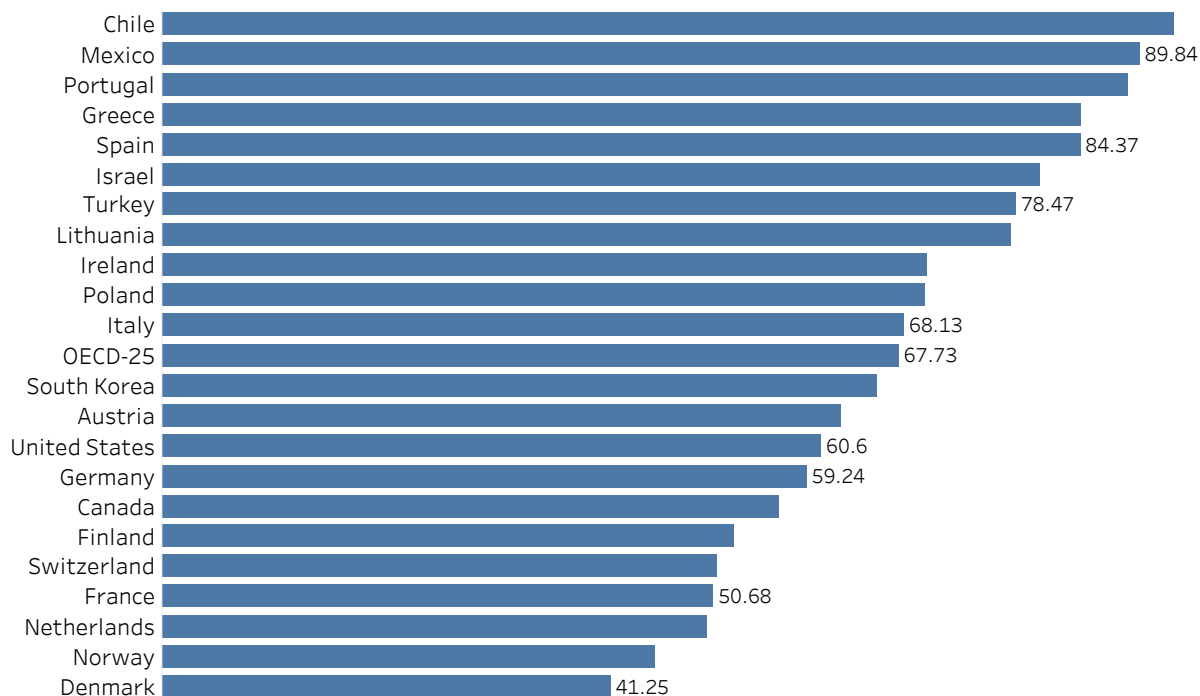


## WEEKLY POLITICAL COMPASS

**China** has condemned the **US** decision to blacklist more Chinese companies. The **EU** will present a set of green legislative projects. **Ethiopia's** election results have been announced. **Germany's** chancellor will visit the **US** president. Meanwhile, **India's** PM will gather a meeting of the council of ministers, **Spain's** PM has reshuffled his cabinet, **Chile's** presidential primary voting takes place this week, and **South Africa's** Constitutional the rescission application of the country's ex-president.

