

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 the controversy around **German** tank deliveries. Meanwhile, **Chinese** tourists are returning to destinations across Asia, presidential runoff elections will be held in the **Czech Republic**, **Brazil's** president is beginning the first international trip of his mandate, and power utility Eskom will remain in the spotlight in **South Africa**. Our graph of the week zooms in on **leaders' approval ratings**.

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

Germany's hesitation to approve deliveries of "Leopard" tanks to Ukraine continues to create political pushback at home and abroad. Our Germany expert **Carsten Nickel** answers three key questions.

Why is Germany hesitating?

Delivering tanks is at best divisive, if not outright unpopular in large parts of the population. The overwhelming consensus among foreign policy experts and political commentators is hardly representative of this political reality. This disconnect also means that potentially more strategic reasons for Germany's hesitation are hardly being discussed.

Are there motivations beyond domestic politics?

Chancellor Olaf Scholz wants transatlantic coordination. This does not just mean US political backing, but deliveries of similar tanks. British and potential French support is not enough. The only player which matters for Germany as a guarantor of its own security – and which Berlin knows is being taken seriously in both Moscow and Kyiv – is the US.

What is the way forward?

Key strategic questions will likely remain unanswered: What constitutes Ukrainian victory and Russian defeat, and will domestic Russian repercussions play a role for how far Ukraine pushes back? Under these circumstances, Berlin will likely continue to see the provision of heavy weaponry as extremely risky. Therefore, Germany may eventually greenlight the "Leopards" but will try hard to ensure the presence of comparable American material.

WHAT TO WATCH

ASIA PACIFIC

China

Chinese tourists are returning to destinations around Asia, especially Thailand, during this week's Lunar New Year holiday, following a three-year absence to due China's zero-Covid policy. Meanwhile, Chinese embassies

and consulates abroad have been flooded with visa applications by business travelers and overseas Chinese, but long processing times and high-priced flights are complicating foreigners' ability to return.

Japan

Fumio Kishida set out his policy agenda for the year ahead at the opening of the new Diet session on 23 January.

The prime minister emphasized the dangers of Japan's demographic decline and plans new policies and higher expenditure to help raise the birthrate. The most contentious political debates in the coming months are likely to be around tax hikes to fund increased defense spending and those birthrate countermeasures, as well as the planned energy policy pivot back to nuclear power.

EUROPE

Bulgaria

Following an unsuccessful final attempt to form a government by the leader of Bulgarian Socialist Party (BSP) Kornelia Ninova, this week President Rumen Radev (independent) will dissolve parliament and schedule early elections, most likely for April. A caretaker cabinet led by Galab Donev (independent) will likely remain in office until the new government is elected. At this point, opinion polls do not indicate any significant changes that would facilitate a pathway from a protracted political deadlock.

Czech Republic

Retired army general Petr Pavel (independent, supported by the ruling Together coalition) remains the favorite to win the presidential runoff against former prime minister Andrej Babis (Action of Dissatisfied Citizens) on 27-28 January. The aggressive rhetoric and controversial claims by Babis during the presidential debate held yesterday, 23 January, are unlikely to shift voter preferences in Babis' favor. Two more presidential debates are planned this week, although they might be cancelled due to Pavel's illness. A Pavel presidency would be supportive of Petr Fiala's coalition government and lead to more coordinated policymaking and rhetoric.

Slovakia

The country will likely head to early parliamentary elections on 30 September. Although the 21 January referendum on constitutional changes that would allow the National Council (parliament) to terminate its term was not valid due to low turnout, such an amendment will likely be adopted via a vote in parliament, which requires support from three-fifths (90/150) of deputies. According to acting Prime Minister Eduard Heger (Ordinary People and Independent Personalities, OLaNO), early elections in autumn are supported at least by four parliamentary groups, including OLaNO, Freedom and Solidarity, We Are Family, and For the People, which are close to having 90 mandates. Heger expects that the proposed amendment will be supported by a few additional deputies required for the constitutional majority.

LATIN AMERICA

Brazil

In the first international trip of his mandate, President Luiz Inácio Lula da Silva will be in Argentina this week to take part in the 7th Summit of the Latin American and Caribbean States (Celac) and a number of bilateral meetings. Lula will be hosted by Argentinian President Alberto Fernandez on Monday 23 January for a bilateral meeting that will cover energy integration investments, the environment, defense and illicit trade. In addition, there is talk of a renewed attempt for a common currency for bilateral trade and finance. The Celac, which gathers all 33 countries in the region, was founded with great support from the second Lula Administration (2006-2010). Lula has now reinstated Brazil's membership into the organization following its suspension by former President Jair Bolsonaro in January 2020 who believed the organization failed to protect democracy in member states.

MIDDLE EAST AND AFRICA

Nigeria

The Senate is set for another deliberation today, 23 January, over the proposed restructuring of the so-called ‘ways and means’ advances by the Central Bank of Nigeria (CBN) to the federal government. President Buhari had requested that the National Assembly securitize the NGN 22.7tn (approximately USD 49bn) overdraft extended to the government over the past 10 years by the CBN at 9% per annum coupon rate. If approved, the decision will see Nigeria’s public debt significantly increase. So far, the legislative body has failed to approve the proposed restructuring over the alleged failure of both the CBN and the finance ministry to provide details of what the funding was used for.

