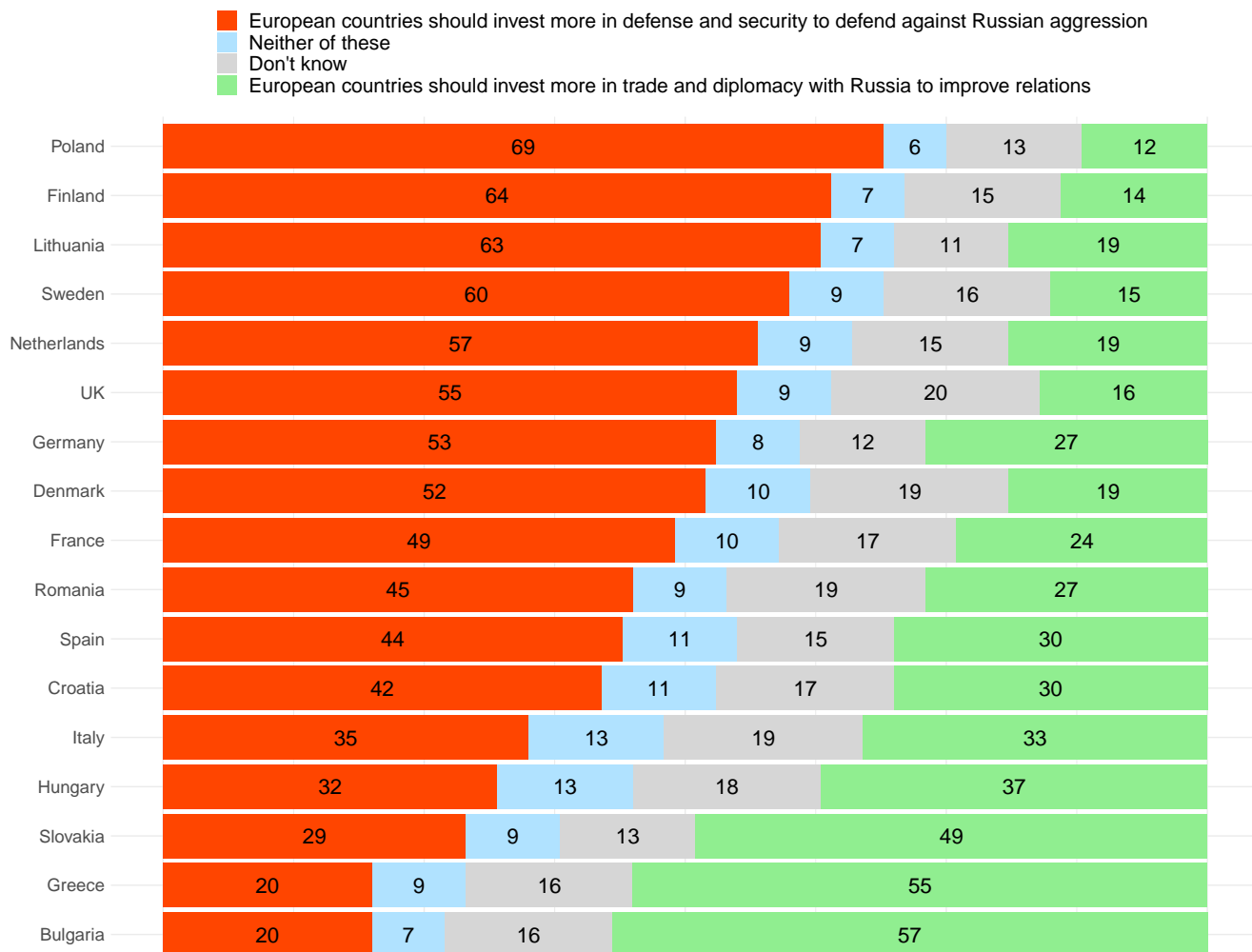


WEEKLY POLITICAL COMPASS

Turkey's president has positioned himself against NATO enlargement. **China** is boosting its ailing housing market. The **UK** is preparing for another standoff with the **EU** over Northern Ireland. Voters in **Thailand's** capital will go to the polls. Meanwhile, **Japan** is preparing for the Quad summit, **Hungary's** parliament will formally re-elect Victor Orban, a complete draft of **Chile's** new constitution will be unveiled, and more resignations are expected in **Nigeria**.

CHART OF THE WEEK

Sweden and Finland are among the most favorable to increase defense and security spending



"Which approach would you prefer European countries to take regarding Russia?" (%)

Source: YouGov/European University Institute (SOU and Solidarity 2022).
Fieldwork dates: 1st – 25th April 2022.

