

## WEEKLY POLITICAL COMPASS

Welcome to this edition of the Weekly Political Compass from Teneo's political risk advisory team!

This week, we are taking a closer look at **Peru**. Meanwhile, **Thailand** may soon be headed towards elections, the **EU's** import ban on Russian petroleum products will come into force, the House Speaker and Senate Chairman will be elected in **Brazil**, and there are rumors of tensions between **Nigeria's** leader and a key presidential contender. Our graph of the week zooms in on **tank deliveries to Ukraine**.

Should you have questions or wish to discuss any of these stories in greater detail, please do not hesitate to reach out to us!

### GLOBAL SNAPSHOT

Another congressional vote on a proposal to bring the **Peruvian elections** forward to later this year is scheduled for today, 30 January. Our Latin America expert answers three key questions.

#### Why this latest congressional vote?

A previous vote at the end of last week failed to produce anywhere close to a sufficient majority. Since then, however, President Dina Boluarte has come out in explicit support of a vote to be staged in the final quarter of 2023.

#### What is the president's strategy?

Boluarte has announced her intention to submit a proposal to the next legislature for a "total reform" of the constitution in a bid to pressure Congress to take action; some parties may see that as an empty threat. However, the latent threat from Boluarte might be that she could resign, which would trigger early elections.

#### Is political momentum for early elections growing?

The fact that the early elections proposal was tabled by the *Fuerza Popular* (FP) party, which initially opposed shortening the existing presidential and congressional term, suggests that the party may see elections in 2023 as increasingly impossible to resist.

### WHAT TO WATCH

#### ASIA PACIFIC

##### Australia

**Foreign Minister Penny Wong and Deputy Prime Minister and Minister for Defense Richard Marles will travel to France and the UK this week.** It is the first 2+2 Defense and Foreign Ministers meeting held with France since the previous Australian government cancelled a USD 90bn submarine contract with France's Naval Group in favor of acquiring nuclear powered submarines through the Australia-United Kingdom-US (AUKUS) partnership. A decision on how Australia intends to acquire nuclear powered submarines under AUKUS is expected in coming months, alongside a wide-ranging defense

strategic review which will consider the Australian defense force's structure, posture, and where investment can best be directed to ensure it is positioned to meet security challenges through to 2033 and beyond.

#### China/Japan

**Chinese embassies and consulates have resumed issuing visas for Japanese citizens to visit China.** This reverses previous visa restrictions that Beijing imposed in retaliation for Tokyo's imposition of Covid-19 [testing requirement](#) for visitors from China. Beijing's pullback from retaliation is the latest sign of a more [conciliatory foreign posture](#) following the 20th Party Congress in October.

#### South Korea

**President Yoon Suk-yeol will separately host US Defense Secretary Lloyd Austin and NATO Secretary-General Jens Stoltenberg in Seoul this week for talks.** The allies are set to discuss deeper bilateral cooperation in areas like information sharing, joint planning around the operation of US nuclear assets, and greater trilateral cooperation with Japan. Yoon also wants to improve ties with NATO, having last year in Madrid become the first Korean president to attend a NATO summit.

#### Thailand

**Two laws needed to hold the next elections took effect yesterday.** This has triggered speculation that Prime Minister Prayuth Chan-ocha may dissolve parliament at any time—in which case a vote will likely be held within six to eight weeks. However, Prayuth said he still needed to allow the Election Commission to continue with its preparations. If Prayuth does not call for an early dissolution, the parliament's term will automatically end on 23 March, and the latest that the vote can be held is 7 May.

#### US/Japan/Netherlands/China

**The governments of Japan and the Netherlands reached an agreement with the Biden administration to restrict exports to China of lithography machines used to produce advanced semiconductors.** But Dutch prime minister Mark Rutte said the details of the trilateral deal will not be publicly disclosed, apparently to avoid provoking Beijing, so it remains unclear how far The Hague and Tokyo have moved towards aligning their export controls with the [unprecedentedly tough policies](#) that Washington announced unilaterally in October.

### **EUROPE**

#### Russia/EU

**A ban on the purchase, import and transfer of petroleum products from Russia to the EU comes into effect on 5 February.** By this date, G7 countries might also introduce price caps – which are likely to vary by product – on refined products from Russia. The EU's shift towards non-Russian oil products will lead to a major readjustment of fuels supply chains across the world, while some EU countries might experience price hikes or even shortages of certain oil products later in the year. In response to these restrictive measures, Russian president Vladimir Putin signed a decree banning the supplies of oil and oil products to foreign entities that directly or indirectly apply the price cap mechanism from 1 February until 1 July.

