

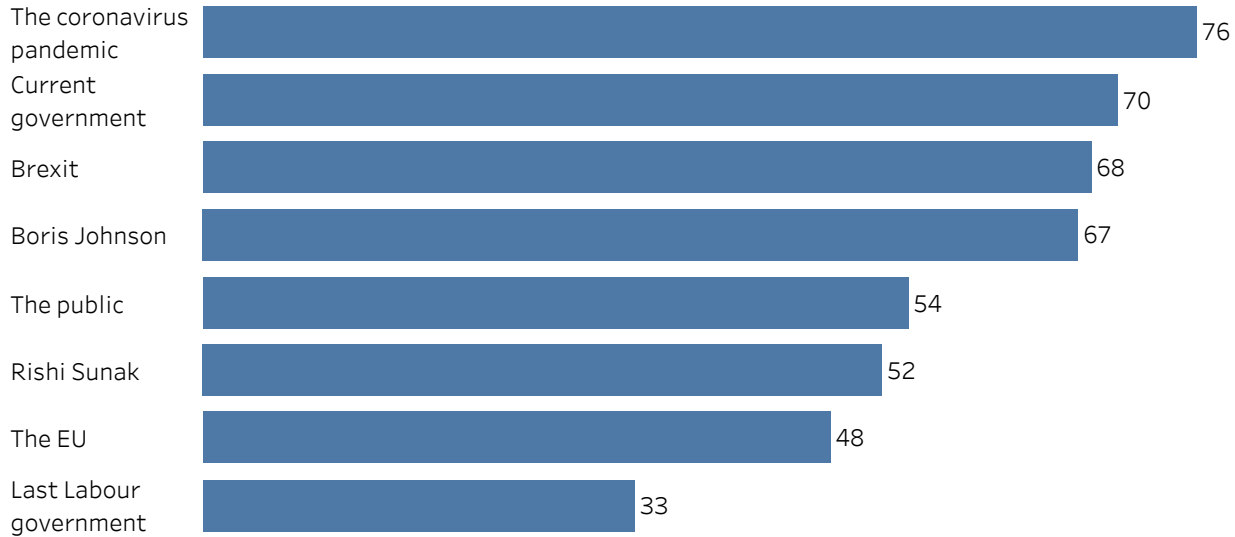
WEEKLY POLITICAL COMPASS

The **US** trade representative will outline Washington's approach to China trade. Fumio Kishida is **Japan's** 100th prime minister. Exploratory coalition talks could officially begin in **Germany**. Meanwhile, candidate registration will end in the **Philippines**, lower house elections will be held in the **Czech Republic**, **Mexico's** congress will discuss electricity sector reform, and **Ethiopia's** parliament has confirmed prime minister Abiy Ahmed.

CHART OF THE WEEK

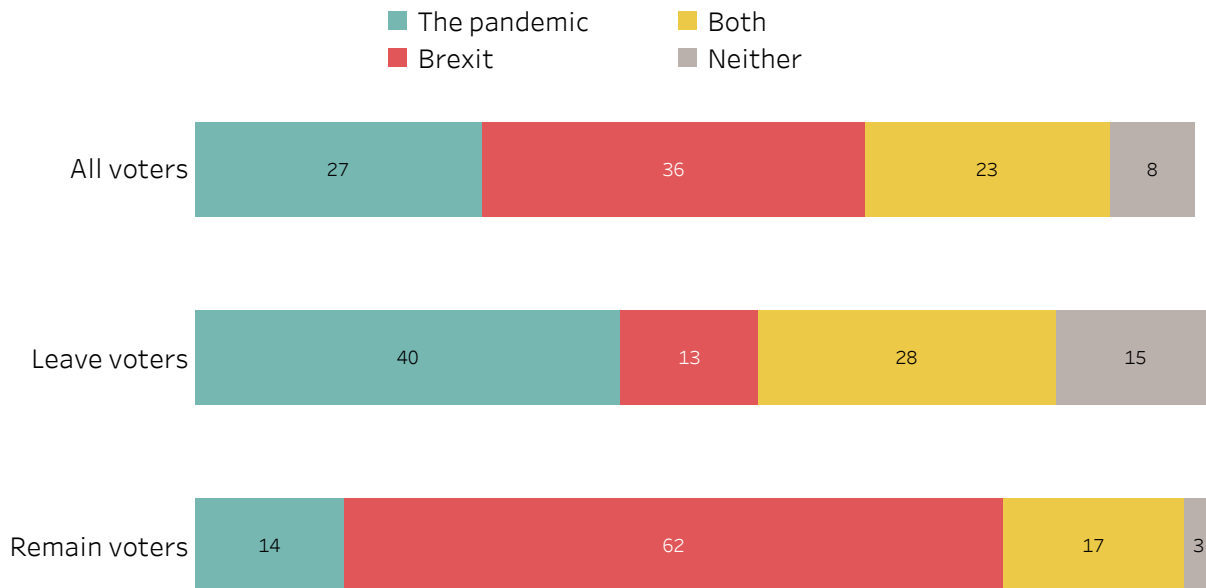
Who is to blame of the HGV driver shortage in the UK?

% who think that each of the following are completely or partly to blame



Source: Opinium. Fieldwork: 24-25 September 2021. Sample: 1997 UK adults. Question wording: "How much to blame, if at all, do you think each of the following are for the ongoing situation?"

Leavers and remainers differ on who is to blame



Source: Opinium. Fieldwork: 24-25 September 2021. Sample: 1997 UK adults. Question wording: "And which of these do you think is most to blame?"

