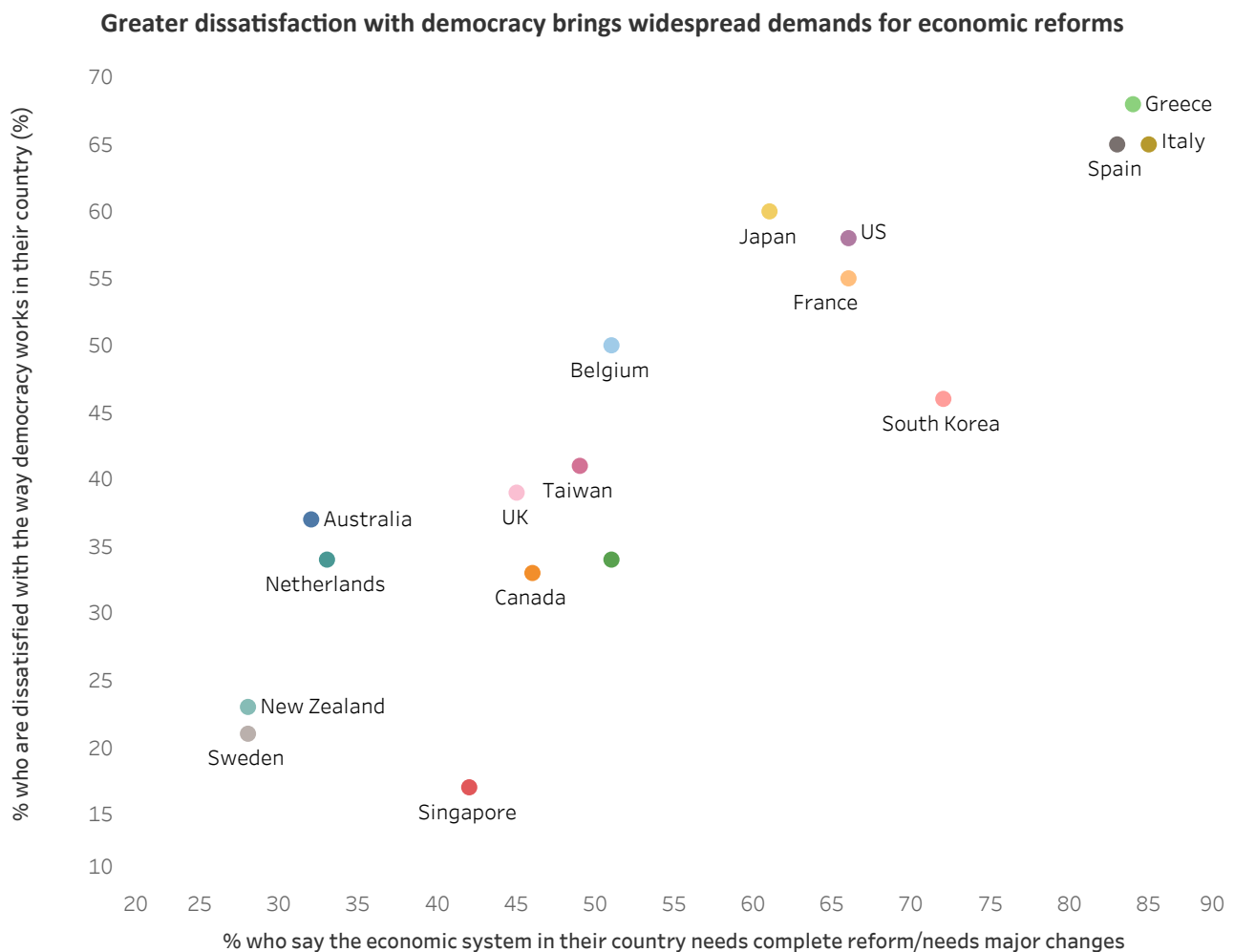


## WEEKLY POLITICAL COMPASS

Voters in **Japan** will go to the polls. **Turkey** is heading for a major confrontation with its allies. A Senate report requests the indictment of **Brazil's** president. The **UK** chancellor will present his autumn budget. **South Africa** is gearing up for municipal elections. The most significant reopening by a Southeast Asian country is ahead in **Thailand**. Meanwhile, **ASEAN** nations will hold their annual summit, **Germany** might have a new chancellor by 6 December, **Peru's** new cabinet faces a congressional vote of confidence, and **Zambia's** finance minister will present the budget.

### CHART OF THE WEEK



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

**Dissatisfaction with democracy** is running at record highs in many advanced economies. This sentiment is most widespread in southern Europe where poor economic performance is combined with a perception that political institutions cannot be trusted. Similarly, in the US, Japan, and France, more than half of the population is not satisfied with the way democracy works. Dissatisfied citizens tend to be more politically alienated and hold more radical economic policy preferences; populist parties also benefit from popular discontent with democracy. The graph above shows that demands for economic reforms are stronger precisely in countries where dissatisfaction with democracy is more widespread, such as Spain, Italy, Japan, the US, and France. Therefore, a weaker-than-expected economic recovery might pose significant political risks in these countries in the near future. Ambitious global policy reforms, such as the OECD-led corporate tax agreement, might be an opportunity for governments to regain some trust. Dissatisfaction with democracy, however, is the result of structural societal trends that are likely difficult to revert by one-off actions.

## WHAT TO WATCH

### Japan

**Less than a month after taking office, Prime Minister Fumio Kishida leads the LDP into a Lower House general election on 31 October.** Despite the new cabinet's lukewarm approval ratings and some recent by-election headwinds, polls still suggest that the ruling LDP-Komeito coalition will retain a clear majority.

