

## 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 **Thailand**. Meanwhile, **Japan** hosts G7 leaders, **Turkey's** president and his opponent are heading to a runoff election, legislators in **Ecuador** have been summoned for the presidential impeachment trial, and **Ghanaian** officials are optimistic about an IMF loan. Our graph of the week zooms in on the **commercial property market**.

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

In **Thailand**, the Move Forward Party and For Thais have agreed to form a coalition. Our Southeast Asia expert **Bob Herrera-Lim** answers three key questions.

#### Who will lead the next government?

After winning a majority of lower house seats in Sunday's election, MFP leader Pita Limjaroenrat is the frontrunner to be the next prime minister, and he appears unwilling to accept the military-linked parties into the coalition.

#### What is the next challenge for the coalition in parliament?

With approximately 309 votes on its side, the first question is how it can get to the 376 (which is the majority of the combined 500-seat lower house and 250-seat senate) needed to select a prime minister. Some senators have signaled a willingness to work with the winning coalition, which reduces the prospects of a deadlock and possible protests in the streets. Resistance by the senate could, however, lead to weeks of uncertainty.

#### What are the main policy implications?

The next—and longer-term—question is how aggressively Move Forward can push its agenda of systemic political reform, especially of the monarchy and military, since this was a key driver of popular support for it. The underperformance of the For Thais party of former Prime Minister Thaksin Shinawatra also reduces the populist pressure on the next government to implement fiscally expensive measures such as the rice mortgaging program.

### WHAT TO WATCH

#### ASIA PACIFIC

##### Japan/G7

**Fumio Kishida is set to enjoy the high point of his political career when he hosts the leaders of the G7 in his Hiroshima hometown from 19 to 21 May.** The prime minister's long-cherished goal of progress towards a nuclear-free world is unlikely to produce more than a symbolic outcome, given the group's wish to present a robust and united response

to Russia's invasion of Ukraine and China's regional assertiveness. Kishida has also invited the leaders of India and South Korea to Hiroshima.

## US/China

**National Security Advisor Jake Sullivan met with China's top diplomat, Wang Yi, for eight hours over two days in Vienna last week.** This is the latest sign that diplomatic contacts are increasing as ill-will over February's balloon incident fades. However, the two officials did not discuss dates for a visit to China by Secretary of State Anthony Blinken, and Washington still appears more interested than Beijing in resuming high-level contacts.

## **EUROPE**

### Bulgaria

**Today, President Rumen Radev (independent) is set to appoint Bulgaria's European Commissioner Mariya Gabriel (GERB) as Prime Minister-designate.** She has been nominated by the election winner Citizens for European Development of Bulgaria (GERB). GERB leader Boyko Borisov proposed Gabriel to lead a government of experts with a predetermined set of priorities for a period of one year. She will have seven days to present her cabinet and win a vote of confidence in parliament by a simple majority. A technocratic government might be the best option to end a protracted period of political instability.

### Russia/Ukraine

**The Black Sea Grain Initiative (BSGI) — also known as the grain deal — is set to expire on 18 May, according to Moscow.** Last week's quadrilateral talks between Russia, Turkey, Ukraine and the UN on the extension of the deal ended without clear results. For weeks, various Russian officials have been telegraphing Moscow's dissatisfaction with the current agreement, which allegedly disregards its demands related to Russia's food and fertilizer exports. In any case, Moscow is unlikely to agree on a long-term extension and will continue trying to use the issue to negotiate concessions on sanctions and discourage Ukraine from attacking Russia's Black Sea fleet in Crimea.

### Slovakia

**Today, 15 May, President Zuzana Caputova (independent) appointed Ludovit Odor (independent) as Prime Minister to lead an expert cabinet.** The main objective of this cabinet is to ensure political stability, the effective functioning of the state apparatus, and to oversee preparations for the snap parliamentary vote likely to be held on 30 September. As [recently noted](#), the elections could return to power the center-left SMER-SD party, which would mean a shift towards Russia in foreign policy and bring setbacks in tackling corruption at home.

### Turkey

**President Recep Tayyip Erdogan will face his challenger Kemal Kilicdaroglu in a runoff vote after yesterday's elections.** Even if he could not win outright on 14 May, the outcome represents a best-case scenario for Erdogan. Getting to a second round was his main electoral strategy, and he is now well positioned to prevail on 28 May. Erdogan's alliance already secured an absolute majority in parliament. His campaign ahead of the runoff vote will therefore focus on the threat of a divided government. This will likely resonate well with the public.

## **LATIN AMERICA**

### Brazil

**President Luiz Inácio Lula da Silva will be on his way to the G7 meeting this week as the House attempts to reach agreement on the fiscal framework proposed by Finance Minister Fernando Haddad.** The government continues to face great difficulty in securing support for its initiatives, particularly after defeats in leftwing flagship items in Congress. In

particular, the government has recently failed to revert old (Eletrobras) or stall new (sanitation) privatization initiatives due to lack of support from the coalition forces that elected Lula and in principle form the government's base in Congress. The rapporteur of the bill on the fiscal framework will discuss his draft report today, 15 May, with congressional leaders, and if there is consensus, he should present it to the House for a vote. This will be another crucial test for the government.

## Ecuador

**Legislators have been summoned for the presidential impeachment trial of Guillermo Lasso on 16 May.** The process, in which Lasso is expected to make his defense in person, is highly likely to run over one day; the actual plenary impeachment vote will take place before the week is out. The election over the weekend of the National Assembly leadership positions – all of them hostile to Lasso – suggests that the votes exist to impeach. Lasso has appealed to the Constitutional Court (CC) to block the impeachment proceedings despite the fact that the court gave its approval to proceed in late-March. The only other way a vote will not happen is if Lasso resorts to the mechanism known as “mutual death” (“muerte cruzada”), which allows for the president, under certain conditions, to summarily dissolve the National Assembly. Doing so would be highly controversial (even if the case against Lasso looks weak) and would likely set off potentially serious unrest.