Finland and Sweden announced over the weekend that they will **apply to join NATO**. The decision is an important policy shift for the Social Democrats in both countries, who had traditionally been skeptical about joining NATO. This announcement comes after a major shift in public opinion in Sweden and Finland since Russia's invasion of Ukraine. Most Swedes and Finns believe that European countries should invest more in defense and security rather than engaging in trade and diplomatic relations with Russia. In contrast, in countries with strong historical ties with Moscow and where political elites are more divided regarding Russia, people prefer diplomacy and trade with Moscow over investing in defense and security. Meanwhile, the EU's sixth package of sanctions, which was announced two weeks ago at the European Parliament and includes a ban on Russian oil, is still being blocked by Hungary.

WHAT TO WATCH

Turkey/NATO

Turkey's President Recep Tayyip Erdogan has spoken out against Finland and Sweden's bid to join NATO. Erdogan declared that Ankara is not eager to see the two Nordic countries' accession to the Atlantic alliance. Erdogan's statement reflects Ankara's effort to leverage its position in talks with Western capitals over several disagreements. Desperate to be taken seriously by the US administration, Erdogan has jumped on the opportunity to escalate. He is likely to eventually back down while still claiming victory.

China

The central government took its most significant step yet to boost the , with the central bank cutting interest rates on mortgage loans to first time homebuyers. The Politburo [endorsed local governments'](#) moves to support the property market, but the announcement but the People's Bank of China on 15 May is the first step by Beijing to rescue the market following a year of regulatory pressure on the housing sector.

UK/EU

The UK government will this week agree on legislation that would grant the UK the right to revoke parts of the withdrawal agreement struck with the EU. Passing the relevant bill will take time and could be delayed in the UK parliament. Once concluded, the legislation would merely empower the UK to scrap parts of the controversial Northern Ireland protocol; it would not immediately revoke them. However, the EU might already respond with relaunching infringement procedures against the UK.

Thailand

Bangkok will hold its first gubernatorial elections in a decade. The favorite to win is Chadchart Sittipunt, the former transport minister of the Yingluck Shinawatra government. He has dissociated himself from the For Thais (PT) party, but there is widespread speculation that he still has strong ties to the Shinawatra party. The elections could also be significant for the opposition Move Forward Party, which is seeking confirmation of its base with younger voters who were active in protests two years ago.

ON THE HORIZON

ASIA PACIFIC

Japan

Prime Minister Fumio Kishida is making final preparations to welcome the leaders of the US, India, and Australia to Tokyo for the Quad summit on 24 May. Kishida is hoping to hear more details about US President Joe Biden's Indo Pacific Economic Framework initiative at the meeting. Prior to that Kishida will have a bilateral summit with President Biden on 23 May.

South Korea

Newly inaugurated Yoon Seok-youl will host US President Joe Biden for a summit in Seoul on 21 May. The agenda is set to include deepening cooperation in defense, economic security and antiviral drug licensing, and the unfolding Covid-19 crisis in North Korea.

EUROPE

Hungary

Today, 16 May, parliament will elect Viktor Orban as Prime Minister for the fourth consecutive term in office.

Following his appointment, Orban is set to deliver a speech outlining the composition of the new cabinet and priorities for the new term. Based on initial reports, the new government is set to consist of 15 members, with key portfolios remaining in the hands of incumbents. However, the proposed creation of the Ministry of Construction and the Ministry of Investment and the appointment of two additional cabinet members to oversee economic and regional development and the use of EU funds suggest a strong focus on economic issues. Following the 3 April elections, Orban's Fidesz party will continue ruling with its junior coalition partner Christian Democratic People's Party, which together hold 135 out of 199 seats in parliament.

LATIN AMERICA

Chile

The constitutional assembly will today, 16 May, unveil a complete draft of the new constitution in a special session held in the northern Antofagasta region. The draft currently consists of 499 articles but will now be subject to further review by committees that are tasked with ironing out any inconsistencies and establishing an implementation timetable. The assembly must present a final draft by 4 July, after which a public referendum to endorse or reject the new legal framework will be held on 4 September. The latest weekly Cadem poll shows a slight uptick in those saying they will vote in favor of the new constitution to 38%, versus 46% planning to vote "no" and 16% undecided.

MIDDLE EAST AND AFRICA

Nigeria

More cabinet, senior civil servant, and political appointee resignations are expected today, 16 May, and particular focus is likely to remain on whether Central Bank Governor (CBN) Godwin Emefiele will be in the mix. This follows President Muhammadu Buhari's directive last week asking all cabinet ministers, heads of ministries, departments, and agencies seeking to run for political office to resign by 16 May. Buhari remains under intense public pressure to sack Emefiele, the controversial CBN head who is widely assumed to want to run for president – an ambition which many believe represents a conflict of interest with his current position.

South Africa

The Reserve Bank's monetary policy committee (MPC) will deliver its interest rate decision on Thursday. Amid inflation fueled by oil and food prices, speculation has increased that the MPC, which has hitherto delivered incremental 25-basis point hikes, may resort to a 50-basis point increase. In this context, the policy debate over how to combat inflation while shielding the fragile economy will likely intensify. Rising inflation is also complicating wage negotiations and increasing strike risks in sectors ranging from the public service to mining.

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