### CHART OF THE WEEK

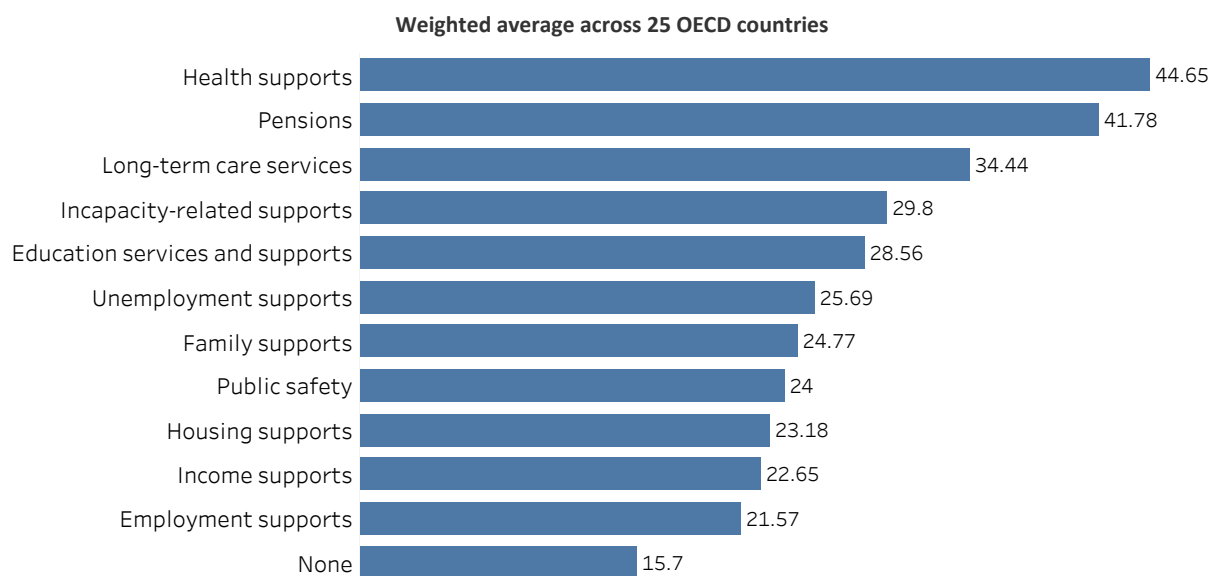
**Share of respondents who think the government should be doing more or much more to ensure economic and social security and well-being, %**



Source: OECD Risks That Matter 2020 survey

Note: Respondents were asked whether they thought the government should be doing less, more, or the same as they are currently doing to ensure their economic and social security. Possible response options were "much less", "less", "about the same as now", "more" and "much more".

**Share of respondents willing to pay an additional 2% of their income in taxes and social contributions to benefit from better provision of and access to each of the following policy areas, %**



Source: OECD Risks That Matter 2020 survey

Note: Respondents were asked how willing they would be to pay an additional 2% of your income in taxes/social contributions to benefit from better provision of and access to a list of eleven supports. Respondents could also choose "none" or "don't know" as a response option.

The Covid-19 pandemic has made evident the **growing importance of governments in providing income support and other financial assistance**. However, despite governments' efforts during the pandemic, many citizens believe that the new social and economic reality requires an even more activist state. Two-thirds of the OECD population think that national governments should be doing more or much more to ensure economic and social security and well-being. This opinion is particularly widespread in emerging markets, such as Mexico and Turkey, as well as in southern and eastern European countries. These are all countries where high levels of inequality – especially among younger cohorts – and social and political discontent preceded the pandemic. However, citizens are still skeptical about tax increases, even if these mean better health care, pensions or childcare policies. This suggests that the issue of taxation will remain a contested political topic in the post-pandemic world, regardless of global agreements on issues such as corporate taxation.

## WHAT TO WATCH

### US/China

**China's commerce ministry condemned Washington's "unreasonable suppression" of Chinese companies on Sunday.** The US Commerce Department had added 14 Chinese companies and other entities to its trade blacklist on Friday. Washington alleges that the blacklisted companies support repression in Xinjiang or contribute to China's military modernization.

### EU

**On 14 July, the European Commission will present its long-awaited "Fit for 55" package of legislative projects under its "Green Deal" agenda.** The package is intended to substantiate the bloc's updated green transition targets, specifically the goal of reducing GHG emissions by 55% over 1990 by 2030. Plans for updating the EU's carbon trading scheme ETS and the envisaged carbon border mechanism will likely take center stage.

### Ethiopia

**On 10 July, the NEBE electoral board announced the results of the 21 June elections.** Prime Minister Abiy Ahmed's Prosperity Party (PP) won 410 out of 436 parliamentary constituencies where voting took place. The House of People's Representatives has 547 seats but voting in 111 constituencies was deferred in Tigray (indefinitely) and in Harar and Somali regions (until September). Opposition parties Ezema and NaMA won less than ten seats each. Although the PP's landslide win provides a strong mandate for Abiy, his legitimacy and Ethiopia's stability are threatened by a combination of factors – the poll's partial conduct, opposition boycotts, the Tigray conflict, insurgencies in regional states like Oromia, and public finance worries.