## **MIDDLE EAST AND AFRICA**

### Ghana

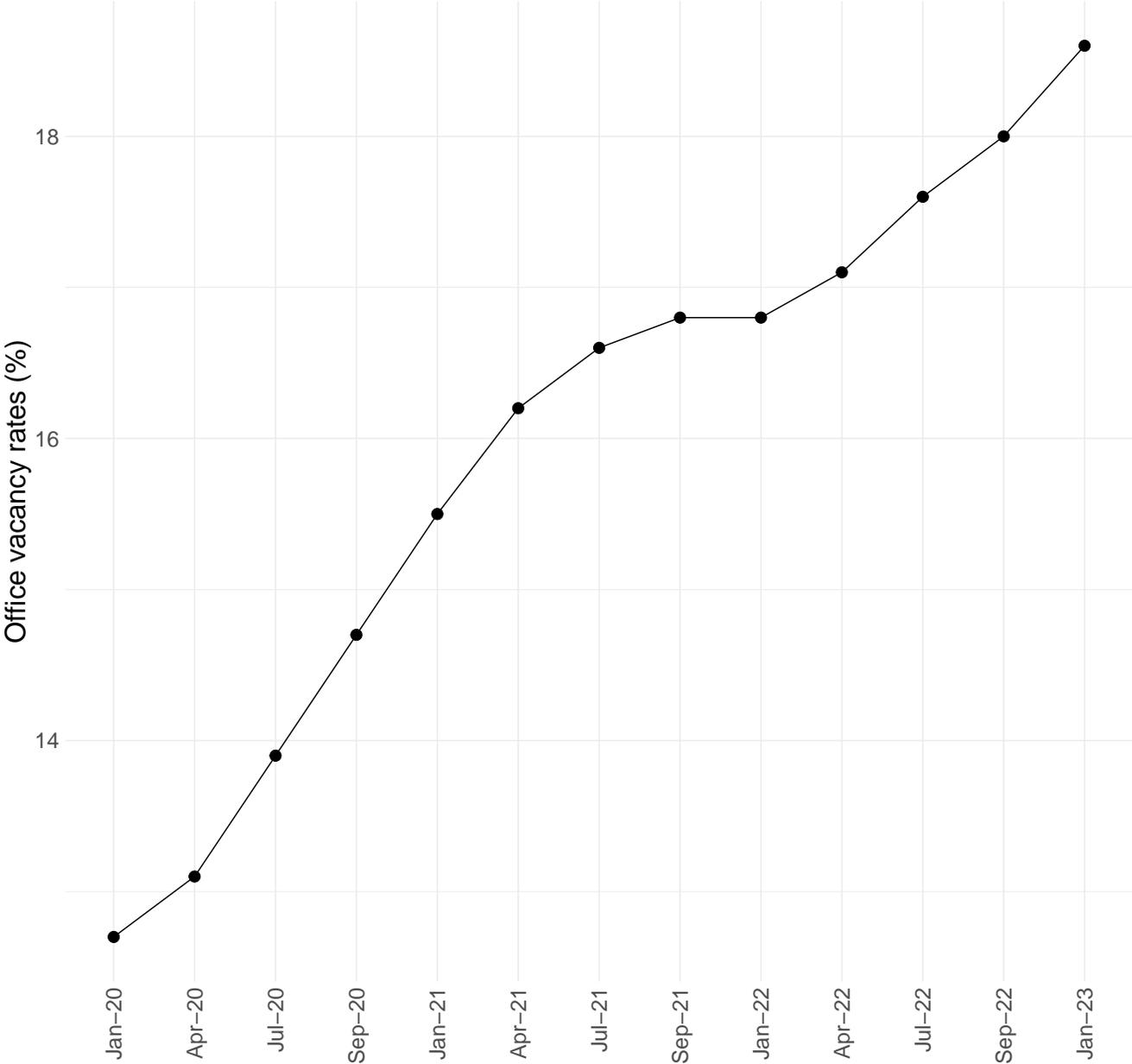
**Government officials are optimistic that the Executive Board of the International Monetary Fund (IMF) will approve the in-principle USD 3bn loan to Ghana this week.** This is coming on the back of the IMF signalling its satisfaction with recent debt relief assurances provided by Ghana's creditors.

### Kenya

**On 12 May, Moody's downgraded Kenya's long-term foreign-currency and local-currency credit ratings to B3** and placed the ratings on review for downgrade, citing “an increase in government liquidity risks”. This reflects a growing gap between the assessments of Moody's and other credit ratings agencies and the IMF. During a recent visit, IMF Managing Director Kristalina Georgieva described Kenya as merely an “innocent bystander” suffering the impact of global shocks; she was adamant that Kenya is not a candidate for debt restructuring and not expected to struggle to serve its USD 2bn eurobond due in 2024.

## **GRAPH OF THE WEEK**

# US office vacancy rates are rising since the pandemic



Source: Cushman & Wakefield

The **commercial property market** has taken a hit from the shift in working patterns across advanced economies. In the US, average office vacancy rates have increased from 12.7% in Q1/2020 to 18.6% in early 2023. These vacancy rates differ across states – cities like San Francisco have higher vacancy rates due in part to recent tech layoffs. In most European cities, however, the commercial property market is resisting better, in part because options to work from home remain more limited and less tight labor markets constrain workers’ bargaining power. European office vacancy rates stand at around 7% – and are even lower in Paris (0.2%) or Madrid (5%). In most European cities demand for office space in prime locations is likely to remain at relatively high levels in the coming years. Moreover, despite these shifting cultural and economic patterns,

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