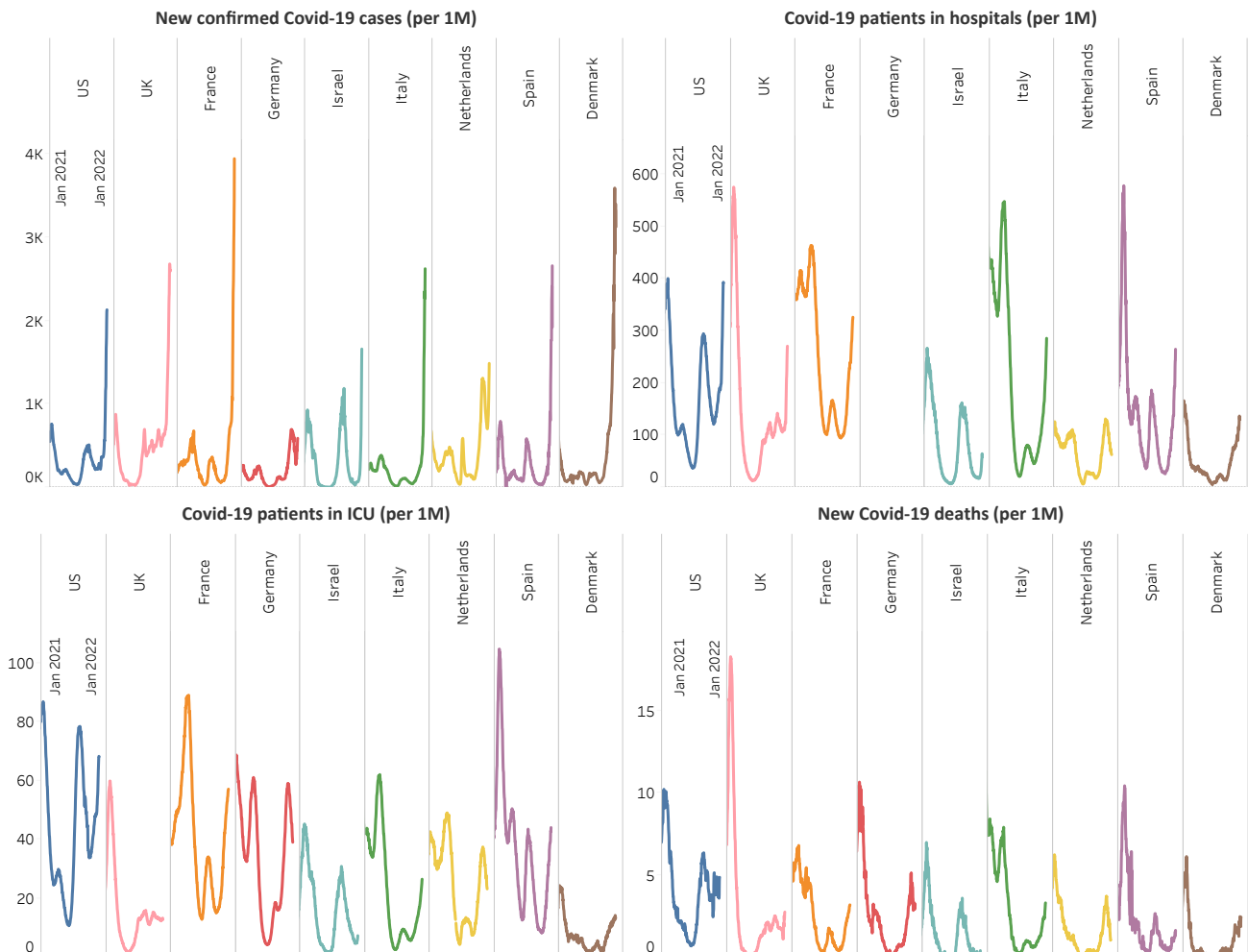


WEEKLY POLITICAL COMPASS

Talks between **Russia** and the West will start this week. **China** is reacting to its first omicron outbreak. Silvio Berlusconi is likely to remain a candidate in **Italy's** presidential elections. Meanwhile, **India's** election commission will review its campaign ban, a referendum will be held in **Serbia**, the opposition seems to have won a gubernatorial re-run election in **Venezuela**, and **South Africa's** president delivered his party's annual 8 January statement.

CHART OF THE WEEK

The decoupling of cases and hospital admissions is stronger in western Europe than in the US



Source: Our World in Data (last update on 10 January 2021)

The rapid spread of the **Omicron variant** has caused record cases of Covid-19 in many countries over the holiday season. However, thanks to high vaccination rates and the new variant's apparent less severity, hospitals in most western countries

are under less pressure than a year ago. This is true for the largest European economies, where vaccine uptake tends to be high and booster doses are being administered at a relatively rapid pace. In the UK and Denmark, more than 50% of the adult population has already received its booster vaccine, while in Germany, Spain, and Italy this figure ranges between 35 and 40%. In the US, however, where vaccine uptake is lower and only around 22% have received a booster dose, hospitalizations for Covid-19 appear to be approaching last winter's peak – although the data does not distinguish between people hospitalized because of Covid-19 and those who happened to test positive while admitted for other conditions. In 2022, governments' strategies against Covid-19 will vary even more than in previous phases of the pandemic. Two years after its emergence, the pandemic has entered a new phase still carrying much uncertainty.

