

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 judicial reform in **Poland**. Meanwhile, the **Philippines** will grant the **US** four more military bases, **EU** leaders will discuss further changes to state aid rules, **Brazil's** president will visit Washington, and **South Africa's** leader will deliver his state of the nation address. Our graph of the week zooms in on **companies taking a stance on social issues**.

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

Poland's ruling United Right coalition will likely reject in the Sejm (lower chamber) amendments introduced by the opposition-led Senate (upper chamber) to the bill regulating the work of the Supreme Court. Our Central and Eastern Europe advisor **Andrius Tursa** answers three key questions.

Why does the bill matter?

Judicial reform remains one of the key requirements for accessing funds from the EU's Recovery and Resilience Facility (RRF).

Would new legislation increase the chance of Poland receiving EU payments?

The adoption of the bill would not automatically guarantee Poland's access to RRF funds. The legislation could still be vetoed or sent for review to the Constitutional Tribunal by President Andrzej Duda (independent but linked to Law and Justice).

What are the signposts to watch beyond the bill?

It is still unclear whether the European Commission would consider the adopted changes as sufficient for the implementation of the required milestones – on which disbursement depends.

WHAT TO WATCH

ASIA PACIFIC

Japan

Current Deputy Governor Masayoshi Amamiya is set to be nominated by the government to replace outgoing Bank of Japan Governor Haruhiko Kuroda, according to media reports. BOJ policy-planning veteran Amamiya has been a key figure in implementing QQE and Yield Curve Control and would represent continuity in the near-term but would have to

gradually normalize monetary policy over a long-term horizon. The government is due to submit its nominations for governor and two deputies to the Diet by 10 February, with the next governor in place before 9 April.

Thailand

Politicians wanting to defect to another party and still be eligible to run in the upcoming elections have only until 7 February to do so, assuming elections are held on 7 May as has been tentatively set by the Election Commission.

Current electoral rules require that they be members of their new parties 90 days before the vote, although that period is shortened to 30 days in case parliament is dissolved before its term ends on 23 March. However, it appears even veteran politicians are being conservative and have already switched parties, as Prime Minister Prayuth Chan-ocha did last month.

US/Philippines/China

Following a visit to the Philippines by US Defense Secretary Lloyd Austin, the two governments reached a deal that will grant the US four more military bases in the island nation, on top of the five bases already operating. The deal challenges China's defensive posture within the so-called "first island chain," which runs Japan to the Malay peninsula and includes Taiwan. China's foreign ministry said the agreement would "escalate regional tensions" and urged that regional countries avoid being "taken advantage of" by Washington.

EUROPE

EU

At their meeting on 9-10 February, heads of state or government will discuss the Commission's proposal for a European answer to the US inflation reduction act (IRA). While further relaxing state aid rules, the EU executive plans to repurpose some EUR 250bn in grants and loans from its pandemic recovery fund. This would help countries with less financial means than France and Germany with supporting their businesses in the green transition. Leaders are likely to broadly support this approach this week. This would pave the way for political agreement at the next formal European Council meeting in late March.

Turkey

The management of emergency assistance and rescue operations in the areas hit by the 6 February earthquakes will be an important test for President Tayyip Erdogan and his government. Presidential and parliamentary elections are ahead on 14 May. Political posturing and sheer incompetence in the wake of the 1999 earthquake fundamentally undermined the legitimacy of the government at that time. The southern province of Kahramanmaraş was the epicenter of the quake, which has already claimed more than 1,000 lives. The death toll is expected to rise further.

LATIN AMERICA

Brazil

President Luiz Inacio Lula da Silva will visit Washington and meet President Joe Biden on 10 February. Biden did not have much contact with Lula during his previous mandates, having been closer to Lula's successor Dilma Rousseff as President Barack Obama's representative to Latin America. Anti-democratic attacks following presidential elections in both countries should figure high in the agenda. Lula should speak about the need to combat far right extremists. Climate change and the Russia-Ukraine war will also loom large in the bilateral talks. Lula has also flagged in the local media his intention of taking to the G20 a proposal for a global regulation for fake news in social media. Lula will also meet the business community and democratic parliamentarians, including Senator Bernie Sanders.

Peru

Caretaker President Dina Boluarte's resignation offers the most realistic way to enable an early election to take place in 2023. This is because the only remaining legislative route to an election this year was blocked off on 3 February when the congressional constitutional commission voted against Boluarte's own proposal for elections to be held in October. However, Boluarte has insisted that she will not resign. Even so, Boluarte remains under intense pressure as protests and roadblocks continue – as does repression by security forces. Economic disruption is also mounting: regions containing some 10% of Peru's population remain under a state of emergency as of the start of this week. In one of the regions that has been at the epicenter of protests, Puno, the military is now in direct charge of security.