### Turkey

**President Tayyip is expected to be on the agenda of the cabinet that will meet today, 25 October, at 3pm local time.** If Erdogan's threat is followed through, it would trigger the worst crisis between Ankara and its Western allies since the Justice and Development Party (AKP) got into power in 2002. The action would also cast a pall over a G20 meeting in Rome next weekend at which Erdogan had expected to discuss with US President Joe Biden his hopes of buying a large batch of F-16 fighter planes.

### Brazil

**The Senate Inquiry Committee (CPI) into the pandemic will vote on and approve its final report on 26 October.** The report requests the indictment of 72 people. President Jair Bolsonaro tops the list with nine crimes, including against humanity. Before leaving for G20 and the COP26 meetings in Europe, he will launch a National Plan for Green Growth on 25 October. The Senate will hold a public hearing on a House-approved bill that changes rules for income tax, but no plenary vote is planned for this week due to the CPI.

### UK

**Chancellor Rishi Sunak will present his autumn budget on 28 October.** Higher-than-expected growth forecasts should provide him with somewhat greater leeway to support families in the cost-of-living crisis, as well as helping the national health service (NHS) ahead of what is likely to be yet another critical winter. However, the backdrop of rising inflation and likely higher interest rates complicates the medium-term outlook for the "levelling up" agenda in areas outside London.

### South Africa

**Municipal elections will take place on 1 November.** The ruling ANC's overall vote share may drop to just below 50%. Any result above 50% would be a relief for President Cyril Ramaphosa, who faces ANC elections next year. The ANC's margins in key cities like Tshwane and Johannesburg may drop further below 50% and its majorities may decline even in traditional strongholds. The main opposition, the Democratic Alliance (DA), is unlikely to be the biggest beneficiary of declining ANC support. Instead, smaller parties, not only the Economic Freedom Fighters (EFF) but also newcomer parties like ActionSA will make inroads and could emerge as kingmakers in key cities.

### Thailand

**Thailand will open the capital region Bangkok and Chiang Mai province in the north to quarantine-free entry for vaccinated foreign tourists starting 1 November.** This is the most significant reopening by a Southeast Asian country since the start of the pandemic and is Thailand's attempt to salvage its peak tourist season. Tourists from 46 countries in the green lane will need only to take a PCR test before and upon arrival but must stay one night in a government-designated hotel until they are cleared.

## ON THE HORIZON

### ASIA

#### Association of Southeast Asian Nations (ASEAN)

**The group will hold its annual summit from 26-28 October but has excluded Myanmar junta leader Gen. Min Aung Hlaing from attending.** This restores some of ASEAN's credibility, as the generals have disregarded April's five-point agreement to reduce the violence and political tensions in the country. But whether the junta is willing to grant concessions that would comply with the April agreement remains to be seen.

#### China

**China's mini-parliament, the National People's Congress Standing Committee, authorized the State Council, the cabinet, to trial a property holding tax in selected cities for at least five years.** The decision leaves key details unsettled, including the choice of cities and the tax rates, but it represents progress on a key reform item that had been [stalled for a decade](#).

#### India

**Prime Minister Narendra Modi will visit Rome and Glasgow in the UK between 29 October and 2 November to attend the G20 summit and the COP26 conference.** India's position on climate change at a conference that aims to reduce emission levels significantly will be watched closely, given that it is the third largest emitter of greenhouse gases in the world.

### EUROPE

#### Germany

**The parties currently negotiating a "traffic light" coalition have vowed to elect Finance Minister Olaf Scholz as the next chancellor in the Bundestag on 6 December.** This reflects the positive outlook for the coalition talks which began last week, not least against the backdrop of missing outside options. The high-level points agreed during the previous exploratory talks (no tax hikes, raising the minimum wage, bringing the coal power exit forward) suggests that a workable consensus has been found for the partners to negotiate in greater detail.

#### Romania

**Prime minister-designate Nicolae Ciuca (National Liberal Party, PNL) continues talks with parties in parliament seeking to secure support for his minority cabinet.** The vote of confidence in a joint sitting of both chambers of parliament is likely to be held by the end of the week. While the initial round of talks did not result in any specific agreements, Ciuca can be expected to eventually strike a deal with the center-left Social Democratic Party (PSD) or the reformist USR-PLUS. Any agreement will likely be temporary until the pandemic in the country is under control. If, nonetheless, Ciuca fails to win in parliament, President Klaus Iohannis would have to nominate a new prime ministerial candidate or dissolve parliament and call early elections. The latter option is unlikely.

## LATIN AMERICA

### Peru

**The new cabinet led by Prime Minister Mirtha Vasquez faces a congressional vote of confidence today, 25 October.**

The cabinet must win a simple majority in Congress. The vote should go the government's way as opposition parties rally behind the new cabinet for the sake of governability. Some of the governing Peru Libre (PL) party who answer to the radical leftist party boss Vladimir Cerron could abstain in opposition to the shift to pragmatism that Vasquez's appointment entails. Even if the cabinet obtains congressional endorsement, a complete political reset looks unlikely given the PL's internal divisions and President Pedro Castillo's inexperience.

## MIDDLE EAST AND AFRICA

### Zambia

**Finance Minister Situmbeko Musokotwane will present the national budget to parliament on 29 October.** It will be closely scrutinized for signals regarding Zambia's plans to dig its way out of its debt crisis. While public expectations are high of the Hichilema administration, the budget must lay the foundations for a deal with the IMF, which is preparing a new mission to Lusaka in the coming weeks. Musokotwane is pushing for a deal before year-end, which will be vital for restructuring negotiations with lenders.

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