

## 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 **Indonesia's** looming election campaign. Meanwhile, **Vietnam's** president is visiting **Japan**, **Italy's** modified recovery plan received the green light from Brussels, **Argentina's** president-elect is in the **US**, and **South Africa** is experiencing port delays and power cuts. Our graph of the week zooms in on debates about **AI-related innovations**.

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

Campaign season officially starts on 28 November for **Indonesia's** 14 February 2023 elections. Our Southeast Asia expert [Bob Herrera-Lim](#) analyzes the situation.

#### Who is the frontrunner?

Defense minister Prabowo Subianto is the early favorite to come out on top both in the three-way race during the first round and in a possible run-off in June. He has gained some momentum in recent weeks. His vice-presidential running mate is Gibran Rakabuming Raka, the eldest son of President Joko Widodo.

#### What explains his success so far?

Earlier this year, Prabowo had trailed former Central Java governor Ganjar Pranowo. But his partnership with Widodo's son is providing a boost, more than offsetting the criticism of dynastic politics. And while Widodo is nominally neutral, some 61% of voters regard Prabowo as his preferred candidate, up substantially from 38% several weeks ago – which is also likely to help his candidacy in the coming weeks given the president's popularity.

### WHAT TO WATCH

#### ASIA PACIFIC

##### China

**China will offer 15-day visa-free entry to citizens of France, Germany, Italy, Spain, the Netherlands and Malaysia starting 30 November, in a bid by Beijing to revive [business travel](#) and tourism.** The one-year trial program comes after President Xi Jinping and US President Joe Biden [agreed at APEC](#) to expand international flights between their two countries.

##### Japan/Vietnam

**President Vo Van Thuong is in Tokyo for a four-day state visit to mark the 50<sup>th</sup> anniversary of diplomatic ties.**

The main outcome of the trip will likely be the symbolic elevation of bilateral relations through the announcement of a 'comprehensive strategic partnership,' mirroring Vietnam's similar deals with China and [most recently the US](#); maritime

security cooperation will also be progressed. Tokyo and Hanoi have seen their interests become increasingly connected recently through deepened production networks of Japanese firms, migrant labor flows to Japan, and shared concerns about Beijing's growing assertiveness in the South and East China Seas.

## North Korea

**Pyongyang says its new military spy satellite will begin full operations on 1 December.** State news agency KCNA claimed (without providing evidence) that the satellite, launched on 22 November, had already taken its first images of 'major target regions', including US naval assets and facilities in South Korea, Guam, and Hawai'i. The launch has also set off a tit-for-tat row-back on a 2018 North-South deal that is set to lead to an increased military hardware build-up along the border region.

## **EUROPE**

### Hungary

**On 27 November, European Council President Charles Michel will meet Hungary's Prime Minister Viktor Orban.** They will discuss Budapest's position on various Ukraine-related issues ahead of the European Council meeting scheduled in mid-December. Orban is threatening to block approval of the EU's mid-term budget review, which entails a four-year EUR 50bn support package for Ukraine, the opening of accession talks with Kyiv as well as the 12th sanctions package on Russia unless EU leaders hold a "strategic discussion" on the bloc's approach towards Russia's war in Ukraine. His obstructive approach is primarily an attempt to pressure Brussels to unfreeze at least some EU funds from various streams. Other factors, such as relatively constructive ties with Russia, and domestic political considerations ahead of local and European Parliament elections in June, might also play a role.

### Italy

**On 24 November, the European Commission gave a positive assessment of Italy's modified recovery and resilience plan, which includes a REPowerEU chapter.** The plan is now worth EUR 194.4bn (EUR 122.6bn in loans and EUR 71.8bn in grants). Italy has so far received EUR 85.4bn under the RRF but it is unclear whether it will receive the fourth instalment (related to H1/2023) worth EUR 16.5bn by the end of the year. As part of the revisions, the total amount for the fourth, fifth and sixth instalments have been reduced while the final tranches have been beefed up with the last instalment now worth EUR 33bn.

### Poland

**Acting Prime Minister Mateusz Morawiecki (Law and Justice, PiS) will on 27 November present his cabinet, which is expected to consist mostly of technocrats.** The proposed cabinet will then have 14 days to win a vote of confidence in the lower chamber of parliament (the Sejm) by an absolute majority. This remains very unlikely since no other lists are considering cooperation with PiS. If Morawiecki uses all the time allowed by the constitution, the three pro-EU lists would be able to nominate, and likely approve, Donald Tusk's cabinet (Civic Coalition) in the week of 11 December.

## **LATIN AMERICA**

### Argentina

**President-elect Javier Milei is the US for the early part of this week, where he is expected to hold a first face-to-face meeting with authorities at the International Monetary Fund (IMF).** Accompanying Milei is his presumed pick for Economy Minister: Luis "Toto" Caputo, who was the architect of Argentina's 2016 return to international capital markets before he became finance minister (2017-18) and then briefly headed the Central Bank (BCRA) in 2018. The appointment of Caputo over Federico Sturzenegger, another BCRA president (2015-18) under former president Mauricio Macri who was until recently tipped for the Economy Ministry, apparently reflects differences over how to tackle the huge liability of short-term debt amassed via Leliq debt instruments; Milei has been saying that the Leliq issue must be resolved before capital controls can be lifted.

### Brazil

**The Senate government leader is siding with Congress in the dispute with the Supreme Court to ensure voting on crucial legislative agenda.** Jacques Wagner, the leader in question, voted in favor of replacing so-called monocratic decisions by the Court – i.e., decisions made by only one of the eleven judges – with majority decisions by the full collegiate. Wagner claims his vote to have been personal and not on behalf of the government, but the gesture was not taken lightly by the court, which delayed votes on matters of economic interest to the government. Meetings were held over the weekend between President Lula and some of the judges to appease the situation. The focus of the government is now to ensure that the taxation of both offshore and exclusive funds (BRL 20bn or USD 4bn in revenues next year) and betting sites (BRL 2bn or USD 400mn next year) clear Congress this week.

## MIDDLE EAST AND AFRICA

### South Africa

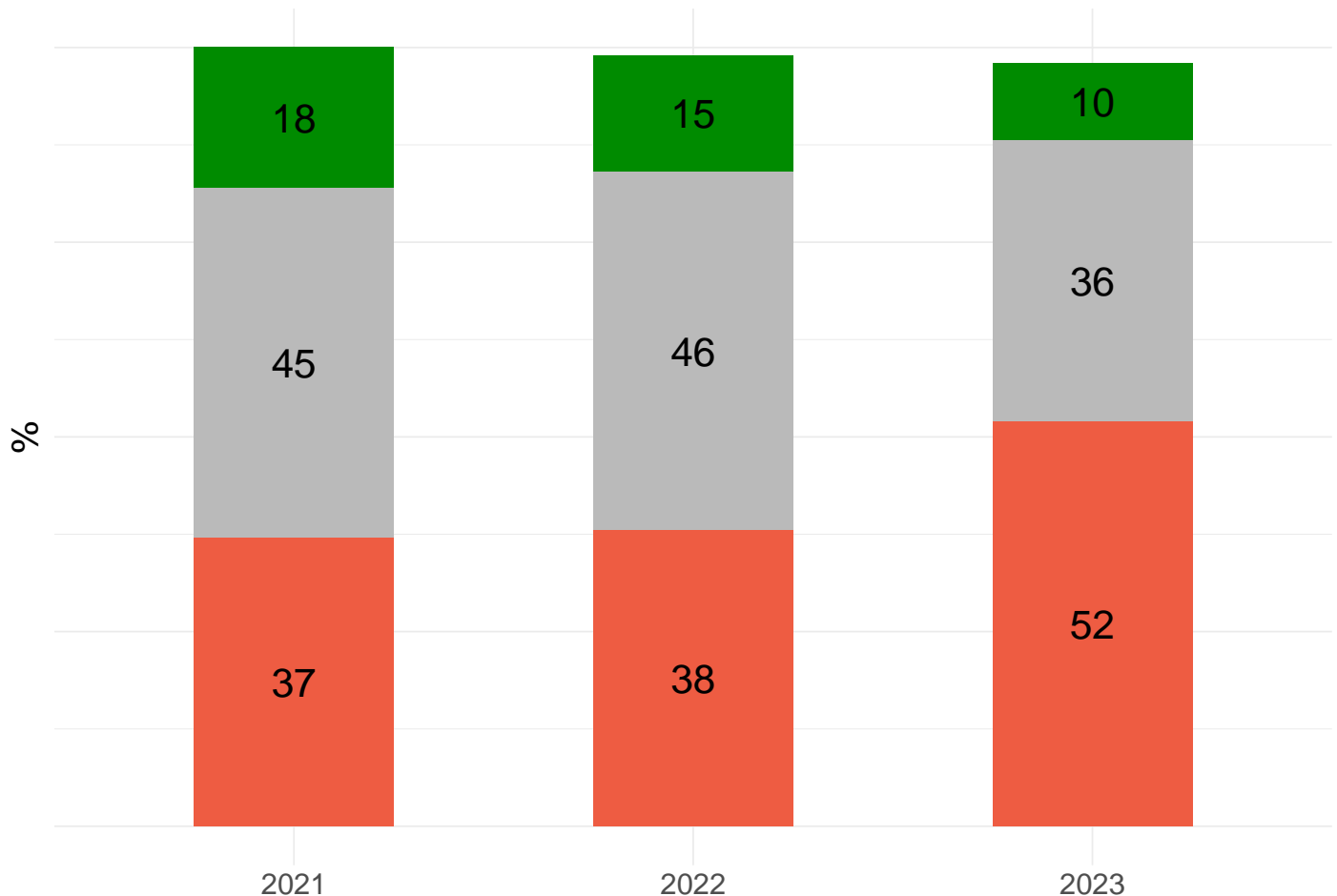
**Severe port delays combined with a fresh round of power cuts highlight economic downsides this week.** After a period of limited power outages, power parastatal Eskom once again had to resort to 'stage 6' load-shedding over the weekend, with 'stage 4' expected this week. Meanwhile, worsening delays at key ports operated by logistics parastatal Transnet are affecting miners, agricultural producers and retailers alike. The opposition will seize on government mismanagement in a bid to further undermine ANC voter support ahead of the 2024 elections.

## GRAPH OF THE WEEK

# Concerns about AI are increasing among the US public

*% who say the increased use of AI in daily life makes them feel...*

- More excited than concerned
- Equally excited and concerned
- More concerned than excited



Source: Pew Research Center. Survey conducted between the 31st of July and 6th of August

The benefits and risks of **AI-related innovations** have dominated the headlines lately. Diverging views appear to be emerging – even among AI researchers and experts – regarding the pace at which AI should develop and the societal risks it entails. Discussions are taking place in parallel among social scientists and economists on whether AI research should accelerate to deliver potential gains or slow down to guard against labor market risks. Research suggests, for instance, that preexisting skill disparities (shaping workers' ability to adopt these technologies) might increase already-growing inequalities. As citizens become more familiar with AI, concerns around its implications appear to be rising.

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