

## WEEKLY POLITICAL COMPASS

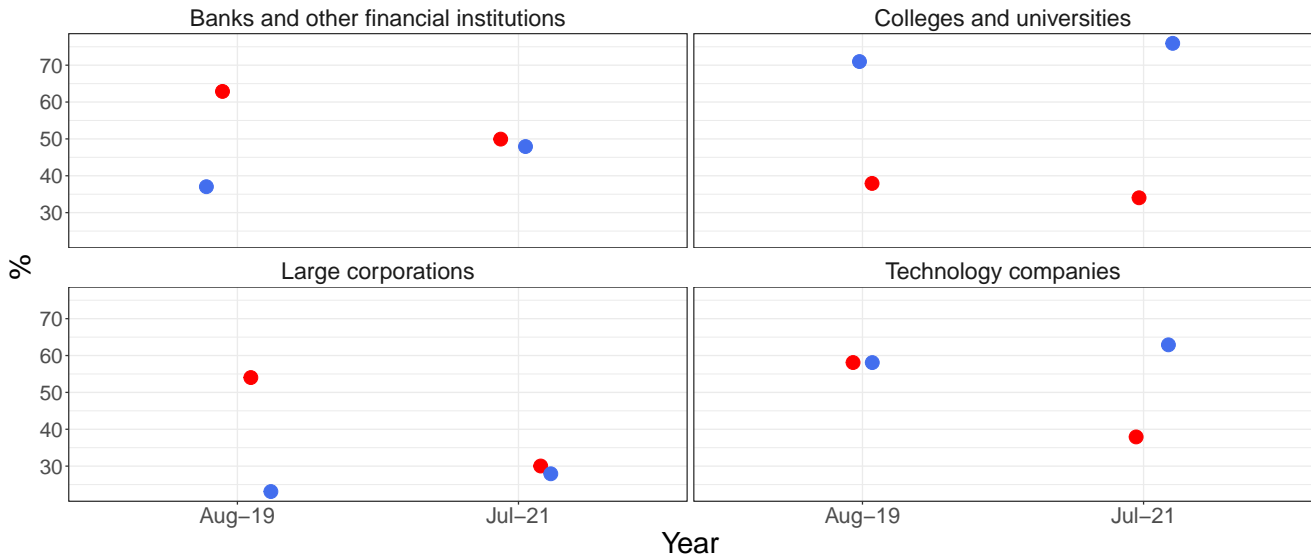
Monetary policy in the **Eurozone** is in the spotlight this week. The **US** has once again altered language regarding Taiwan. **Turkey** is expected to launch a military incursion into northern Syria. **Nigeria's** ruling party will hold presidential primaries. Meanwhile, **Kazakhstan** is changing its constitution, the **British** Conservatives will hold a confidence vote on their prime minister, electoral alliance talks have yielded no result in **Colombia**, and the leading contenders have been cleared for participation in the **Kenyan** presidential election.

