

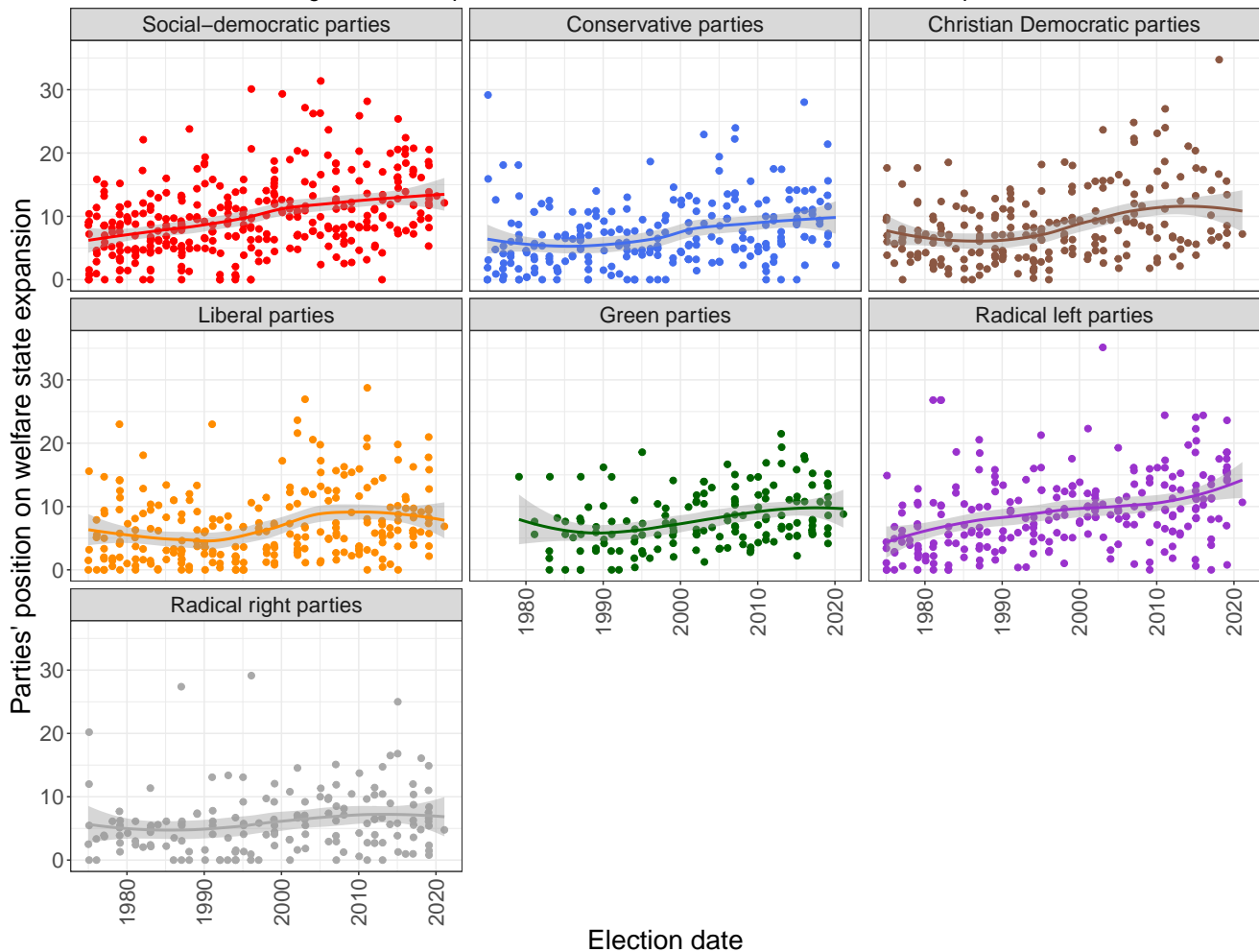
WEEKLY POLITICAL COMPASS

Public protests have spread to multiple **Chinese** cities. Speculation about debt restructuring continues in **Ghana**. The European Commission will make a proposal on whether to withhold payments to **Hungary**. **Malaysia's** prime minister will present his cabinet. Meanwhile, **Japan's** prime minister continues to face headwinds, NATO foreign ministers will gather in **Romania**, **Brazil's** president-elect is likely to take part in-person in the discussions of his transition government, and a report and a strike will make headlines in **South Africa**.

CHART OF THE WEEK

Parties' policy position on welfare policies across party families in western Europe

Higher values represent more favorable stances to welfare state expansion



Source: Comparative Manifesto Project. Parties' positions are calculated using the proportion of references to welfare state expansion in parties' manifestos

Welfare policies and fiscal spending more generally have gained increasing relevance in recent years across advanced economies. First in response to the pandemic and now in response to the cost-of-living crisis, governments across the political spectrum have introduced particularly ambitious policies to protect people's income and strengthen safety nets. At the same time, as the energy transition accelerates, its short-term losers might demand compensation in the form of training and/or employment protection. Historical analysis of party manifestos shows that political parties across ideologies have become more supportive of the expansion of the welfare state. In the coming years, however, the debate will not be necessarily about the size of the welfare state but about the specific policies that should be prioritized in an age of fiscal and monetary constraints. This could pit early childhood education and care and human capital formation against more traditional unemployment protection policies.