### Germany

**Nord Stream 2 will be in focus as Chancellor Angela Merkel visits US President Joe Biden at the White House on 15 July.** The working visit will be Merkel's first trip to Washington since Biden's election victory and likely her last one before her term ends after the September Bundestag election. As the pipeline is nearing completion, Berlin and Washington will try to make use of the current US sanctions waiver to resolve their differences around Nord Stream 2. This will likely be focused on further guarantees for Eastern Europe's energy provision.

## ON THE HORIZON

### ASIA

#### India

**On 14 July, Prime Minister Narendra Modi will hold a meeting of the council of ministers.** This will be the second one after the government reshuffle on 7 July. While cabinet meetings are held every week, a meeting of 80 senior and junior

ministers twice in a row is rare. He will discuss the management of the pandemic and the upcoming session of parliament that begins on 19 July.

## EUROPE

### Bulgaria

**The populist newcomer There is Such People (ITN) appears to have claimed a narrow victory over center-right Citizens for European Development of Bulgaria (GERB) in the 11 July parliamentary election.** However, reform-oriented opposition lists – and potential coalition partners in the next government – ITN, Democratic Bulgaria (DB) and Stand Up! Thugs Out! (IS.BG) failed to win an absolute majority of seats in parliament. Another fragmented parliament points to a protracted government formation process, difficulties to advancing reforms, and political instability.

### Spain

**Prime Minister Pedro Sanchez reshuffled his cabinet on 10 July to regain some political momentum.** His Socialist Workers' Party (PSOE) has recently been trailing the main opposition People's Party (PP) in opinion polls. Despite the significant shake up – as many as seven ministers have left their portfolios –, the key economic posts have been left untouched. Economy Minister Nadia Calvino has been promoted to first vice prime minister, which signals a significant degree of continuity on key policy issues. The next challenge for the government will be to obtain enough parliamentary support for the 2022 budget, to be discussed in the fall.

## LATIN AMERICA

### Brazil

**This last week before the mid-year congressional recess will see more testimonies in the Senate inquiry (CPI) into the pandemic.** Last week the inquiry reached its highest point with the arrest of a testifying former logistics director at the health ministry. This director is suspected to have asked for bribes of one dollar per dose in a 400mn dose shipment of the AstraZeneca vaccine offered by a broker. The laboratory said it does not sell its vaccines through intermediaries. President Jair Bolsonaro is increasingly implicated for being in the know and doing nothing to stop any wrongdoing. Meanwhile, the CPI has put a damper on efforts to push for a tax reform and delayed any vote on it until after the July recess.

### Chile

**Presidential primary voting is scheduled for 18 July.** Two blocs representing the center-right Chile Vamos (CV) coalition and the more radical left Apruebo Dignidad coalition are participating. The center-left bloc now going under the name of Unidad Constituyente is not taking part. Polls suggest turnout will not be high; more people apparently intend to vote in the left-wing primary than in the CV's contest. The Communist Party (PC)'s Daniel Jadue, the mayor of the Recoleta district in the capital, is the favorite to win the Apruebo Dignidad nomination, while Joaquin Lavín, until recently mayor of Las Condes, another capital district, is favorite for the CV nomination, though he faces a late challenge from the former minister Sebastian Sichel. The first round of the presidential vote is scheduled for 21 November.

## MIDDLE EAST AND AFRICA

### South Africa

**On 12 July, the Constitutional Court hears ex-president Jacob Zuma's recission application.** Zuma is appealing his 15-month prison sentence for contempt of court after he repeatedly refused to appear before the Zondo commission investigating state capture. Zuma began serving his prison sentence last week, but not without a tense standoff at his Nkandla homestead. Disturbances, including vandalism and looting, erupted in KwaZulu-Natal (KZN) on Friday and spread

to central Johannesburg over the weekend. President Cyril Ramaphosa and the ANC have condemned the violence and called for calm, but further unrest is likely, particularly if the court rejects Zuma's application.

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