#### Turkey

**The six-party opposition alliance – known as “Table of Six (T6)” – will unveil its program for government on 30 January.** The next meeting of the T6 leaders will take place on 13 February but it remains unclear whether they will announce the identity of the presidential candidate on the same day or wait until close to the nomination deadline (around end March). President Tayyip Erdogan is expected to dissolve parliament by decree on 10 March, paving the way for parliamentary and presidential elections on 14 May.

## Ukraine/EU

**The annual EU-Ukraine summit will take place in Kyiv on 3 February.** Ahead of the summit, a meeting between the Ukrainian government and several European Commissioners is scheduled for 2 February. The high-level gatherings will focus on continued EU support for Ukraine amid the ongoing war, Ukraine's membership prospects and the deepening of cooperation in various areas. Russian attempts to disrupt the meetings by launching air strikes on Kyiv cannot be ruled out.

## **LATIN AMERICA**

### Brazil

**The week in Brasilia will be dominated by the elections for House Speaker and Senate Chairman.** House Speaker Arthur Lira, who despite his alliance with former President Jair Bolsonaro recognized the election of President Luiz Inácio Lula da Silva within minutes of its announcement on election night, will renew his mandate against a single, symbolic opponent from the leftwing PSOL party. At the Senate, Chairman Rodrigo Pacheco's reelection is contested by a strong Bolsonaro ally, former Regional Development Minister Rogerio Marinho. Marinho claims to have the support of 42 senators - one more than necessary for victory - but only three big-center parties are behind his candidacy. Pacheco has the support of eight parties and is expected to receive around 50 votes. The elections are on Wednesday, 1st February. President Lula favors the reelection of both Lira and Pacheco.

## **MIDDLE EAST AND AFRICA**

### Ghana

**Ahead of the 31 January sign-up deadline for participation in the Domestic Debt Exchange (DDE) program, the government has made some progress in securing the agreement of some notable domestic creditors.** Last week, the Ghana Association of Banks (GAB), the Ghana Insurers Association (GIA), and more recently, the Ghana Securities Industry Association (GSIA) all agreed to participate in the DDE. The latest agreement states that the government will apply a 5% coupon rate (versus the previously suggested 0%) on its 2023 bonds and 9% (versus the previously suggested variably rates) on all other restructured bonds (12 in total). However, further clarity is needed on the details of the operational framework and terms for accessing the mooted Ghana Financial Stability Fund (GFSF) - which is aimed at providing a cushion for banks affected by the DDE - and the removal or amendment of clauses in the Exchange Memorandum that empower the state to vary the terms of the DDE at its sole discretion.

### Nigeria

**Rumors of simmering tensions between President Muhammadu Buhari and Bola Ahmed Tinubu, the governing All Progressive Congress (APC) party's presidential contender, will persist this week.** This follows Tinubu's veiled comments last week suggesting that the ongoing nationwide fuel scarcity and the central bank's demonetization policy - both of which have been heavily criticized by the public - are attempts by the president and his inner circle to sabotage Tinubu's campaign. The implication is that these developments are making the APC unpopular, and therefore demarketing Tinubu to the electorate. Although Tinubu's campaign team has since tried to downplay suggestions of tensions between the APC presidential candidate and the president (and his inner circle), Tinubu's most recent speeches where he stated that 'betrayals only make him work harder' have continued to fan the rumor flames.