WHAT TO WATCH

China

Amid rising Covid-19 cases and escalating lockdowns, public protests against the zero-Covid policy spread to multiple cities, including Beijing, Shanghai, Chongqing, and Urumqi. The protests are unlikely to coalesce into a unified movement that would challenge President Xi Jinping and the Communist Party's hold on power. However, public discontent may push China's leadership to accelerate the [shift away from zero-Covid](#).

Ghana

This week, the government will be dealing with the fallout of the news suggesting that it will be restructuring its debt as part of bailout negotiations with the International Monetary Fund (IMF). Since the news was first reported on 25 November, President Nana Akufo-Addo's administration has denied claims that it is considering a 30% 'haircut' on foreign bonds and a suspension of interest rate payments to domestic bondholders in 2023. However, comments from both the finance minister and his deputy signal that the decision to restructure both domestic and foreign debt is conclusive – even if the details are still being ironed out. The country's economic headwinds appear to have reached a critical point as further reports have come out suggesting the administration will be asking gold miners to sell at least 20% of their semi-refined gold to the government as payment for their power needs. In turn, the government will look to buy fuel with gold instead of US dollars.

Hungary/EU

On 30 November, the European Commission (EC) is expected to issue its assessment of Hungary's issues under the EU's general regime of conditionality. Along with the assessment, the EC will make a proposal to the European Council on whether to withhold any funds to Hungary from the bloc's 2021-2027 budget. Unless the EC amends its previously outlined position, Hungary could see the suspension of around EUR 7.5bn of cohesion funds. The final decision to suspend any funding requires qualified majority support (15 out of 27 member states accounting for 65% of the EU's population) in the Council. The vote on the issue must take place by 19 December.

Malaysia

Prime Minister Anwar Ibrahim is expected to announce his cabinet later this week, providing signals as to balance of power within the so-called unity government. The most significant appointment will be that of finance minister, not only for its consequences on policymaking but in terms of indicating who the senior partners of Anwar's Alliance of Hope coalition are in the government; the United Mal. Anwar has promised a smaller cabinet than previous governments.

ON THE HORIZON

ASIA PACIFIC

Japan

Teneo

Prime Minister Fumio Kishida continues to face headwinds but still seems likely to survive. In the wake of three ministerial resignations in a month, two new opinion polls have put his cabinet's gross approval ratings at fresh lows in the mid-30s. Yet the latest reports that Kishida will soon authorize an effective doubling of overall defense expenditure to 2% of GDP—possibly to be funded through 2027 by more public debt, and only subsequently by tax rises—will serve to assuage the ruling LDP's powerful right wing and reduce the incentive for opponents to try to oust him.

EUROPE

Romania/NATO

NATO Secretary General Jens Stoltenberg is set to meet Romania's political leadership on 28 November ahead of a meeting of NATO foreign ministers on 29-30 November in Bucharest. The ministerial meeting will also include representatives from several non-NATO countries, including Ukraine, Finland, Sweden, Bosnia and Herzegovina, Georgia, and Moldova. Among multiple topics, NATO allies are set to discuss additional support for Ukraine as well as the implementation of the alliance's new strategic concept adopted at the [Madrid summit](#).

Turkey

The main opposition alliance – composed of six parties (T6) who came together with the promise to unseat President Tayyip Erdogan – presented on 28 November its constitutional reform draft. It is aimed at abolishing the presidential regime and switch to a "strengthened parliamentary system." The opposition's plan is to submit the 156-page long proposal to parliament after the 2023 parliamentary and presidential elections.

LATIN AMERICA

Brazil

Lula is likely to take part in-person in the discussions of the transition government after two weeks of absence following his trip to the COP27 and a vocal cord surgery last week. The negotiations on the budget law have reached an impasse as leaders of the president-elect's Workers' Party (PT) diverge on whether the problem is the approach to congressional alliances or the content of the proposal for a BRL 198bn waiver from the official spending cap. VP-elect and coordinator of the transition government Geraldo Alckmin affirmed that the new administration will not undo reforms and praised the labour reform approved during the Temer administration.

Mexico

President Andres Manuel Lopez Obrador (AMLO)'s contentious electoral reform initiative goes to the plenary of the lower house of Congress today, 28 November. However, the reform as it currently stands will not advance because AMLO's National Regeneration Movement (Morena) does not have the two-thirds majority required to change the constitution. AMLO has already said that he intends to advance a "plan B" version of the reform, a plank of which will be reducing the number of legislators. Legal challenges would be likely if this plan advances. Even so, AMLO will be buoyed by a pro-government march that he organized yesterday to counter the recent rallies in opposition to his electoral reform. AMLO used yesterday's event to defend his record, make a new promise to raise the minimum wage, and generally counter the threat of the opposition solidifying after their alliance came close to breaking up recently. The bigger question underlying recent events is whether AMLO has irrevocably lost the backing of the middle classes, and whether his eventual successor can recover their support before the 2024 elections.

MIDDLE EAST AND AFRICA

South Africa

A report on the Phala Phala scandal and a potential public-sector strike will make headlines. On 30 November, an independent panel is due to report to parliament on President Cyril Ramaphosa's Phala Phala scandal. Parliament is now scheduled to debate the report on 6 December – 10 days ahead of the ANC elective conference where Ramaphosa will stand for re-election. Also this week, public-sector unions have threatened to embark on an indefinite strike from 2 December unless the government improves its budgeted offer of 3% wage increases.

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