2022 Global Policy Outlook

Our Government Affairs experts from around the globe summarize the policy and regulatory issues that they'll be watching in the year ahead.

United States

Andy Blocker
Head of US
Government Affairs

Political outlook:

Since 2022 is an election year, we do not expect any real major action out of Congress unless the Build Back Better plan fails to get over the finish line in 2021 and is pushed into 2022. Not surprisingly, the two bills with the greatest potential to successfully become legislation both garner bipartisan support — China competition legislation and retirement reform. All other major legislative activity will center around reauthorizing existing programs and funding the government.

Regulatory outlook:

On the regulatory front, however, we expect a lot of activity. As President Joe Biden continues to fill out the still-numerous vacant positions in the government, the regulatory agenda, which is already moving in earnest, will become even more crowded. We expect the Biden administration to not only continue to reverse many of the policies from the Trump administration, but we expect it to enact their own robust policy ambitions.

Activity in the energy, environment, financial services, tech, labor and antitrust areas are where we envision the most activity across the administration. Below is a list of some more specific areas of expected regulatory action in 2022:

Possible Regulatory Activities in 2022:

- Securities and Exchange Commission (SEC) Climate Disclosures
- SEC Human Capital Disclosures
- SEC Cyber Security Rule Proposal
- SEC Board Diversity Rule Proposal
- SEC Investment Management ESG Rule Proposal
- Digital Asset Guardrails
- Federal Trade Commission (FTC) Antitrust Action
- FTC Review of Green Guides
- Department of Labor (DOL) Fiduciary Rule
- Implementation/Rulemaking for Bipartisan Infrastructure Framework (and possibly Build Back Better legislation)
- Occupational Safety and Health Administration (OSHA) Vaccine Mandates
- CMS and Government Contractor Vaccine Mandates
- Offshore Drilling Ban on Leases and Permits
- Environmental Protection Agency (EPA) Methane Emissions Regulation
- Per- and Polyfluoroalkyl Substances (PFAS) Drinking Water Standards
- Aircraft and Auto Emission Regulation
- Drug Pricing Reform
- Community Reinvestment Act
- Buy America Requirements
- Supply Chain and Domestic Manufacturing Capacity Regulation
- Department of Health and Human Services Payment Rules for Hospitals and Providers

Europe

Elizabeth Gillam
Head of EU Government Relations and Public Policy

Political outlook:

The outcome of the German election, where a new coalition is expected to be announced by year end, and the upcoming French election are likely to have a significant impact on the internal dynamics of the European Union (EU). Assuming that President Emmanuel Macron wins his re-election bid in France (he is currently leading in the polls), the Franco-German engine that has led European and eurozone integration over the past decades is likely to continue — but 2022 will show whether the new duopoly can continue to effectively lead the EU.

The biggest fight brewing is around the backsliding on the rule of law in Poland and Hungary in particular, and we expect this fight to continue to heat up in 2022. With Poland renouncing the primacy of EU law and threatening to bring Brussels to a standstill if EU funds are withheld, there is strong disagreement amongst other members as to whether to use carrots or sticks. With Hungary heading to the polls in mid-2022 for the first time in a decade, recent polls have the opposition candidate ahead of incumbent Viktor Orban. Member States will be keen to ensure that any measures don't backfire and give Orban a stronger platform domestically in advance of the elections.

Fiscal outlook:

With the Stability and Growth Pact (SGP) suspended until 2023, a key discussion that will heat up in 2022 will involve how the fiscal rules are introduced and to what extent they will be amended. Fears are that a strict reintroduction of the existing rules would force a number of Member States with still-high deficits and debt levels to introduce austerity measures, potentially stalling growth in the EU and limiting the ability of the EU to invest in the twin transitions of climate and digitalisation. The success, or otherwise, of the COVID recovery facility could open the path towards EU-level debt and spending, which could provide an off-balance sheet avenue to channel investment while staying within the limits of the SGP.

Regulatory outlook:

The key regulatory package that will be a keen focus of many Member States is the EU Green Deal and, in particular, the so-called Fitfor55 package of over a dozen policy measures to put the EU on the path to net zero. Soaring gas prices in Europe and questions regarding the impact of the Emissions Trading Scheme, which has seen the carbon price hit over 60EUR, are likely to be in the back of negotiators' minds about the risks of a very aggressive approach to climate policy.

United Kingdom

Graham Hook
Head of UK
Government Relations
and Public Policy

Political outlook:

After more than 11 years in office, the Conservative Government enters 2022 facing significant headwinds: the challenge to repair public services and balance the books after COVID, inflationary worries, supply chain and labour shortages, and the return of sleaze allegations. While the government retains a narrow lead in the polls, public support is shallow. With a mixed record on the response to COVID, Prime Minister Boris Johnson now needs to deliver on his election slogan to "level-up" the country by boosting prosperity and productivity outside London and the South East. Building more homes remains central to that agenda. Having backed down on previous planning reforms in the face of a rebellion from Conservative Members of Parliament, a new minister has been charged with revising the policy. But given the impossibility of the government significantly increasing the number of new homes in areas where demand is high, while only building on brownfield sites, the new proposals – expected in 2022 – will likely face further resistance.

