

## 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 **Chinese** fiscal and monetary policymakers. Meanwhile, the leaders of **Japan** and **South Korea** will meet, national budget rules for 2024 are sparking debate in the **EU**, Venezuela's president seems to be stonewalling efforts to revive regime-opposition talks, and **South Africa's** president has received a breather in the Phala Phala scandal.

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

**Chinese** central bank governor Yi Gang and finance minister Liu Kun unexpectedly retained their positions at China's [annual parliament session](#). Our China analyst answers three key questions.

#### Why was the decision a surprise?

Amid turnover in other top positions, the expectation was that both Yi and Liu would retire after passing the usual retirement age of 65.

#### What is expected of the two policymakers?

The two experienced officials will help implement an administrative reshuffle which the parliament approved last week. Under it, the People's Bank of China will cede most of its regulatory functions.

#### Which institution will take over?

These tasks will be taken on by a new agency built from the current China Insurance and Banking Regulatory Commission. The reshuffle is designed to plug regulatory gaps and address coordination problems.

### WHAT TO WATCH

#### ASIA PACIFIC

[South Korea/Japan](#)

**President Yoon Suk-yeol will travel to Tokyo on 16-17 March for a summit with Prime Minister Fumio Kishida, opening a new chapter in bilateral ties following five chilly years.** The meeting comes in the wake of the deal announced last week concerning the historical wartime forced labor issue, which had contributed to tensions. Yoon and Kishida are likely to discuss closer cooperation on defense and economic security matters in coordination with the United States, while Yoon will also seek an end to Japan's 2019 export restrictions on semiconductor manufacturing inputs.

## Japan

**Prime Minister Fumio Kishida has a busy week of diplomacy ahead at home and abroad.** After South Korean President Yoon Suk-yeol's visit, he will host German Chancellor Olaf Scholz in Tokyo for preparatory talks ahead of May's G7 summit in Hiroshima. At the weekend, Kishida travels to Delhi for the G20 summit.

## Thailand

**Parliament could be dissolved as early as this week, ahead of its 22 March end of term date.** This would allow MPs to invoke early dissolution rules that allow them to change parties at least 30 days before the vote; if parliament were to go full term, then the 90-day prohibition against party-jumping would be in effect, practically locking down parliamentarians in their current parties. Prime Minister Prayuth Chan-ocha is attempting to lure more politicians from the ruling PPRP party, and could resort to an early dissolution if he believes that more of them are willing to jump ship. Nonetheless, the opposition remains favored to make the most gains in the upcoming elections, which will likely take place within the first two weeks of May.

## **EUROPE**

### EU

**Eurogroup finance ministers are at odds with the European Commission over the rules guiding national budgets for 2024.** However, the dispute is unlikely to hold up the closely related reform of the stability and growth pact (SGP). The 13 March Eurogroup is likely to push back against Commission calls for national capitals to prepare their 2024 budgets in line with new SGP rules which have neither been formally proposed nor approved yet. Nevertheless, the 14 March finance minister's meeting will likely prepare the ground for heads of state to approve the broad outlines for SGP reform by the end of March. On this basis, the Commission can then begin its legislative work.

### Greece

**Polls taken after the Tempe train crash suggest that there has been a notable drop in support for ruling New Democracy (ND).** The government is now trying to deflect criticism by blaming civil servants and trade unions for the deadly collision. ND's shifting defense lines reflect the fact that crisis management remains chaotic and poor, leaving Prime Minister Kyriakos Mitsotakis to face unprecedented anger and mistrust. With elections now expected to take place on 21 May, ND hopes that public anger will subside in the weeks ahead.

### Russia/Ukraine

**On 13 March, representatives from Ukraine, Russia, Turkey and the UN will discuss in Geneva the extension of the Black Sea Grain initiative (BSGI) beyond its expiry date on 18 March.** While the deal is likely to be eventually extended, negotiations might be protracted. Russia claims that its food and fertilizer exports still face impediments linked to "Western unilateral sanctions" – despite an agreement to eliminate such restrictions – and is disappointed that a significant part of grain from Ukraine does not go to countries in greatest need. Meanwhile, Ukraine is calling for the inclusion of the Mykolaiv port into the deal and a longer or unlimited extension.