WHAT TO WATCH

Russia/NATO

This week Russia and Western allies will hold a series of talks over persisting tensions in Ukraine and the broader security arrangements in Central and Eastern Europe. Today, 10 January, bilateral strategic security talks between Russia and the US are taking place in Geneva, to be followed by a Russia-NATO Council meeting in Brussels on 12 January. Discussions will also take place within the Organization for Security and Cooperation in Europe (OSCE) on 13 January in Vienna. The upcoming talks are unlikely to result in any breakthroughs but could pave the way for continued negotiations in search of compromise in some areas. As previously noted, Moscow could seek to further escalate tensions in the short-term to push the West into making urgent concessions.

China

Tianjin, the port city south of Beijing, began mass testing all of its 14mn residents on 9 January. This came after authorities discovered China's first omicron outbreak, which will [test the sustainability](#) of the country's zero-tolerance approach to the virus.

Italy

The leaders of the rightist bloc are expected to meet on 14 January to discuss the alliance's position regarding the presidential election. In the most likely scenario, they will reiterate their support for Silvio Berlusconi's candidacy. Even though substantial obstacles lie in his path and his chances are close to zero, the controversial former prime minister will plough ahead with his unofficial campaign. By putting himself forward, Berlusconi is seeking to gain leverage and secure a "kingmaker" position. Unless Berlusconi decides to abandon his presidential bid, the first three rounds of voting will likely be inconclusive. The first round will take place on 24 January.

ON THE HORIZON

ASIA PACIFIC

India

On 15 January, the Election Commission, the independent body which supervises state and federal polls, will review its decision to bar all public events related to campaigning for the upcoming state elections. Prompted by a surge in Covid-19 cases, the EC announced a schedule for elections to be held in five states beginning 14 February but barred all public meetings until 15 January.

Japan

Tokyo Stock Exchange (TSE) operator Japan Exchange Group (JPX) will announce on 11 January the companies to be listed on the new Prime Market when restructuring takes effect on 4 April. Around 1900 companies with higher

levels of market capitalization, governance standards and business performance will enter the Prime Market, with other firms joining the Standard or Growth Markets.

EUROPE

Serbia

A referendum on amending the constitution in the area of justice will be held on 16 January. The proposed amendments – which have been positively assessed by the Council of Europe’s Venice Commission – seek to strengthen the independence of the judiciary and harmonize the country’s legislation with the European Union. The vote will be held under a new referendum law which abolished a minimum 50% turnout threshold for the plebiscite to be considered valid.

LATIN AMERICA

Venezuela

Preliminary results from the re-run of the gubernatorial election held in Barinas state yesterday, 9 January, point to a victory for the opposition. The re-run was ordered after the opposition narrowly defeated the regime candidate and incumbent governor, Argenis Chavez, in a vote held on 21 November. Barinas was the home state of the late former president Hugo Chavez (1999-2013) and therefore holds special significance for **Chavismo**. In yesterday’s re-run, the regime put up the multi-purpose minister – and Chavez’s ex-son-in-law – Jorge Arreaza as its new candidate. However, Arreaza all but conceded defeat late last night. The result is a rare piece of good news for the embattled opposition. Not only does the outcome demonstrate how unpopular the regime, but it also points to the constraints on its ability to commit outright electoral fraud. Regardless, the scope for a resumption in regime-opposition talks looks limited.

MIDDLE EAST AND AFRICA

South Africa

President Cyril Ramaphosa delivered the ANC’s annual January 8 statement. As so often, the statement pledged economic reforms and tackling unemployment (now at a record 46.6%). Its acknowledgement that “there is a clear need for some form of income support for unemployed and poor South Africans based on clear principles of affordability and sustainability” highlights that the governing party is considering introducing a basic income grant. The statement also backed the Zondo report into ‘state capture’, which will worsen rifts within the ANC and could threaten fresh unrest.

West Africa

In Mali, the military junta is expected to react to biting sanctions on the regime imposed on it over the weekend by West African regional body ECOWAS. This follows the junta’s decision to backtrack on its earlier promise to return the country back to civilian in February after a coup last May. The key thing to watch is how the standoff between the two sides impacts regional cooperation on the fragile security situation in the Sahel.

[Client Portal >>](#)

Macro Research
+44 20 7186 8894
Macro@teneo.com

© 2022 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo.