

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 **Ghana's** debt exchange efforts. Meanwhile, senior **US** and **Chinese** decision-makers will meet, **Germany** will get a new defense secretary, protestors are calling on **Peru's** president to resign, and **South Africa's** leader has cancelled his trip to Davos. Our graph of the week zooms in on **highly skilled employees**.

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

Ghana's government has once again extended the voluntary sign-up deadline for its domestic debt exchange program. , our Africa expert, answers three key questions.

What happened?

The voluntary sign-up deadline has been delayed from 16 January to 31 January. This makes it the third extension, following a backlash from domestic creditors.

What are domestic creditors most concerned about?

The current backlash is over concerns about the potential negative impact of domestic debt restructuring on local commercial banks, with many expressing fears of a potential crisis in the banking sector.

What are the implications for the restructuring timeline ahead?

The latest development points to a likely protracted debt restructuring process. Individual bondholders – who the government had previously excluded from participating in the debt restructuring process, but now says they must be included – have also been angered by the U-turn.

WHAT TO WATCH

ASIA PACIFIC

Japan

The Bank of Japan's Monetary Policy Committee (MPC) will announce its next decision on 18 January (Tokyo time) amid speculation that it will be forced to effectively raise interest rates for a second consecutive month. Market pressure has been building since the MPC's shock decision in December to widen the target bands for ten-year government bonds by 25 bps to +/-0.5%, with the bank reportedly undertaking mammoth bond purchases of up to JPY 4.6tn (USD 36bn) a day last week to maintain that higher peg.

Thailand

Paetongtarn Shinawatra, the daughter of former prime minister Thaksin Shinawatra, has announced her intention to seek the prime ministership in the upcoming elections, which must be held by 7 May at the latest. Her candidacy will likely revitalize her father's networks and provide a significant boost to the opposition For Thais (PT) party. This raises the prospect of political instability if PT wins close to a majority of the 500-seat lower house, but she is denied the position because the junta appointed 250-seat senate throws its support to a different candidate.

US/China

US Treasury Secretary Janet Yellen will meet Vice Premier Liu He, China's top economic policymaker, in Zurich on 18 January, marking the two officials' first-ever in-person meeting. Bilateral engagement has increased since the two presidents, Joe Biden and Xi Jinping, [met in Bali](#) last November, and both sides appear motivated to stabilize relations.

Vietnam

President Nguyen Xuan Phuc resigned today from his state and party positions, the casualty of an anti-corruption campaign that has ensnared high-ranking officials over the past year. The immediate repercussions of Phuc's downfall in terms of broad political stability will be limited because the president, whose position in the past was considered primarily ceremonial, is the weakest among the triumvirate that leads Vietnam, below the communist party general secretary and prime minister, and Phuc does not represent a competing faction. Nonetheless, there are signs that more officials close to the party's security apparatus are gaining power and the anti-corruption campaign could result in greater caution by bureaucrats and government officials.

EUROPE

Bulgaria

The leader of Bulgarian Socialist Party (BSP) Kornelia Ninova is unlikely to succeed in forming a government. On 16 January, President Rumen Radev (independent) nominated Ninova as prime minister-designate in the final attempt to form a government after the October parliamentary elections. Ninova has until next Monday, 23 January, to propose her cabinet and win a parliamentary vote of confidence by a simple majority. Ninova intends to hold a meeting of leaders of all parliamentary parties before deciding whether to proceed with cabinet formation. However, the chances of success appear low given persisting disagreements among political parties and the subdued support for Ninova's candidacy. As a result, the country will likely head to another early parliamentary election in March or April.

Germany

Chancellor Olaf Scholz has surprised commentators with his choice of a new defense secretary. Boris Pistorius, a conservative and often outspoken member of Scholz's Social Democrats (SPD), will leave his role as regional interior minister in Lower Saxony and replace Christine Lambrecht in Berlin. Pistorius' nomination may allow the SPD to increase its political ownership of the push to improve Germany's military capabilities.

Slovakia

On 21 January, Slovaks will head to the polls in a referendum which is unlikely to reach the necessary 50% turnout to be deemed as valid. The referendum question is whether voters agree to constitutional changes that would allow the National Council (parliament) terminate its term by an absolute majority vote of MPs. The vote was initiated by the opposition Direction – Slovak Social Democracy (SMER-SD) party – led by previous prime minister Robert Fico – by collecting around 381,000 signatures from citizens. However, given a protracted political crisis in the country, discussions in parliament on holding snap general elections are set to continue in the coming weeks.

Turkey

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The debate about the date of the presidential and parliamentary elections is set to heat up. Erdogan and his allies signaled that the government might consider holding elections earlier than the scheduled date of 18 June. In the most likely scenario, elections will be brought forward to 7 May or 14 May. The loose opposition alliance known as “Table of 6 – T6” is expected to announce its program for government by the end of January. Meanwhile, the power struggle continues within the T6 over who gets the presidential nomination.

UK/EU

Talks between the government and the European Commission about the Northern Ireland protocol are intensifying. Negotiations will likely continue for several weeks before a final deal can be announced. The technical substance of what will likely be agreed remains unchanged, including an additional level of arbitration before contested issues would go to the Court of Justice of the EU. However, selling such compromises to the Conservatives’ right wing as well as to Northern Irish unionists remains the key political challenge.

LATIN AMERICA

Brazil

The third week of the Lula administration will have a greater economic focus with the participation of two top ministers at Davos. Finance Minister Fernando Haddad and Environment Minister Marina Silva will speak about fiscal resilience and climate change. Haddad announced a package of measures to control the deficit last week which had better reception than expected. Silva personifies a return to sustainability and accountability in the environment. The week will see further attention paid to the fate of more than 1,500 arrested rioters and the implication of former president Jair Bolsonaro himself in the incitation of crimes against democracy. Former Bolsonaro Justice Minister Anderson Torres, who took office as security secretary in Brasilia and was lenient with rioters, was found to have drafted a “state of defense” decree intended to allow the president to annul electoral court decisions and reject election results.

Peru

Protestors demanding the resignation of President Dina Boluarte and the closure of Congress are aiming to ratchet up the pressure against the government with a national strike on 19 January. Organizers will be hoping that protests take hold in Lima; so far, protests in the capital have not been major, though if they grow in size, it would increase the pressure on Boluarte, especially as security forces appear unable or unwilling to police protests without resorting to excessive force. Boluarte, who issued a partial apology for the violent response to protests late last week, has called on Congress to bring forward a vote that would cement a new election timetable in the hope that it helps diminish protests. To that end, there is an initiative under consideration that would bring forward the opening of the next congressional session to mid-February. The question is whether Boluarte, whose disapproval rating has hit 71% according to one poll carried out last week, can hold out until then.