MIDDLE EAST AND AFRICA

Nigeria

President Muhammadu Buhari is expected to announce this week whether he will accede to public pressure to ask the central bank to extend its 10 February deadline for the exchange of old NGN 200, NGN 500, and NGN 1000 banknotes for newly designed ones. The Central Bank of Nigeria (CBN)'s demonetization policy, which is aimed at increasing the levels of digital transactions in Nigeria, has resulted in acute cash shortages that have caused an unprecedented level of social and economic disruptions in the cash-dependent economy. Nigerians have accused the CBN of printing considerably lower amounts of the new banknotes in its bid to force the public to use digital channels to transact. While the CBN has denied the claims, heads of commercial banks have continued to state that there remains a shortage of the newer banknotes, therefore, constraining their ability to exchange the about-to-be-defunct notes for new ones. The issue has become a hot button political issue ahead of the 25 February presidential election.

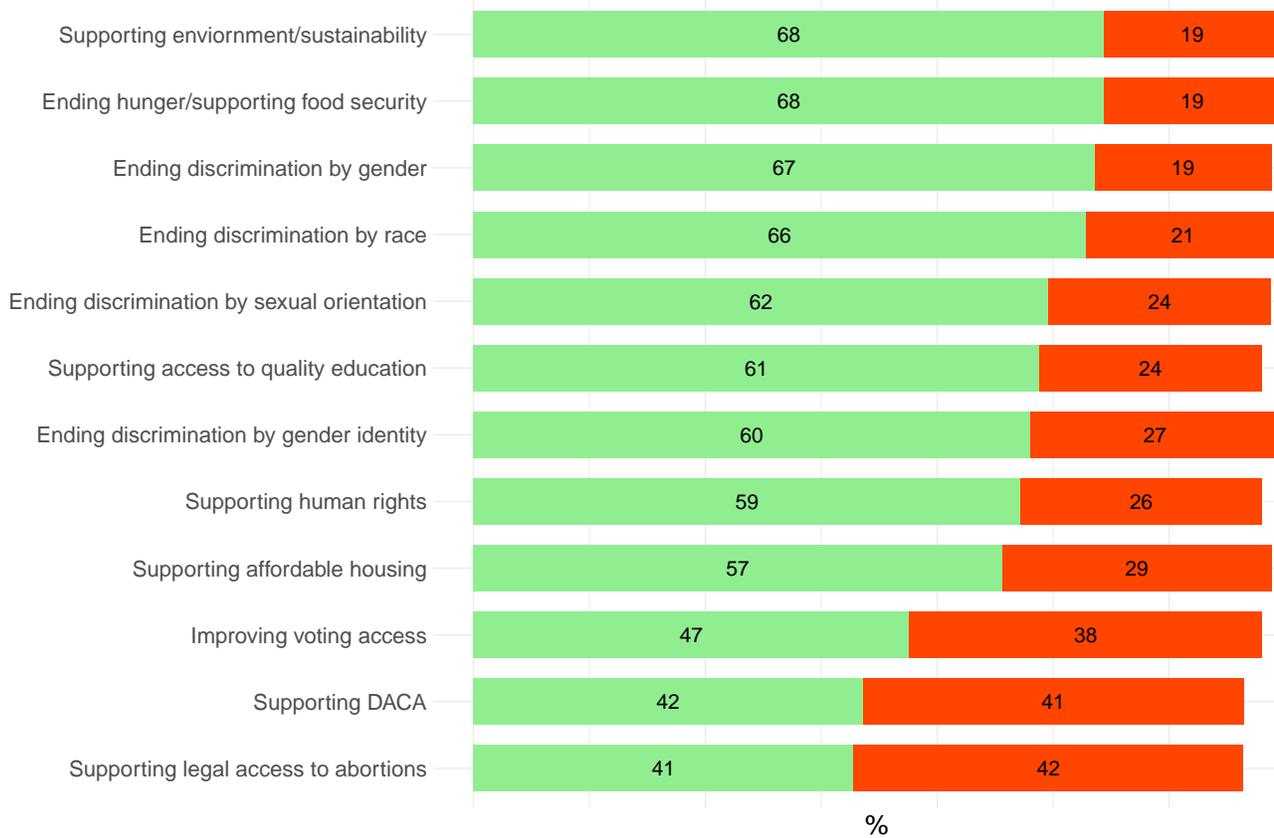
South Africa

On 9 February, President Cyril Ramaphosa will deliver his annual State of the Nation Address (SONA) against a gloomy backdrop. He will need to address the power crisis and its crippling impact on the economy, public services and socio-economic problems. The government is contemplating instituting a state of disaster in response to the electricity outages, but legal opinions are still being sought and some caution it could do more to fuel corruption than to resolve power shortages quickly. Ramaphosa may also try to be seen as acting with urgency by reshuffling his cabinet, which might occur ahead of the SONA.

GRAPH OF THE WEEK

The US public is divided on when companies should get involved

Support involvement Don't support involvement



Source: 2022 Public Affairs Pulse Survey Report

Most Americans are in favor of companies using their position to **influence on social, environmental, and political issues**. This is more clearly the case for Democrats, with a large majority of them supporting companies to take a stance. There are some issues – such as environmental questions, or gender and race discrimination – where a majority of Americans want companies to get involved. The public remains much more divided across partisan lines on other issues, such as improving voting access, immigration policy, and supporting legal access to abortion. While some companies speaking to a more socially and politically homogenous audience can benefit from getting involved, others will face a more internally divided stakeholder base, with different actors pushing in opposite directions.

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