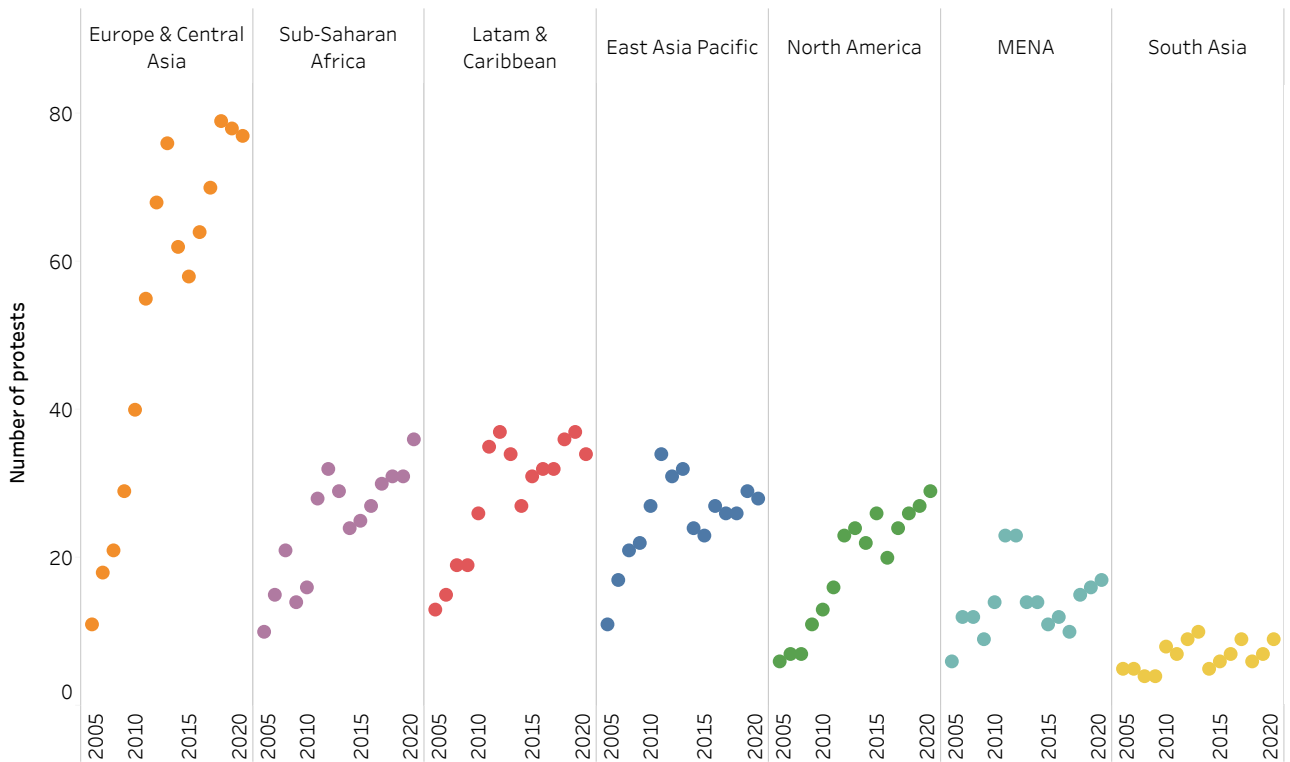


WEEKLY POLITICAL COMPASS

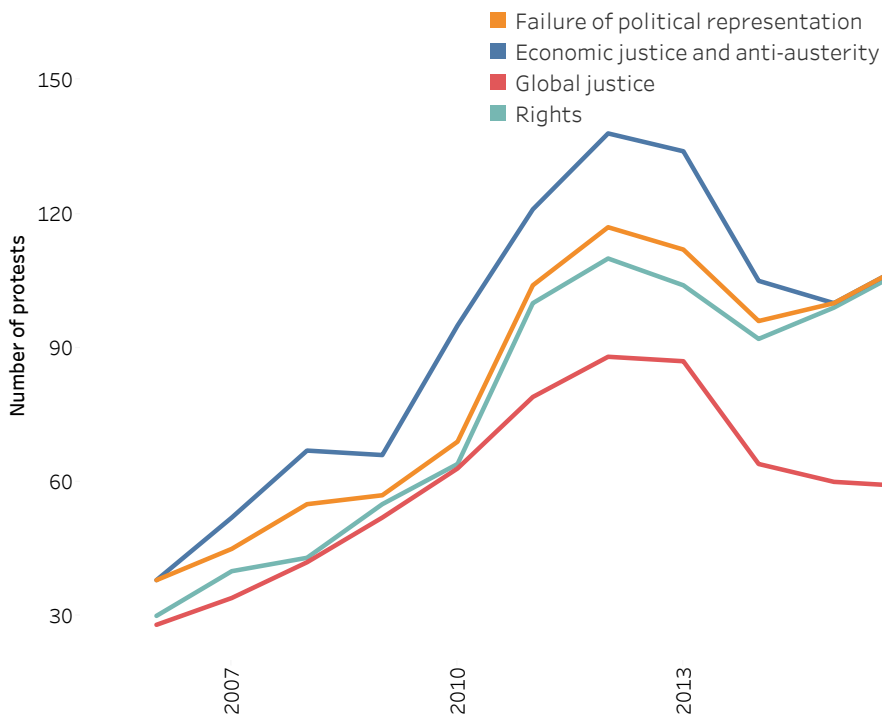
The presidents of **Russia** and the **US** will meet virtually. Olaf Scholz will be formally elected as **Germany's** next chancellor. **Peru's** president is trying to ward off impeachment. Meanwhile, **Australia's** opposition is focusing on climate change, the "super green pass" scheme has started in **Italy**, **Brazil's** Congress will discuss judicial debts, and the IMF has announced an ECF agreement for **Zambia**.

CHART OF THE WEEK

Protests have been on the rise for at least a decade



Political systems and elites are becoming the main target of protests



Source: "World Protests: A Study of Key Protest Issues in the 21st Century" (2021)

The **annual number of protests** has risen significantly in most regions over the past fifteen years. A first set of protests followed the global financial crisis and the introduction of public spending cuts. However, since 2016 a more political wave has unfolded in many countries. These focus more on the failure of political representation, featuring dissatisfaction

with democracy and corruption, and the expansion and/or strengthening of civil rights and personal freedoms. Structural economic issues such as rising inequality and economic uncertainty often go hand in hand with the emergence of protests, but they are also explained by factors such as long-term dissatisfaction with political systems – a very prominent trend in Latin America, the MENA region, and southern Europe. The interaction of future economic decisions, such as the tightening of fiscal and monetary policy, and pre-existing political grievances will continue to create risks for governments and businesses alike in 2022. Protests are more likely in a scenario where the introduction of new restrictions, even if milder than in previous times, end up damaging growth while inflationary pressures persist.

WHAT TO WATCH

Russia/US

On 7 December, President Vladimir Putin and his U.S. counterpart Joe Biden will hold a virtual meeting to discuss a range of topics. This including strategic stability, cyber security and, most notably, persisting tensions at Ukraine's borders. Amid public warnings and threats over the situation in Ukraine, direct talks will provide an opportunity for both sides to establish clear negotiating positions and scope out potential for any compromise. As part of its coercive diplomacy tactics, Moscow could further increase military pressure on Ukraine if it fails to negotiate any tangible concessions.

Germany

Olaf Scholz will be elected as chancellor in the Bundestag on 8 December. All three members of the new "traffic light" coalition have now endorsed the government work program negotiated over recent weeks. Scholz's Social Democrats (SPD) have also revealed that popular medical expert Karl Lauterbach will become the next health secretary. In line with this, and only days after having curtailed them, the Bundestag will this week give greater restrictive powers back to the regional states. They will soon be able again to close restaurants and bars again, but blanket lockdowns remain impossible.