A shortage of truck drivers has led to **fuel shortages** in gas stations across the UK, while food supply chains have also suffered from disruptions in recent weeks. At the same time, soaring energy prices, among other factors, are propping up inflation to the highest levels in decades across advanced economies. These trends could even hamper Chinese growth forecasts after many industries in the country were forced to cut production. The political consequences, however, will only play out in the medium term and will depend on governments' ability to respond to fast-changing economic realities

beyond the pandemic. In the UK, for instance, the public is divided on who is to blame for the shortage of truck drivers, with pro-Brexit voters pointing to Covid-19 and Remain voters blaming the country's EU exit. The politics of the post-pandemic recovery could be almost as difficult as dealing with the pandemic itself.

WHAT TO WATCH

US/China

US Trade Representative Katherine Tai will give a speech in Washington on 4 October outlining the Biden administration's . This follows a months-long internal review over how to handle Trump-era tariffs and the struck in January 2020. China has not met its ambitious commitments under that deal to expand purchases of US agricultural, manufacturing, and services exports.

Japan

Establishment choice Fumio Kishida has taken office as Japan's 100th prime minister. He is finalizing his new cabinet to pursue an agenda focused on pandemic response, economic recovery, and China. The first order of business is a semi-snap Lower House election to be held on 31 October, which will put an already-weak opposition further on the back foot.

Germany

The members of a potential "traffic light" coalition might begin three-way exploratory talks this week. So far, parties have only held meetings of two. Another gathering – this time of the Greens and the Christian Democrats (CDU/CSU) – is scheduled for 5 September. After that, the two smaller parties holding the balance of power – the Greens and the Liberals (FDP) – are likely to gather once more, but this is then expected open the door for talks with the Social Democrats (SPD) of election winner Olaf Scholz. The declared goal on all sides is a government before Christmas.

ON THE HORIZON

ASIA

Philippines

Candidate registration for the 2022 elections will end on 8 October. The most awaited filings are still to take place – whether Ferdinand Marcos Jr., the son of the former autocrat, and Sara Duterte, the daughter of the president, will run for either of the two top positions of president and vice-president. Should Marcos decide to run for president, he would be seen initially as a serious contender. This would generate the most uncertainty, given his likely antagonistic relationship with some major elites and conglomerates and the negative external perceptions it would generate. His candidacy would be boosted significantly if Duterte were to agree to run as his vice-presidential candidate. However, the 8 October deadline may also not be the last word on candidates and alliances since substitutions are possible until 15 November.

EUROPE

Czech Republic

The ruling Action of Dissatisfied Citizens (ANO) party is set to win elections to the Chamber of Deputies (lower chamber of parliament) on 8-9 October. The party also has the best chance of forming the next government owing to support from President Milos Zeman who has the right to appoint a prime minister of his choice. Coalition building will depend on the performance of ANO's potential coalition partners/supporters, including the far-right Freedom and Direct Democracy (SPD), the Communist Party of Bohemia and Moravia (KSCM), the Czech Social Democratic Party (CSSD) and

anti-corruption-focused the Oath party. Government formation would get more complicated if the center-right Together and the liberal Pirates and Mayors won a majority, given their tense relations with Zeman.

Italy

Enrico Letta, former prime minister and current leader of the Democratic Party (PD), is expected to win a parliamentary seat in a 3-4 October by-election in Siena. The by-election will determine the fate of the PD leader and remove the last political obstacle to Unicredit's takeover of state-owned Banca Monte dei Paschi di Siena. The tie-up would create Italy's biggest bank by assets.

Romania

The minority government led Prime Minister Florin Citu (National Liberal Party, PNL) is expected to lose a vote of confidence scheduled for tomorrow, 5 October. The Citu cabinet will remain in office in caretaker capacity until President Klaus Iohannis appoints a new prime minister designate. Government formation could be protracted due to a lack of agreement among parliamentary parties on the composition of the next government. Nonetheless, the most likely outcome is another PNL-led government supported by the Democratic Alliance of Hungarians in Romania (UDMR) and, potentially, USR-PLUS or the Social Democratic Party (PSD).

LATIN AMERICA

Brazil

House Speaker Arthur Lira will focus his efforts on finding solutions to two main items this week. The first issue is the payment of court-mandated judicial claims by the government without which the budget would surpass the official spending ceiling for 2022; the second issue is how to halt the rise in fuel prices. This comes at a time when the main interested party, Economy Minister Paulo Guedes, was found to be the owner of an offshore company in a tax-haven in the multinational "Pandora Papers" investigation - which is prohibited according to the official public servant code of conduct.

Mexico

Congress is gearing up to discuss the electricity sector reforms unveiled by President Andres Manuel Lopez Obrador (AMLO) late last week. While the reform was expected, it goes further than anticipated in its efforts to roll back energy liberalization. Under the initiative, the state-run CFE electricity utility would get a guaranteed minimum 54% share of the power market; energy regulators would be absorbed into the Energy Ministry; and the CFE would take over the independent grid operator. As an aside, the reform proposes reserving lithium extraction for the state (while respecting existing concessions). The governing National Regeneration Movement (Morena) and its allies do not have the two-thirds majorities needed in both chambers to pass these constitutional reforms. The Institutional Revolutionary Party (PRI) is most vulnerable to being co-opted.

MIDDLE EAST AND AFRICA

Ethiopia

Today, 4 October, parliament confirmed Prime Minister Abiy Ahmed for a five-year term. His confirmation comes on the back of legislative elections in two regional states where voting had been delayed from June. Although the events consolidate Abiy's domestic mandate, the conflict in northern Tigray, which has increasingly encroached on neighboring

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