

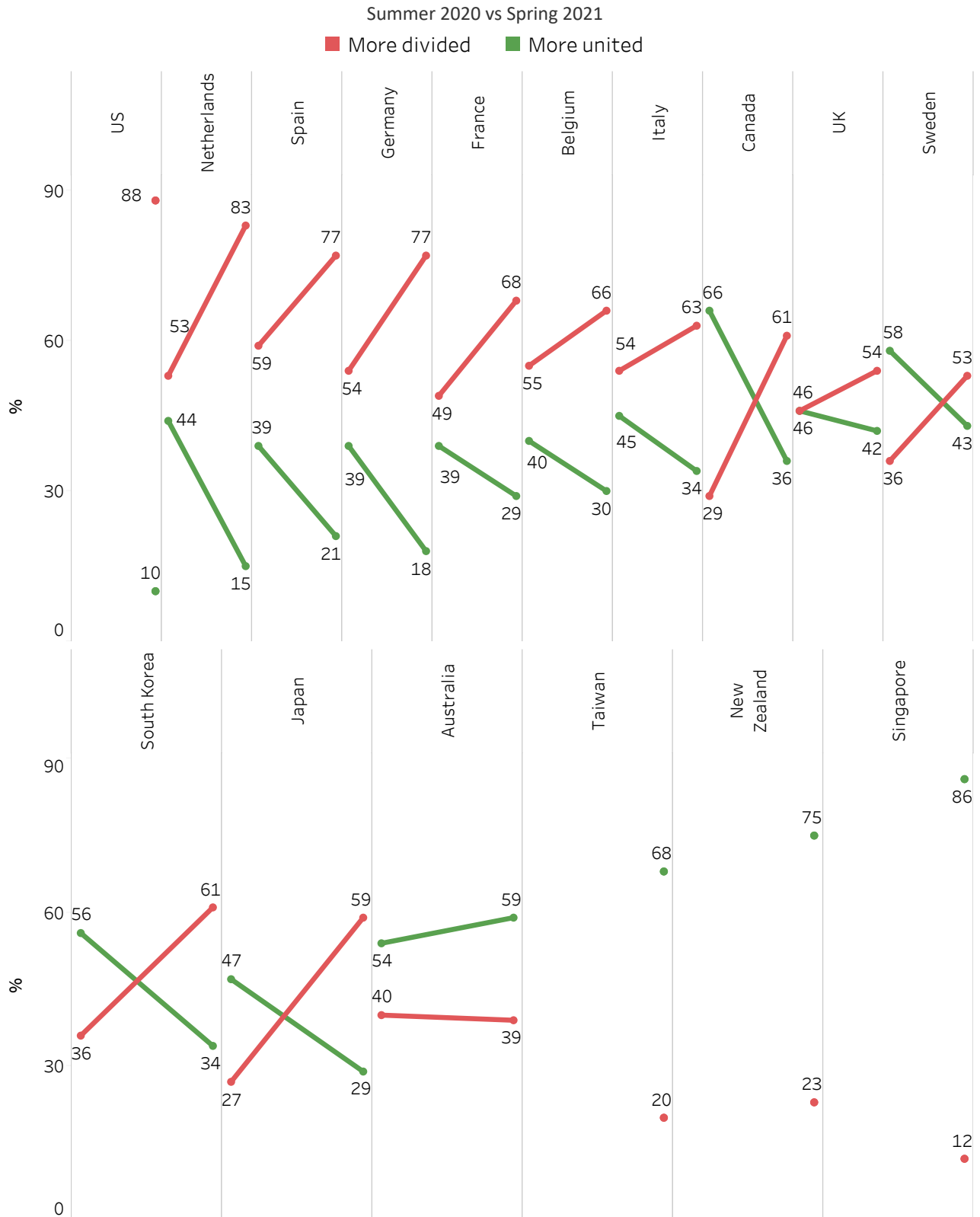
WEEKLY POLITICAL COMPASS

China has dismissed US concerns on media freedom in **Hong Kong**. **Chile's** new constituent assembly will be formed. **Russia's** president will hold his Q&A session. Meanwhile, **India's** government will announce new support to private business, **Romania's** government is expected to survive a no-confidence vote, the Covid-19 senate inquiry continues in **Brazil**, and **South Africa** has tightened pandemic restrictions.

