

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 **South Africa's** court case against Israel. Meanwhile, the slush-fund scandal continues in **Japan**, new protests are ahead in **Serbia**, **Ecuador** will raise the VAT rate amid "internal armed conflict", and Ghana's government is on track to receive the next IMF tranche. Our graph of the week zooms in on **voters' concerns across Europe**.

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

South Africa expects a ruling "soon" in its genocide case against Israel at the International Court of Justice (ICJ). Our Southern Africa expert [Anne Frühauf](#) analyses the situation.

What is the significance of the court case?

The case will set legal precedence but also influence public opinion and thus the evolution of reputational risks, protests, consumer boycotts, and foreign relations, both for South Africa and beyond. Geopolitically, South Africa is trying to rally 'progressive voices' from the Global South, but one diplomatic implication could be to further strain bilateral relations with the US and other Western governments.

What role does domestic politics play?

At home, the ANC will try to seize on its "Mandela-like" international leadership to distract from domestic socio-economic woes ahead of the 2024 elections, when the ANC risks losing its legislative majority for the first time.

WHAT TO WATCH

ASIA PACIFIC

Japan

The ruling Liberal Democratic Party looks set to avoid a 'worst case' scenario in the ongoing slush-fund scandal.

Media reports suggest that Tokyo prosecutors will not charge any of the senior leaders of the party's 100-member Abe faction, and instead indict several mid-ranking Diet members and some of the faction's accounting managers in relation to allegations of illegal kickbacks. On 17 January, PM Fumio Kishida will chair a meeting of a new LDP 'Political Reform HQ' open to all of the party's Diet members, an early step in the lengthy process of trying to win back public trust.

China

A former chairman of state-owned financial conglomerate China Everbright Group was arrested on suspicion of bribetaking and other corruption. The arrest of Tang Shuangning, 69, who was once one of China's best known

financiers, is another step in the sweeping anti-corruption campaign that has [swept through](#) China's financial sector since 2022.

EUROPE

Serbia

On 16 January, opposition parties are organizing a protest demanding a rerun of the 17 December parliamentary and Belgrade elections. The number of people taking to the streets will indicate whether the opposition can regain protest momentum after a prolonged break during the winter holiday period. Repeat national elections are very unlikely as the results were officially certified on 12 January, but a new vote in Belgrade cannot be ruled out amid challenges around forming a majority coalition in the city council. In the meantime, President Aleksandar Vucic is set to present on 20 January large-scale investment plans ahead of the international exhibition (Expo 2027) hosted by Belgrade.

Slovakia

Parliament this week is continuing the consideration of controversial amendments to the criminal code aiming to dismantle the Special Prosecutor's Office and lower sentences for economic/financial crimes. The proposed bill has been negatively assessed by various EU institutions and, if adopted, could heighten the risk of the EU funds suspension. On Wednesday, 17 January, the European Parliament will vote on a resolution criticizing the proposed reform, while the opposition is set to hold a demonstration against the bill in the capital Bratislava on 18 January.

UK

Prime Minister Rishi Sunak is facing another Tory rebellion over his Rwanda migrant deportation plans. The government had won a first crunch vote on the plan last year after several Conservative MPs abstained rather than voting against their own government. However, right-leaning MPs are still demanding concessions to toughen the policy in the final Commons votes on 16 and 17 January. While a government defeat remains unlikely, the episode again highlights Tory divisions, Sunak's weakness, and the crucial role of migration policy ahead of the general election.

LATIN AMERICA

Brazil

Neither President Lula da Silva, nor Finance Minister Fernando Haddad will be at the World Economic Forum this week. Environment Minister Marina Silva, Mines and Energy Minister Alexandre Silveira, and presidential special advisor Celso Amorim will attend. Lula will be instead in the North-East of the country, visiting three states and inaugurating high profile works. Haddad will devote his time to negotiating with Congress Chairman Rodrigo Pacheco the maintenance of an executive order that would end payroll exemptions for 17 economic sectors and help the fiscal effort towards a zeroing of the budget deficit in 2024. Congress and the Judiciary remain in recess until the beginning of February.

Ecuador

President Daniel Noboa, who on 9 January declared Ecuador to be in an "internal armed conflict" with 22 criminal organizations, on 11 January announced a plan to raise VAT from 12% to 15%. This would raise around USD 1.3bn annually to fund his militarized crackdown against organized crime gangs. The National Assembly (AN) has 30 days to debate the plan but leading parties including the Citizen Revolution (RC) party, the Social Christian Party (PSC), and the *Construye* movement all oppose the proposal; without their votes, the bill cannot pass. However, if no vote occurs within 30 days, the proposal would take effect automatically. Finance Minister Juan Carlos Vega has warned that the fiscal situation is "unsustainable" without a VAT hike, though government officials have also hinted that a plan B could involve another effort to reduce costly fuel subsidies, one of the thorniest issues in Ecuadorean politics.

MIDDLE EAST AND AFRICA

The government is now on track to receive the next USD 600mn payment tranche from the International Monetary Fund (IMF). This follows Finance Minister Ken Ofori Atta's announcement last Friday confirming that the country has successfully reached an agreement to restructure USD 5.4bn of loans with its official creditors. The expected IMF funding will be the second tranche of payments under Ghana's USD 3bn bailout program with the Fund. The latest deal with creditors could further unlock an additional USD 300mn in funding from the World Bank, along with an extra USD 250mn in support for the Ghana Financial Stability Fund (FSF).

GRAPH OF THE WEEK

What concerns Europeans most in 2024 varies across countries

'Which two of these problems are most important facing your country just now?' (%)



Source: YouGov. Fieldwork: 5th – 19th December 2023

European voters' concerns vary substantially across countries. On the one hand, general concerns about the economy remain high in most countries. Similarly, concerns about the environment and social issues (e.g., education and economic inequality) are more homogeneous across geographies, while energy supplies are a less pressing issue than over the last two years. On immigration, healthcare systems, and housing, however, important differences exist across countries. Citizens in Germany, France,

and the UK are particularly concerned about immigration, while healthcare is particularly pressing in Italy and the UK. Finally, housing appears to be politically relevant in Spain, Germany, and the UK.

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