Peru

President Pedro Castillo will continue meeting opposition party representatives today, 6 December, in a bid to ward off the threat of impeachment. A congressional vote to determine whether to advance to the next stage of impeachment proceedings is scheduled for tomorrow; the support of 40% of Congress (52 votes) is required. Initially, this looked like a difficult target but last week's summons issued to Castillo by prosecutors investigating allegations of influence-peddling in the military appears to have convinced more legislators that Castillo should at the very least be questioned. If tomorrow's vote passes, Congress would invite Castillo to a questioning session which he is not obliged to attend. To impeach the president, 87 votes are required, which still looks difficult to reach – at least for now.

ON THE HORIZON

ASIA PACIFIC

Australia

The opposition Labor party is positioning to make climate action a key pillar of its pitch to voters next year, with elections due no later than May 2022. After COP26, Prime Minister Scott Morrison was roundly criticized for not having a roadmap to achieve the net-zero commitment he hastily secured from his coalition partners, The Nationals, days before the climate summit. Labor has released its climate policy and modelling which would target an economy-wide cut of emissions by 43% by 2030, and net zero by 2050. Labor also proposed upgrading the electricity grid to fix energy transmission and drive down power prices; supporting electric vehicles; and aims to drive an expected AUD 76bn of investment.

China

China's securities regulator sought to calm investor fears that Beijing has grown hostile to Chinese companies selling shares abroad. This follows Didi Global's announcement last week that it would de-list from the New York Stock

Exchange. The China Securities Regulatory Agency said it would respect Chinese companies' choice of listing venues and denied a report that the agency is planning to ban variable-interest entities.

India

Russian President Vladimir Putin will arrive in New Delhi on 6 December for the annual India-Russia summit. This will be the first in-person meeting of the Russian president and Prime Minister Narendra Modi after their encounter on the sidelines of the BRICS summit in Brasilia in November 2019. Around ten public and confidential pacts are to be signed between the two leaders. The visit comes amid increasing closeness between Russia, a traditional Indian ally, and Pakistan.

EUROPE

Bulgaria

This week, President Rumen Radev is expected to appoint Kiril Petkov (We Continue the Change, PP) as Prime Minister-designate. He will then have seven days to win a vote of confidence by a simple majority of votes in parliament. Petkov will likely secure the nomination and lead a four-party coalition government consisting of the centrist PP, the center-left Bulgarian Socialist Party, the populist There Are Such People and the center-right alliance Democratic Bulgaria. Tackling corruption and reforming the judiciary will be the top priorities, although in the near term the new government will have to take steps to mitigate surging energy prices, handle the continuing pandemic and finalize negotiations with the European Commission regarding the country's EUR 6.6bn national recovery and resilience plan.

Italy

The government's "super green pass" system kicked in on 6 December. It excludes people who are not vaccinated against COVID-19 from many social, cultural and leisure activities and is set to remain in force until 15 January. The "ordinary" green pass, which can be obtained with a negative COVID-19 test, remains sufficient to access places of work.

LATIN AMERICA

Brazil

The main item this week will be the discussion in Congress about the future of the constitutional amendment on judicial debts (PEC 23, *Precatórios*). The Senate only approved parts of the draft that cleared the House of Representatives. House Speaker Arthur Lira favors approving those parts, but Senate Chairman Rodrigo Pacheco is against the idea, reflecting the perception of a majority of senators that the way matters were approved in the higher chamber reflects a delicate political balance that would be lost in case of separate approvals. As partially approved now in both chambers, the PEC 23 frees an additional BRL 106.1bn (USD 19bn) for 2022 by raising the spending cap and delaying judicial debt payments. It will thus make feasible the funding of a new cash transfer program, *Auxilio Brasil*.

MIDDLE EAST AND AFRICA

Zambia

The International Monetary Fund (IMF) on 3 December announced a staff-level Extended Credit Facility (ECF) agreement worth USD 1.4bn over three years. The IMF expects "bold and ambitious economic reforms" under the program, which could prove controversial notwithstanding President Hakainde Hichilema's strong electoral mandate. The

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