On the international front, tensions with the EU over the implementation of the Northern Ireland Protocol and other parts of the UK-EU treaties (such as fishing) are likely to continue, further testing the relationship and weighing on investor confidence in the UK.

Fiscal outlook:

In his Autumn Budget, Chancellor Rishi Sunak set a course to raise the tax burden to its highest level since the early 1950s and take public spending to its highest sustained share of gross domestic product (GDP) since the late 1970s. Within the guardrails of a new fiscal framework, and having dangled the prospect of tax cuts before the next election, Sunak will likely have limited room to manoeuvre in 2023, absent some upside surprises on growth and tax receipts. For any headroom that does emerge, the National Health Service – still in COVID-recovery mode – is a perennial source of demand. If hospital waiting lists continue to rise, Sunak may well have to find yet further funding for health.

Regulatory outlook:

After publishing a flurry of high-level sectoral decarbonisation strategies in the run-up to COP26 (the 2021 United Nations Climate Change Conference), the government needs to put further meat on the bones and introduce implementing regulations in 2022. For financial services, the government is due to revise its Green Finance Strategy, publish a net zero transition pathway for the sector, and continue the rollout across the economy of mandatory climate-related disclosures. The government will also complete the UK's Green Taxonomy and develop a broader Sustainability Disclosures framework covering corporates, financial firms, and investment products – transforming the UK's ESG reporting landscape.

China

Cindy Wong
Head of Legal,
Greater China

Political outlook:

On Nov. 12, 2021, State Council held a meeting to study and implement the guiding principles of the sixth plenary session of the 19th Central Committee of the Communist Party of China (CPC), including measures to improve people's well-being, to promote common prosperity, to deepen reform and opening-up, and to handle new economic challenges while carrying out regular COVID-19 prevention measures. On Nov. 16, 2021, the full text of the resolution on the major achievements and historical experience of the Communist Party of China (CPC) over the past century, approved at the 6th plenary session of the 19th CPC Central Committee, was also released. Resolving the Taiwan issue and achieving complete reunification of the motherland are specified as a key unswerving historic task of the CPC and will continue to be the focus of the government. Although the resolutions still complimented the CPC's achievements in reform and opening up of China, the resolutions' coverage of previous efforts at reform was dwarfed compared to the description of other parts of CPC's history.

On improving people's well-being and promoting common prosperity, which will remain a key theme in Chinese government policy for the foreseeable future, it is expected that property tax on all residential and non-residential properties (excluding rural households) will be introduced over the next five years as a pilot program in 10 urban cities. The program may be extended to other regions in due course. Property tax is seen as taxation for unreasonable income and redistribution of wealth, as well as a means to deter speculation of real estate properties. As China's state-owned media Xinhua has put it, "houses are for living in, not for speculation."

President Xi Jinping took on COVID early in 2020 when it hit China and declared it a "people's war" to fight the invisible enemy by mobilizing the force of the whole country. The war on COVID was fought under Xi's personal leadership, and so his reputation goes hand-in-hand with the nation's success in beating the virus. It is expected that China's policy of zero tolerance to COVID, large-scale compulsory tracing and testing efforts, and local area lockdowns will continue until Xi has officially won his third term appointment. Disruption to normal work and life is expected to continue for the bulk of early 2022.[1]

The threat of lockdown due to COVID, coupled with power rationing due to shortage of power supply in China brought on by extreme weather condition and uneven price regulation, may force factories to halt production and contribute further to supply chain shortages this winter. This, together with China's long-term goal of peaking carbon emission by 2030 and achieving carbon neutrality by 2060, has created more urgency for the Chinese government to push for the development and wider availability of renewable energy. Electric vehicles and renewable energy are expected to be key industries encouraged by the central government.

To promote Xi's thoughts of great rejuvenation of the Chinese nation (including resolving the Taiwan issue), we also expect military-related industries, such as manufacturing of semiconductor chips and artificial intelligence technologies, to continue receiving state support.

Other policies that will continue to be of focus include:

- Promotion of state-run digital yuan currency for broader usage in China and beyond
- Anti-trust / anti-unfair competition policies in key industries currently dominated by the private sector
- Tightened control on data collection, use and transfer
- Crackdown on non-public run media and other previously unregulated sectors and industries, imposing requirement to obtain regulatory license/ special government approval for previously unregulated businesses in order to curb instability

1. Specific cities and towns (including Chengdu) started implementing even stricter measures against COVID known as "time and space accompaniment," whereby anyone who, within the last 14 days, has spent 10 minutes or more within the 800 meter x 800 meter vicinity of a person later diagnosed to be carrying the COVID virus, would be traced and asked to undergo two compulsory COVID tests during which that person would have to strictly stay home until both tests came out as negative. Should such wide-scale tracing and testing requirement start applying to other major cities in China, material disruption to people's work and social life would be expected.

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