





## What Gatehouse is Watching

**Austria:** Former Interior Minister Karl Nehammer was sworn in as Chancellor this week, following the resignation of his short-lived predecessor, Alexander Schallenberg. He faces the immediate challenge of enforcing mandatory vaccination (though Austria's infection rate has dropped sharply since the imposition of a national lockdown in November). Former Chancellor Sebastian Kurz also retired from politics last week, following a bruising series of corruption investigations. His departure triggered a flurry of other resignations, and could create a power vacuum within Austrian politics.

**China:** Structural headwinds are accumulating in China's economy. Fitch became the first rating agency to declare Evergrande's overseas bonds to be in default this week, and new statistics revealed a worsening demographic situation, with Chinese weddings falling to a 13-year-low in the first three quarters of 2021. China can manage these issues in the short-term, but a lack of long-term solutions will cause concern in Beijing. The CCP's decision to double down on political control in response to economic headwinds, notably by tightening control on the People's Bank of China, increases the scope for policy miscalculation.

**EU-China:** Relations between Brussels and Beijing look set to worsen, as China hardens its approach towards Lithuania. The CCP has allegedly informed some multinationals that they will be blocked from the Chinese market if they are found to be using Lithuanian parts or supply chains. EU Trade Commissioner Valdis Dombrovskis has stated that this could warrant the use of the EU's new anti-coercion instrument and plans to investigate whether the CCP's actions are in violation of WTO rules.

**France:** Valérie Pécresse secured the nomination for Les Républicains last week. While she would pose the biggest challenge to President Macron in a second-round presidential contest, she may struggle to get there: centrists and extremists are squeezing the traditional right. Macron could also benefit from France's Presidency of the EU, which he revealed this week will focus on Schengen reform, European defence and regulation of tech giants. He will look to work closely with Italian Prime Minister Mario Draghi in implementing his ambitious agenda, provided Draghi remains in position.

**Germany:** Olaf Scholz was sworn in as German Chancellor this week, officially ending Angela Merkel's 16-years in power. The unity of his traffic-light coalition will be immediately tested by mounting crises, including Russian posturing over Ukraine and surging Covid-19 cases. Scholz has promised "continuity" in foreign policy and a commitment to bolstering intra-EU and transatlantic ties. However, Greens leader and Minister of Foreign Affairs Annalena Baerbock may seek to adopt a tougher line on Russia in particular, with the debate over Nord Stream 2 likely to return strongly in the event of any military action in Ukraine.

**Iraq:** National Security Adviser Qasim al-Araji said that the US has ended its "combat mission" in Iraq, in line with the timeline agreed by President Biden and Prime Minister Mustafa al-Kadhimi earlier this year. Most of the c. 2,500 US troops in Iraq have already been in training and advisory roles for some time, but the announcement is designed to boost al-Kadhimi, who has been facing increased opposition to US troop presence from Iran-aligned factions since General Qasem Soleimani was assassinated near Baghdad last year. The US drawdown is not expected to result in a significant deterioration of Iraq's security situation.

**Japan:** Prime Minister Kishida gave his second policy speech this week, vowing to investigate offensive missile strike capabilities. The Government will release three main documents on Japan's national security policy in the coming year, which could complicate relations with China. Kishida also



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committed to bringing forward booster jabs, as Japanese citizens voice broad support for his hard-line on Covid-19 restrictions, which has included restricting international travel.

**Myanmar:** A military court has found deposed leader Aung San Suu Kyi guilty of violating Covid-19 restrictions in 2020, convicting her to two years in prison. The decision will worsen relations with the international community, and stoke divisions at home: protests were fatally repressed by the military junta in Yangon this week.

**New Zealand:** The Government has announced a roadmap to effectively outlaw tobacco purchases in future generations. There will be a one-year increase in the smoking age annually from 2027, meaning those currently under the age of 14 will never be able to legally purchase cigarettes. The Māori population smokes more than the national average, meaning the legislation could create significant social cleavages. It also reflects the growing willingness of liberal Governments to impose health measures on their citizens, as vaccine mandates gather pace around the world.

**Olympics:** The US, Australia, Canada, Lithuania, New Zealand and the UK announced a diplomatic boycott of the Beijing 2022 Winter Olympics due to concerns over human rights in Xinjiang. While their decisions will add tension to already strained relations with Beijing, they are unlikely to prompt any change in China's behaviour against its Muslim minority population. Japan is reportedly considering adopting a similar position. However, President Biden's attempts to build a broader united front against China may be struggling, with France this week publicly rejecting the boycott.

**Peru:** President Pedro Castillo avoided an attempt by right-wing lawmakers to launch impeachment proceedings this week. While the parliamentary motion lost 76-46, Castillo's dismal approval ratings (25%), could encourage the opposition to launch further attempts in 2022. Policy missteps and Cabinet scandals have created turbulence during the first six months of Castillo's term, denting initial hopes that the political outsider could overhaul Peru's tired governance structures.

**Russia:** The amassing of more than 100,000 Russian troops along the Ukrainian border has continued to raise international concern this week. Tensions were not soothed by the Biden-Putin virtual summit on Tuesday, which appeared to make limited headway. Shortly afterwards, Biden emphasised that the US would not unilaterally send US troops to defend Ukraine in the event of a Russian invasion. This intervention seems designed to spur the EU and NATO to commit to greater multilateral action, rather than rely upon the US. Talks between senior NATO allies and Russia look likely to take place next week.

**Summit for Democracy:** President Biden held the inaugural Summit for Democracy this week as part of his Administration's attempt to re-energise fading democratic norms, and promote its 'values based' foreign policy agenda. However, the event has been poorly received by many who argue that reinforcing ideological divisions will only hamper global cooperation.

**Taiwan:** Nicaragua severed diplomatic relations with Taiwan this week, instead recognising "one single China". The decision was likely driven by President Ortega's growing reliance on Beijing as the US increases pressure on his Government. Honduras could follow suit, with newly elected leader Xiomara Castro renowned for her accommodative stance to China. Taiwan's unease at these decisions will be tempered by its growing unofficial relationships with more significant players, notably in the EU and Indo-Pacific.

**United States:** The Justice Department filed a lawsuit against the state of Texas this week, alleging that its redistricting proposal will disproportionately disadvantage Black and Hispanic



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voters. It is the first legal challenge filed by the Biden Administration over redrawn electoral maps in this redistricting cycle. Republican control of the redistricting process in key state legislatures poses a major challenge to Democratic prospects in the 2022 midterms.

### Upcoming Elections

**France:** Referendum on Independence in New Caledonia, 12 December

**Taiwan:** Referendum on the Activation of the Lungmen Nuclear Power Plant, 18 December

**Chile:** Presidential and Parliamentary Elections, Second Round, 19 December