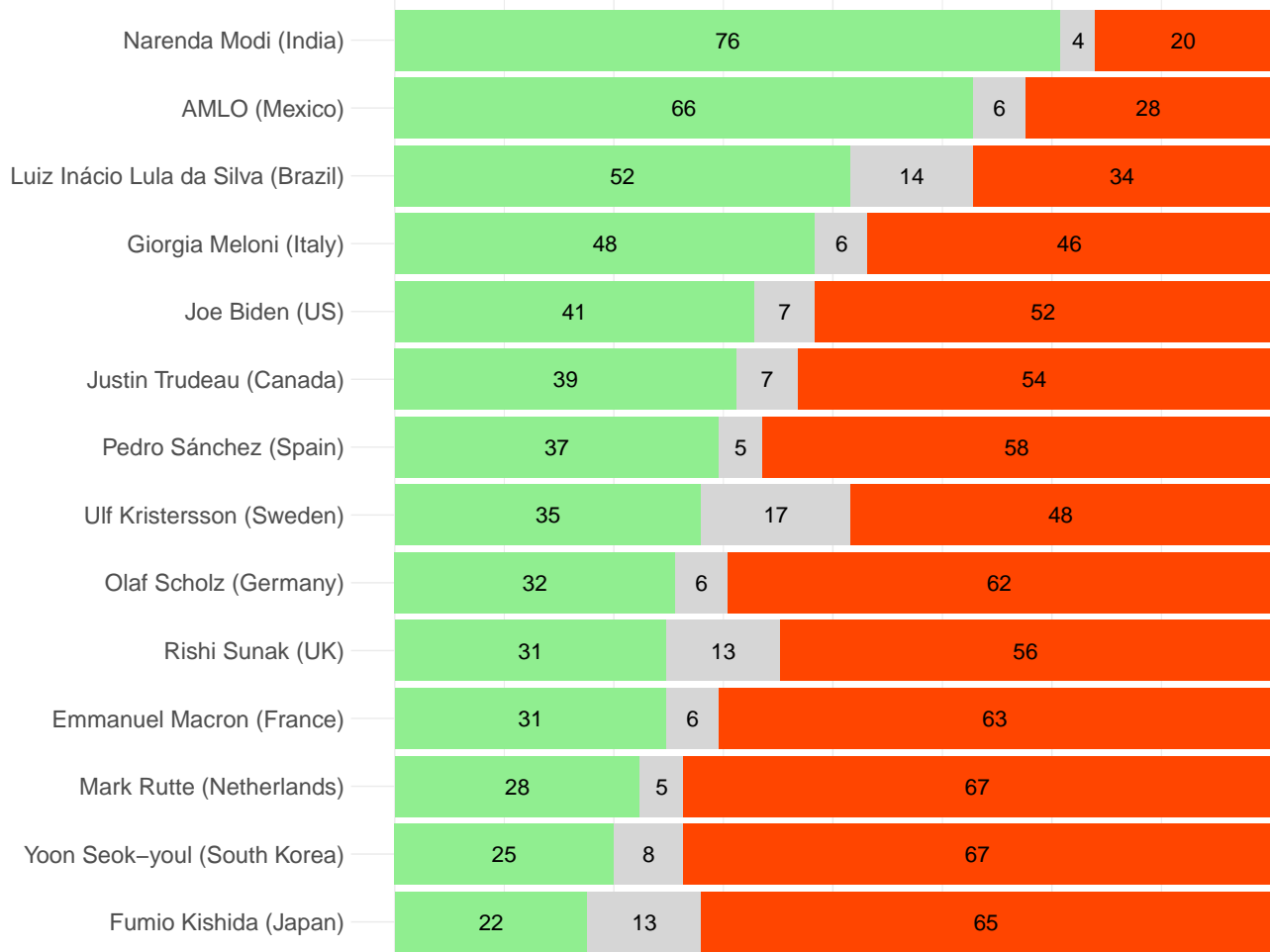
South Africa

Power utility Eskom’s power will continue to take center stage this week. Protests and legal actions are expected against the government’s failure to improve electricity provision and against the latest double-digit tariff increases. The National Energy Crisis Committee (Necom) on 21 January 2023 released a six-month progress update on the implementation of the July 2022 Energy Action Plan, though it is clear that the crippling energy shortages will take years to resolve.

GRAPH OF THE WEEK

Popular discontent with global leaders is widespread

■ Approve
 ■ Don't know/No opinion
 ■ Disapprove



Current Approval Ratings (%)

Source: Morning Consult (last updated on 17 January 2023)

Citizens across a significant number of countries **disapprove of the performance of their government leaders**. The global economic outlook might have somewhat improved in recent weeks, particularly after the end of China's zero-Covid policy and the fall in wholesale natural gas prices, which might be crucial for eurozone countries to avoid a recession. However, despite this less pessimistic outlook, fractured domestic politics, difficult monetary policy decisions, and geopolitical tensions could complicate the economic recovery in several countries. Germany's Chancellor Olaf Scholz and UK Prime Minister Rishi Sunak have two of the lowest approval ratings worldwide.

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