### CHART OF THE WEEK

### Republican voters are becoming more distrustful of corporations

% who say each has a positive effect on the way things are going in the country

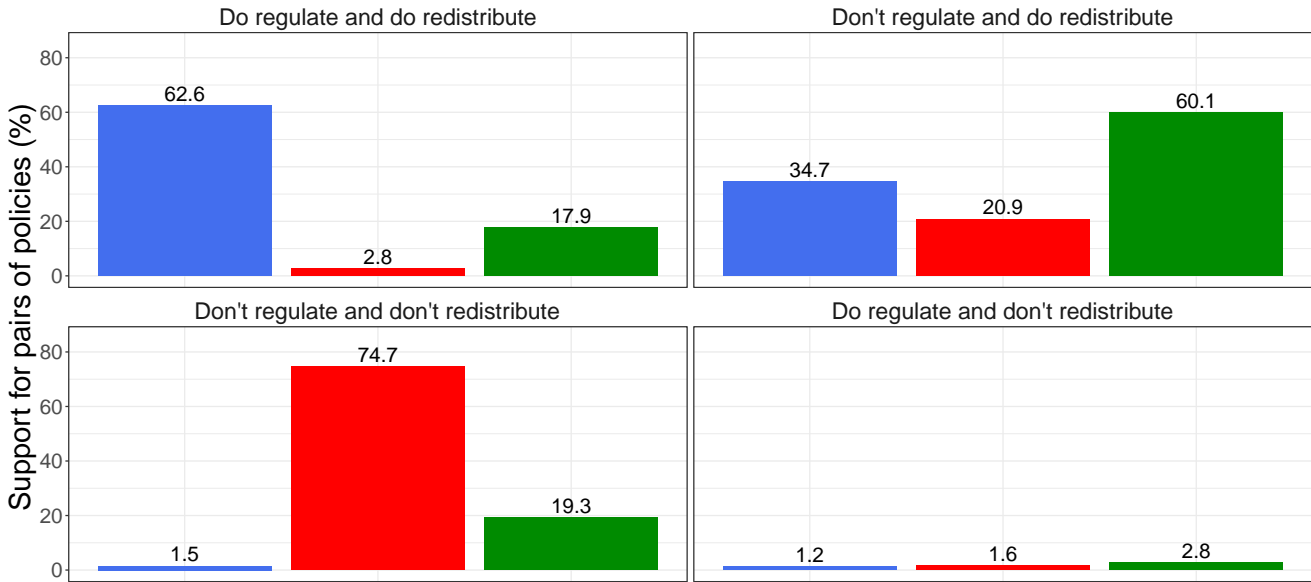
● Democrats/Democratic leaners ● Republicans/Republican leaners



Source: Pew Research Center. Survey of 10,221 U.S. adults conducted in July 2021

### Technology entrepreneurs support redistribution but oppose regulation

■ Democratic donors ■ Republican donors ■ Technology entrepreneurs



Source: Broockman, Ferenstein and Malhotra (2019)

In recent months, a debate has emerged around the future of **ESG policies**. After at least a decade since the beginning of a push in favor of more environmentally and socially business and investment practices, some prominent business figures and politicians are growing skeptical. Emerging tensions within the business community are partly explained by recent political trends. According to survey data, Republican voters in the US are becoming more distrustful of large corporations, as well as of technology companies, banks, and universities. At the same time, mainly because of expanded university education, many economically right-wing individuals are today more culturally progressive than they would have been forty years ago. This suggests that demands – from voters, consumers, and employees – in favor of more socially conscious business practices are unlikely to disappear in the coming years. Increasing attention should be paid as well to the rise of technology entrepreneurs as new economic elites who are particularly torn when it comes to ESG policies.

## WHAT TO WATCH

### Eurozone

**All eyes are on the European Central Bank's governing council meeting on 9 June.** Factors to watch in the statement and press conference after the meeting will be the outlook for the much-anticipated rate rise in July, the time horizon for phasing-out existing bond buying operations, and the prospects for new such programs to shield weaker Eurozone countries from the impact of rising rates.

### US/China/Taiwan

**For the second time in the last month, the US State Department updated a fact sheet outlining Washington's One China Policy (OCP) towards Taiwan.** It re-inserted a statement that "we do not support Taiwan independence." The removal of that line in last month's revision angered Beijing, fueling its perception that the [OCP is eroding](#).

### Turkey

**Turkey is expected to launch a military operation in northern Syria to push back Kurdish fighters and create a long sought-after buffer zone in the border area.** Ankara aims to create a 30-km safe zone in northern Syria that would be achieved by pushing out forces of the YPG, a predominantly Kurdish armed group that Ankara considers to be a terrorist organization. On the domestic front, the operation could help the government to create rifts within the opposition and talk up plans to resettle Syrian refugees. But a major incursion by Ankara comes with risks and complications, including the threat to further upset Turkey's ties with the US.