MIDDLE EAST AND AFRICA

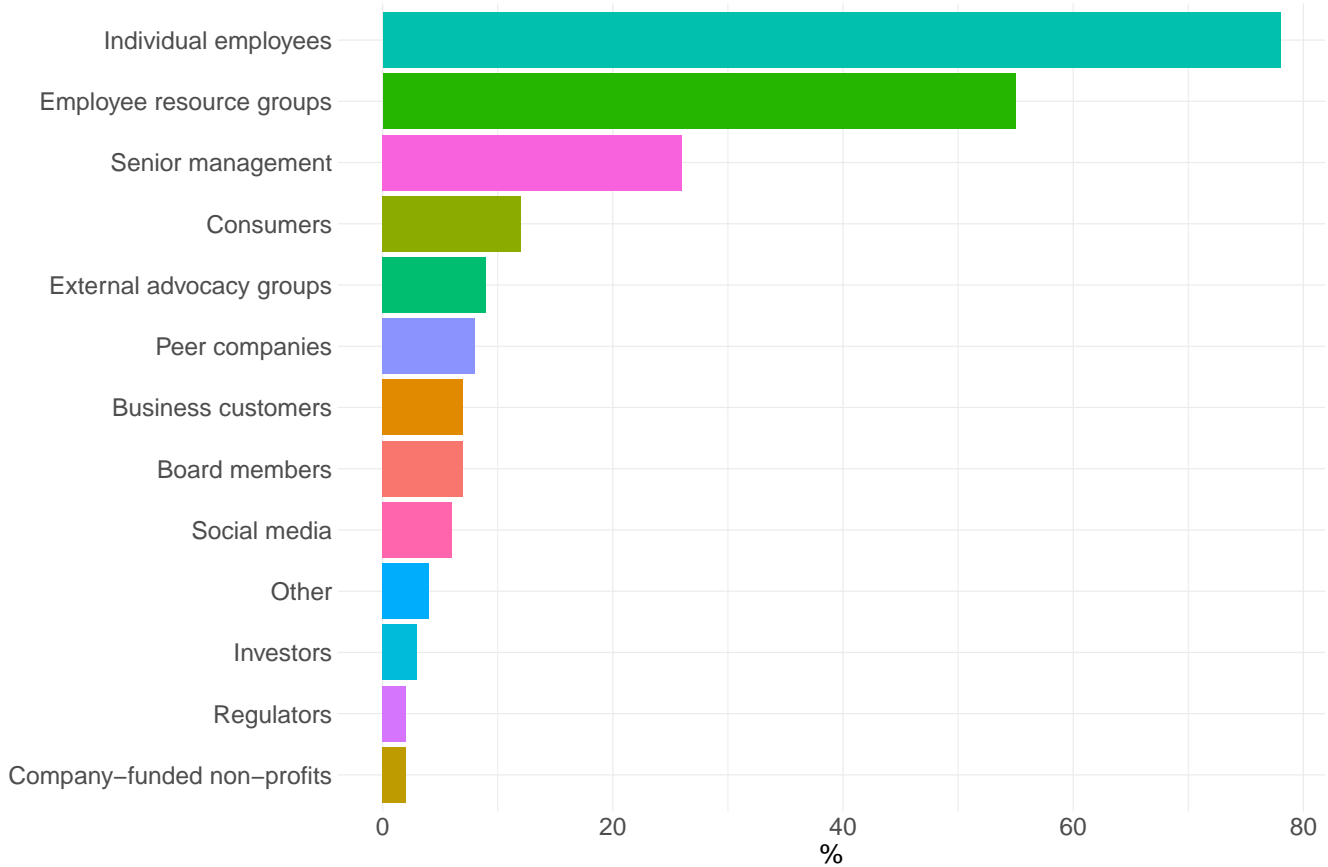
South Africa

President Cyril Ramaphosa has canceled his trip to Davos as South Africa’s power crisis deepens. Embattled power utility Eskom has imposed ‘stage 6’ load-shedding until further notice. Combined with energy regulator Nersa’s latest announcement of an 18.65% hike in electricity tariffs, the latest outages have prompted legal action and calls for protests and a national shutdown.

GRAPH OF THE WEEK

Employees are pressuring companies to take a position on social issues

"Where did the pressure come from to position on abortion/gun control?"



Source: Conference Board (July 2022). The survey yielded responses from 274 companies in the US

High-skilled knowledge economy workers have become socially and economically influential in recent years. Employers are likely to be more susceptible to the preferences and priorities of their high-skilled workforce due, among other reasons, to concerns about companies' ability to attract and retain human capital. This has been especially true in countries with tight labor markets over the last couple of years. This has made companies even more reliant on a highly educated and socially progressive pool of workers who tend to congregate around urban environments. According to a recent survey – including responses from 274 companies in the US – the pressure to take a stand on abortion and gun control regulation in the US mainly comes from socially conscious individual employees and much less from demanding consumers and investors.

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