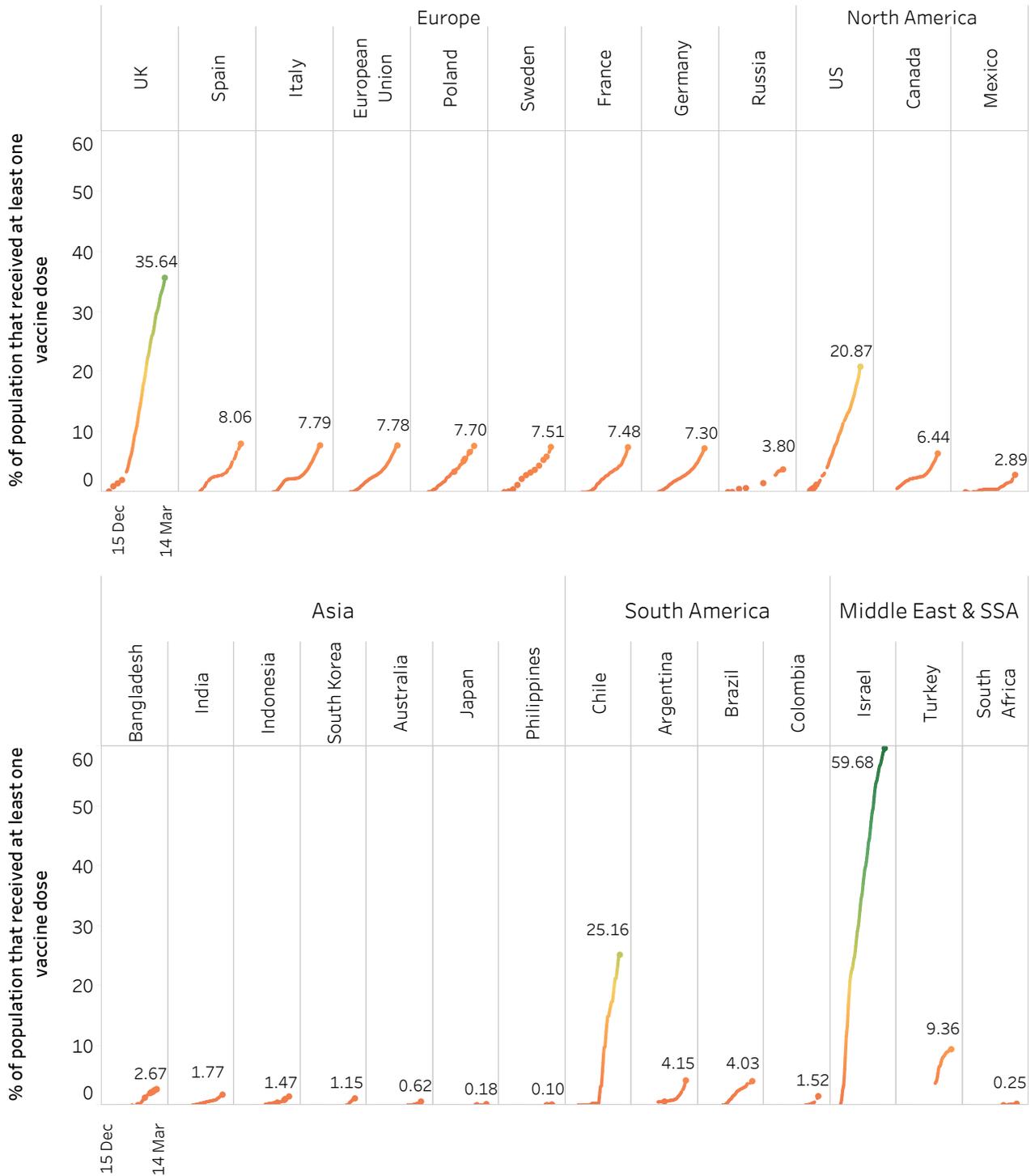


WEEKLY POLITICAL COMPASS

US top officials will meet their counterparts from several countries across **Asia**. The outcome of **Japan's** central bank policy review will be announced. In **Germany**, Chancellor Merkel's party has suffered defeats in two regional polls. The campaign for the presidential run-off vote will start in **Ecuador**. Meanwhile, a US federal court has ruled in favor of a **Chinese** mobile phone maker, the **Netherlands** goes to the polls, **Brazil's** emergency assistance program will be reintroduced, and **Tanzania's** prime minister has denied rumors about the president health.

CHART OF THE WEEK

Share of the total population that received at least one vaccine dose



Source: Our World in Data

The rollout of the Covid-19 vaccine continues to progress across the globe. Its speed, however, varies significantly not only across but also within regions. In Europe, the UK continues to lead the race despite recent concerns about vaccine supplies, while EU countries are still far from catching up with the UK and US amid renewed problems under the bloc's procurement scheme. In Latin America, Chile is outperforming all regional peers in terms, while other countries in the region

are facing vaccine delays. Meanwhile, most Asian and sub-Saharan African (SSA) countries are lagging behind, although some SSA countries have started to inoculate their citizens with the COVAX-supplied AstraZeneca vaccine.

WHAT TO WATCH

US/Asia

US Secretary of State Tony Blinken and Secretary of Defense Lloyd Austin will be in Tokyo 16-17 March and Seoul 17-18 March to hold 2+2 talks. The discussions in Tokyo are expected to focus heavily on China's military power and the need for deterrence in the Taiwan Strait and East China Sea; while China could also be on the agenda in Seoul, the consultations will focus more on North Korea. The trip will also include a trip to India by Austin, where China and Afghanistan will be on the agenda. Meanwhile, a meeting in Alaska between Blinken and National Security Adviser Jake Sullivan with the Chinese counterparts on 18 March is a strong signal of Asia's importance for the administration's foreign policy.