### Serbia/Kosovo

**Serbian President Aleksandar Vucic and the Prime Minister of Kosovo Albin Kurti are scheduled to hold an EU-brokered meeting in Orhid (North Macedonia) on 18 March.** The goal is to further discuss and, potentially, finalize the details of the EU-brokered [agreement on the normalization of relations](#). However, recent statements from both sides suggest that tensions remain high and the implementation of any agreement could face significant domestic and external headwinds.

### UK

### Teneo

**The politics around the 15 March budget were supposed to be at the center of attention this week.** Specifically, Chancellor Jeremy Hunt was under pressure to unveil measures to appease the right wing of his Conservatives requesting tax cuts. Despite the solution found in all-night talks for the UK unit of Silicon Valley Bank, any potential fallout – for the UK startup sector and beyond – will now be the main issue to watch this week.

## LATIN AMERICA

### Brazil

**The main item of the week will be the presentation of a new fiscal rule by Finance Minister Haddad to President Lula.** The fiscal rule will have to be approved by congress as a constitutional amendment, but an early draft will set the tone for the government's fiscal policy. There is great fear in the markets that the new rule will confirm a loose commitment by the administration to control spending. Haddad plans to send a draft to Congress before the next meeting of the Monetary Policy Committee (Copom) to put pressure on the Central Bank to lower the interbank rate from the current 13.75%. The new fiscal rule and its repercussion has great political relevance since it will affect the level of support for another flagship economic initiative that hinges on Congress: the approval of a tax reform.

### Venezuela

**President Nicolas Maduro continues to stonewall efforts to revive stalled regime-opposition talks – at least in public.** Last week the regime's lead negotiator and National Assembly president Jorge Rodriguez said that no political agreement with the opposition could be reached while US sanctions remained in place. Also last week Brazilian President Luiz Inacio Lula da Silva's foreign policy factotum Celso Amorim made a surprise visit to Caracas in which he met both Maduro and opposition figures, presumably in a bid to get both sides to re-engage. It is not clear how much the leaders of Brazil, Colombia, and Mexico are coordinating their efforts to mediate in Venezuela. The regime recognizes that it must engage with the US if it is to succeed in ending its pariah status but to judge from recent speculation about a possible prisoner exchange with the US, communication is often oblique – a sign of how the chances of a genuine political settlement remain very uncertain.

## MIDDLE EAST AND AFRICA

### Nigeria

**The rescheduled state-level (governorship and state assemblies) elections will take place on 18 March.** This is after the Independent National Electoral Commission (INEC) announced, last week, a postponement of the polls, earlier scheduled for 11 March. The INEC cited a need for more time to reconfigure relevant voting machines – the so-called Bimodal Voters Accreditation System (BVAS) – after a local court had initially granted opposition parties their request to access the data on the BVAS machines following the conclusion of the controversial 25 February presidential election. The legal petition meant that the electoral commission was temporarily barred from tempering with BVAS data related to the presidential poll, leading to a delayed reconfiguration of the machines. A separate court has since given the green light for the BVAS data to be uploaded on a backend system, allowing the machines to be reconfigured ahead of the state-level polls.

### South Africa

**President Cyril Ramaphosa has received a breather in the Phala Phala scandal.** Acting public protector Kholeka Gcaleka has cleared the president of misconduct in connection with the 2020 robbery at his Phala Phala farm. Nonetheless, she has implicated the SA Police Services (SAPS)'s Presidential Protection Unit in misconduct and maladministration in its handling of the incident. The parties have been given 10 days to respond to the report's findings, following which it is expected to be released publicly. The South African Revenue Service (SARS) has also recently found the Phala Phala entities' tax affairs to be in order. Despite the Phala Phala-related respite for the president, the macro backdrop is clouded

by an ongoing public-sector strike by the National Education, Health and Allied Workers Union (Nehawu), continued load-shedding, and worse-than-expected economic data.

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**Geopolitical Research**

+44 20 7186 8894

Macro@teneo.com

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