CHART OF THE WEEK

People in Western democracies believe their country is now more divided

% who think their country is now more divided/more united than before the Covid-19 pandemic



Source: Pew Research Center. Summer and Spring 2021 Global Attitudes Survey

Most people say that their country is now more socially and politically divided than before the pandemic. Even in Canada, Sweden, Japan, and South Korea, where polarization tends to be lower, the share of citizens perceiving a more divided environment far outweighs those who perceive increased social unity – the trend has reversed in less than a year. The political and economic effects will become more evident in the coming years. Advanced economies with higher fiscal capacity and wide access to vaccine supplies might experience stronger and earlier economic recoveries which might temper social divisions. However, political polarization, already at historic highs before the pandemic in many countries, is unlikely to fade away. Meanwhile, the pandemic has also increased social divisions in the developing world, and most particularly in some Latin American countries. More equal access to Covid-19 vaccines across the globe is not only important from a health perspective; a more ambitious effort on this front would also be a crucial step to reduce social discontent and political instability in the developing world.

WHAT TO WATCH

China

US President Joe Biden has criticized the Hong Kong government’s shutdown of pro-opposition newspaper *Apple Daily* as a “sad day for media freedom.” In response, China’s foreign ministry called Biden’s comments “factually baseless.” Hong Kong authorities are also prosecuting founder and publisher Jimmy Lai for [colluding with foreign forces](#), a crime created under last year’s the National Security Law.

Chile

The constituent assembly will hold its inaugural session on 4 July. The assembly will have 155 assembly members, 17 of them representing the indigenous population. The first order of business will be to elect an assembly president. The assembly will be fragmented and contain many political novices. Blocs to watch include the anti-establishment group going by the name of *Voceria de los Pueblos*, comprising 34 assembly members. This group, combined with the *Apruebo Dignidad* group made up the Broad Front (FA) and Communist Party (PC), with 28 members, is seeking root-and-branch reforms. The assembly has nine months (with an optional three-month extension) to come up with a new constitution, which will then be submitted to a public referendum in 2022.

Russia

President Vladimir Putin will hold his traditional Q&A show on 30 June. The carefully choreographed program is used by the Kremlin as a political communications tool to address various public issues and present the government’s line of thinking. This year, Putin will likely have to comment on the [resurging Covid-19 pandemic](#) in the country while trying to strengthen the push for mandatory vaccinations. Given the upcoming election to the State Duma in September, socioeconomic issues are expected to dominate the event.

ON THE HORIZON

ASIA

India

On 28 June, Finance Minister Nirmala Sitharaman will announce more government support to private business. Much of this is expected to be linked to easier credit, however. Beyond that, meaningful support payments are not expected.

EUROPE

Romania

The center-right coalition government led by Prime Minister Florin Citu (National Liberal Party, PNL) is very likely to survive a no-confidence vote on 29 June. Despite lacking the votes to remove Citu from office, the opposition Social Democratic Party (PSD) is using the motion to criticize the government's economic and fiscal mismanagement, plunging living standards and the slow development of the EUR 29.3bn recovery and resilience plan. Aside from the no-confidence vote, the country's slow vaccination campaign and rivalries for the leadership within the ruling PNL are emerging as new challenges for Citu.

Turkey

Turkey's central bank may secure additional financing from Qatar as it seeks currency swap deals with foreign counter parties. An existing swap line with Qatar, which totals USD 15bn, may be increased to USD20bn. Earlier this month, Turkey agreed with China to increase an existing currency swap facility to USD 6bn from USD 2.4bn.

LATIN AMERICA

Brazil

This week will focus again on the senate inquiry into the handling of the pandemic following revelations by a supporter of President Jair Bolsonaro of corruption in the government vaccine purchases. Representative Luis Miranda from the Democrats (DEM) admitted having warned the President a few months ago about signs of irregular purchases by the Health Ministry of the still unapproved Covaxin vaccine. Miranda testified that no action was taken by the president to stop it. The committee is now likely to vote to submit a charge to the Supreme Court against the president for the crime of prevarication (not ordering an investigation into the alleged irregularity). The court could then launch an investigation or take appropriate criminal action.

MIDDLE EAST AND AFRICA

South Africa

On 27 June, President Cyril Ramaphosa announced a return to "Level 4" lockdown restrictions. South Africa will return to stricter lockdown restrictions for an initial 14 days in a bid to stem a third Covid-19 wave – driven by the Delta variant – that has already seen the seven-day average of new daily cases surpass the peak of January's second wave. While still falling short of 2020's highly restrictive "Level 5" lockdown, the measures include an extended night-time curfew (9pm-4am), a ban on all gatherings, prohibition of alcohol sales, and early school holidays.

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