Japan

At its policy board meeting on 18-19 March, the Bank of Japan (BOJ) will announce the results of a policy review. The bank will determine whether it needs to adjust its monetary easing program in response to uncertainty surrounding Japan's and the global economy's recovery from the Covid-19 shock. The BOJ will not roll back its easing policies – and one goal of the review is to signal that the BOJ remains committed to reflation and still has policy tools available – but is expected to announce some marginal tweaks, with changes possible to its ETF purchases and its interest-rate targeting policies.

Germany

For Chancellor Angela Merkel's party, the election year has begun with a setback in two regional elections. The Christian Democrats (CDU) scored their worst results ever in the states of Baden-Wuerttemberg und Rhineland-Palatinate on 14 March. Amid the ongoing vaccination fiasco, voters' patience is running low, and as the leading force in the federal government, the CDU is feeling the pain. Still, new CDU leader Armin Laschet remains in the pole position to secure the chancellor candidacy for the Christian alliance (CDU/CSU).

Ecuador

Campaigning for the 11 April presidential run-off vote officially kicks off tomorrow, 16 March. The TCE electoral court yesterday rejected a demand for a recount that Yaku Perez of Pachakutik (PK) filed after he narrowly lost out to Guillermo Lasso of the center-right Creating Opportunities (CREO) party. Perez has alleged that electoral fraud deprived him of a place in the run-off and some factions within the indigenous movement have suggested adopting more radical action against electoral authorities. However, the TCE ruling is final, which means Lasso will face Andres Arauz of the leftist Union for Hope (UNES) coalition, whose leader in the shadows is former president Rafael Correa (2007-2017). Both Arauz and Lasso will focus on winning over the 55% of voters who did not support them in the first round; a head-to-head TV debate on 21 March will be the first big opportunity to do so.

ON THE HORIZON

ASIA

US/China

A US federal court ruled in favor of Chinese mobile phone maker Xiaomi on 12 March. This followed a legal challenge to the US Department of Defense's designation of Xiaomi as a "Communist Chinese military company" in the final days of the Trump administration, which had in turn triggered a ban on US investment in Xiaomi, pursuant to a White House

executive order. The legal victory for Xiaomi could encourage other Chinese companies to challenge their inclusion on various US government blacklists.

EUROPE

Italy

Rome will unveil a new decree that extends a ban on layoffs and allocates new resources for furlough schemes. It will also bolster emergency income support and simplify procedures to compensate businesses whose revenue has been affected by the pandemic. The package will be worth around EUR 32bn. The government is already considering asking parliament to hike the 2021 budget deficit further to finance additional stimulus measures.

Netherlands

General elections will be held on 17 March. Incumbent PM Mark Rutte looks set to secure a fourth consecutive term, but amid continuously high levels of fragmentation, government formation could again take some time. Geert Wilders' far-right Freedom Party (PVV) might still make some marginal gains, but overall, the pandemic emergency seems to have strengthened the government's hand. One question to watch is whether the result will force Rutte to add a center-left party to his next coalition, after four years of a predominantly center-right government.

Poland

On 20 March, the ruling Law and Justice (PiS) party will present details of its much-promoted 'New Deal' program aimed at restoring economic and living standards after the pandemic. The new program – likely to be co-financed by the EU recovery fund – will focus on a wide range of areas including healthcare, education, employment, taxation, the business environment and climate change. The 'New Deal' appears as an attempt by the ruling PiS to mitigate dwindling approval ratings and divert public attention from the resurging pandemic across the country.

Slovakia

The chaos within a four-party governing coalition led by Prime Minister Igor Matovic (Ordinary People and Independent Personalities, OLaNO) is set to continue this week. On 15 March, OLaNO's junior coalition partner Freedom and Solidarity (SaS) issued an ultimatum for Matovic to step down; otherwise SaS would leave the government. OLaNO's other two junior coalition parties For the People and We Are Family will reveal their positions later today. The most likely scenario is that an OLaNO-led government remains in office. However, notable changes to the composition of the cabinet are likely. The probability of early parliamentary elections is low.

LATIN AMERICA

Brazil

The emergency constitutional amendment will be promulgated on 15 March. This amendment authorizes the government to spend BRL 44bn (USD 8bn) for the reintroduction of the emergency assistance that expired at the end of last year. Other executive orders will now follow for the release of the required resources and, at a later stage, for the economic emergency agenda such as employment maintenance. Congressional leaders will decide in the beginning of the week which presidential vetoes will be analyzed in remote sessions on 17 and 18 March. These include the renewal of sanitation contracts in force for over 30 years, aspects of the anti-crime package, and social contribution exemptions for churches. The House should also analyze the modified version of the "Gas Law" approved in the Senate that aims to change the regulatory framework for the segment.

MIDDLE EAST AND AFRICA

Tanzania

On 12 March, Prime Minister Kassim Majaliwa denied rumors claiming that President John Magufuli is seriously ill.

His claim that Magufuli is "healthy and continuing with his duties as usual" is unlikely to calm speculation about Magufuli's health and whereabouts, given that the president has not been seen in public since late February. In a scenario in which Magufuli were to be incapacitated, Vice President Samia Suluhu Hassan would be first in line to take over the leadership, but resistance from the Magufuli faction could make for a protracted, messy transition.

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