### Nigeria

**The governing All Progressive Congress (APC) party's earlier postponed presidential primaries will take place on 6-8 June.** The intra-party polls are happening against a backdrop of reported infighting in the party over President Muhammadu Buhari's alleged plans to hand-pick a successor rather than allow the party's presidential flagbearer to be selected in an open vote. If unresolved, the party risks a splinter after the primaries, an outcome that could likely cost the party the presidential elections on 25 February 2023. Already this week, the president (and in fact, the entire APC) has come under fire for presiding over what many now see as the insecure period in recent time. This follows deadly terrorist attacks on 5 June at a catholic church in southwest Ondo state, which has left a reported 50 people dead, with no arrests made so far.

## ON THE HORIZON

### ASIA PACIFIC

#### Japan

**The cabinet on 7 June is set to adopt Prime Minister Fumi Kishida's unfolding economic agenda for a "new form of capitalism" as part of the framework for drawing up the FY2023 budget later this year.** Kishida is also expected to give policy speech with further details on New Capitalism, which is in essence a slight revamp of the Abenomics agenda that has been in place for the past ten years.

#### Kazakhstan

**More than 77% of voters approved constitutional amendments proposed by President Kassym-Jomart Tokayev in the June 5 referendum.** The changes are designed to shift Kazakhstan from a super-presidential to a presidential system and to distance the country from the legacy of former President Nursultan Nazarbaev who will be stripped of his "father of the nation" title. However, it is questionable whether the amended constitution will translate into genuine liberalization of the political system, particularly as the country's main opposition group, Democratic Choice, remains banned and regional

governors will continue to be appointed by presidential decree. Limited political liberalization sustains the risk of widespread public unrest as [seen in January](#).

## EUROPE

### UK

#### **PM Boris Johnson seems unlikely to lose a confidence vote among his own Conservative MPs tonight, 6 June.**

Yet, the fact that the required threshold of 54 MPs has been crossed points to the level of anger among Tory MPs after “partygate” and given Johnson’s erratic style of government. However, no other senior Tory is yet being considered a viable alternative. If Johnson wins, existing rules protect him from another challenge in the next twelve months. To appeal to his party, Johnson’s government might further fuel tensions with the EU this week, pushing legislation that would enable the UK to scrap the Northern Ireland protocol.

## LATIN AMERICA

### Colombia

**Talks between the populist presidential candidate Rodolfo Hernandez and Sergio Fajardo, the centrist who finished fourth in the first round of the presidential election, were supposed to resume today, 6 June.** However, over the weekend Hernandez rejected the idea of an alliance, which prompted Fajardo and his allies to confirm that discussions about an alliance were at an end. Incorporating elements of Fajardo’s manifesto would have enhanced Hernandez’s flimsy policy program and helped dispel fears that a Hernandez presidency would risk weakening Colombia’s institutions. Polls carried out in the week since the first-round vote mostly show Hernandez with a narrow lead over the leftist Gustavo Petro. At least one poll puts Petro narrowly ahead, while the number of undecided voters exceeds the gap between the two candidates, which makes the coming days crucial for the outcome. The run-off will take place on 19 June.

## MIDDLE EAST AND AFRICA

### Kenya

**On 4-5 June, the Independent Electoral and Boundaries Commission (IEBC) cleared the leading presidential contenders to participate in the 9 August general election.** Vice President William Ruto was approved alongside his running mate Rigathi Gachagua, while opposition leader Raila Odinga was cleared together with his VP candidate Martha Karua. While Ruto had held a comfortable lead in most opinion polls (which are not fully unreliable or comparable), Odinga’s campaign has been energized by Karua’s nomination. Immediate concerns are electoral conduct and any possible violence. Into the new term, the main concern will be how Kenya’s next president will tackle the country’s worsening debt mountain.

### South Africa

**President Cyril Ramaphosa is on the defensive against allegations by former spy boss Arthur Fraser.** The latter late last week made a criminal complaint against Ramaphosa, including allegations of money-laundering, kidnapping and corruption relating to a 2020 break-in at Ramaphosa’s farm in Limpopo. That the break-in went unreported and millions in cash were stolen has forced Ramaphosa to deny that he may have violated foreign exchange control regulations. Fraser’s likely calculated move must be seen within the political context of the ruling party’s elective conference in December, when Ramaphosa has been widely expected to be re-elected, possibly even unopposed.

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