### South Africa

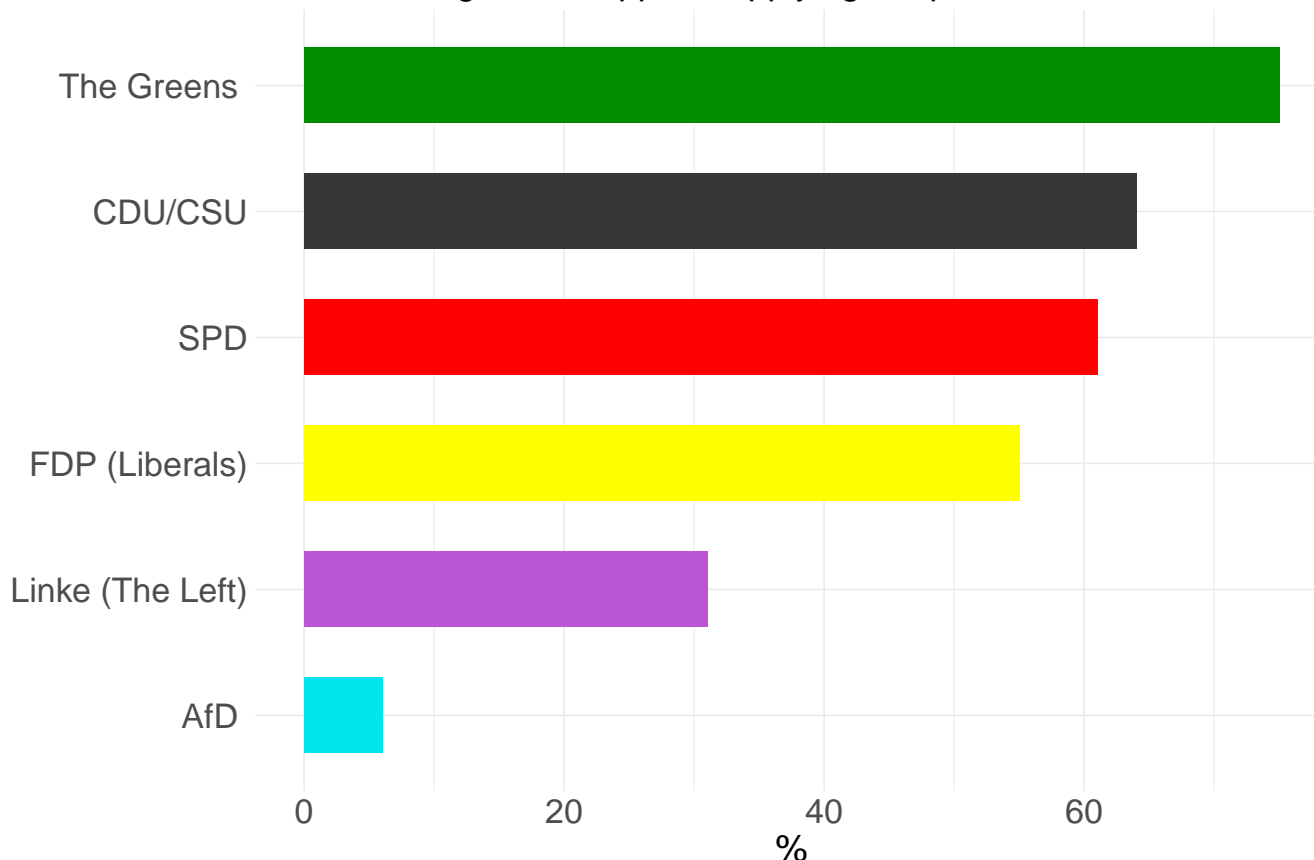
**Amid continued daily load-shedding (currently 'stage 4'), teetering power utility Eskom continues to take center stage.** President Cyril Ramaphosa told an ANC Iekgotla meeting over the weekend that the objective was to lower the stages of load shedding while the government addresses longer-term security of energy supply. While cabinet is due to meet this week, Ramaphosa is also under pressure to announce further emergency measures, not least with his State of the Nation Address (SONA) coming up on 9 February. The electoral impact of record load-shedding could be that the

ANC's already-declining vote margin dwindles even faster, increasing the possibility that the ANC may lose its parliamentary majority for the first time since 1994.

#### GRAPH OF THE WEEK

### Germans remain divided on the tanks decision

Percentage who support supplying Leopard tanks to Ukraine



Source: ZDF (politbarometer). Fieldwork: 24–26 January (telephone interviews)

After weeks of resistance and the resignation of the country's defense minister, German Chancellor Olaf Scholz committed last week to deliver 14 "Leopard" tanks to Ukraine. On the same day, US President Joe Biden also said that his administration would also support Ukraine with "Abrams" tanks. Meanwhile, public opinion trends in both countries point to the increasing domestic politicization of the war. In Germany, only a slim majority is in favor of supplying tanks, with an important share of voters – as well as political elites – questioning the decision. Similarly, in the US, a recent Ipsos survey shows that the support for sending military supplies to Ukraine has attenuated over time, especially among Republican voters. Meanwhile, the Nordics, the Baltics, and most eastern European countries remain strongly committed to supporting Ukraine. The Western divide over arming Ukraine illustrates different perceptions about where potential risks of escalation.

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