

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 **Argentina's** primaries. Meanwhile, the **US** secretary of state has concluded his **China** visit, tensions remain high between **Serbia** and **Kosovo**, the president's former lawyer will be confirmed as supreme court judge in **Brazil**, and **South Africa** seems no closer to resolving its biggest diplomatic test. Our graph of the week zooms in on **voters' perceptions of the economy**.

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 **Argentina**, the deadline to register presidential candidates who will compete in August's obligatory primaries falls on 24 June. Our Latin America expert **Nicholas Watson** answers three key questions.

Who will run?

There is no great mystery about the identity of the opposition Together for Change (JxC)'s leading candidates: the former security minister Patricia Bullrich and the Buenos Aires mayor Horacio Rodriguez Larreta. For the anti-status quo libertarians, the sole candidate will be Javier Milei; all parties/coalitions must participate in the primaries, even if there is no internal competition for candidacies.

Which factors are still unknown?

The main puzzle has been who Vice-President Cristina Fernandez (CFK) might pick as the candidate for her newly rebranded Union por la Patria (UP) coalition. Daniel Scioli, the losing candidate in 2015, has insisted on competing - much to CFK's annoyance.

Who are other potential candidates to watch?

Economy Minister Sergio Massa had pushed for the candidacy but his failure to bring about any kind of economic normalization may scupper his possibilities. The other putative contender has been Interior Minister Wado de Pedro, though the Buenos Aires provincial governor Axel Kicillof cannot be ruled out. Once the UP candidate is confirmed, it should make polls somewhat more enlightening.

WHAT TO WATCH

ASIA PACIFIC

Japan

Fumio Kishida has ruled out a rumored snap Lower House election for now, amid opposition within the governing coalition and the prime minister's own approval numbers sliding again in recent polls. Instead, the government will

spend the summer fleshing out policy particulars for the FY2024 ordinary budget, though any tax hikes to help pay for new defense and social spending plans look to be off the table until at least FY2025. Snap election speculation is likely to return in the fall, with Kishida widely expected to seek another general electoral victory in advance of the LDP leadership ballot scheduled for September 2024.

Thailand

The showdown over the prime ministership could take place in mid- to late-July, slightly earlier than expected, after the election commission endorsed the winners of all 500 lower seats on Tuesday, 20 June. The lower house must convene within 15 days to elect a speaker, who will then call the 750 members of parliament to a joint session to select a prime minister. So far, the two leading parties, Move Forward and For Thais, have failed to agree on the speakership, and prolonged bickering could delay the process or increase the perceived risk of a split between the nominal coalition partners.

US/China

US Secretary of State Anthony Blinken concluded a two-day visit to Beijing with a 35-minute meeting with President Xi Jinping on 19 June. Though the visit produced no breakthroughs, official readouts struck a mostly positive tone, suggesting that both sides want to move past the rancor that followed February's balloon incident and stabilize bilateral relations.

EUROPE

Serbia/Kosovo

EU officials are seeking to organize an urgent meeting between Serbia's President Aleksandar Vucic and Kosovo's Prime Minister in Brussels this week. The goal is to de-escalate the boiling tensions between the two sides, although neither of the two leaders has confirmed their attendance so far. The situation has been particularly volatile since late May when newly elected mayors took office in Serb-majority municipalities in northern Kosovo. In recent days, tensions rose further following the arrest of three Kosovo police officers by Serbian authorities and the detainment of several ethnic Serb demonstrators in Kosovo. The presence of recently expanded NATO peacekeeping forces is crucial for preventing a large-scale military escalation, but the risk of incidents and skirmishes remains high. One signpost to watch is whether the international community manages to force Kurti to abandon his escalatory approach.

Turkey

Turkey's bizarre economic experiment is expected to take a new turn on 22 June when the Central Bank (TCMB) will hike interest rates. While the market seems to expect a large increase in the policy rate, our expectation is for a 700-800bps hike. On a related front, the government announced on 20 June that the monthly net minimum wage will increase by 34% in the second half of the year. In January the minimum wage was increased by 55%.

Ukraine

The British and Ukrainian governments will cohost the Ukraine Recovery Conference on 21-22 in London. The conference will serve as a key forum for stakeholders, including governments, international organizations, private and institutional investors, and civil society, to discuss a variety of issues pertaining to Ukraine's reconstruction, which is expected to start in earnest once active war comes to an end. Since most of previous events on the topic have focused on rather general principles, it is important to watch whether the London conference results in any specific agreements on issues like the institutional setup to manage the recovery process or the financing framework, including measures to maximize private sector involvement and the potential use of frozen Russian assets.

LATIN AMERICA

Brazil

Icon of the debacle of the anti-graft Carwash operation, President Luiz Inacio Lula da Silva's former lawyer during the period, Cristiano Zanin, will be confirmed as Supreme Court judge by the senate this week. Zanin's confirmation symbolizes the end of the operation that took Lula to jail along with more than 20 other politicians. The lawyer's strategy based on requests for suspicion of Judge Sergio Moro (currently a senator) and arguments against the seat of the trial in Curitiba instead of Brasilia ultimately panned out following several denied habeas corpus petitions. Lula was released from prison in July 2019 and restored his political rights in March 2021. Another important symbol of the times this week will be the start of a trial at the electoral court (TSE) against former President Jair Bolsonaro for holding a meeting with Ambassadors to cast doubt on the electoral system (voting machines) in July 2022. The trial, which may last until the end of June, should lead to Bolsonaro's ineligibility for 8 years.

MIDDLE EAST AND AFRICA

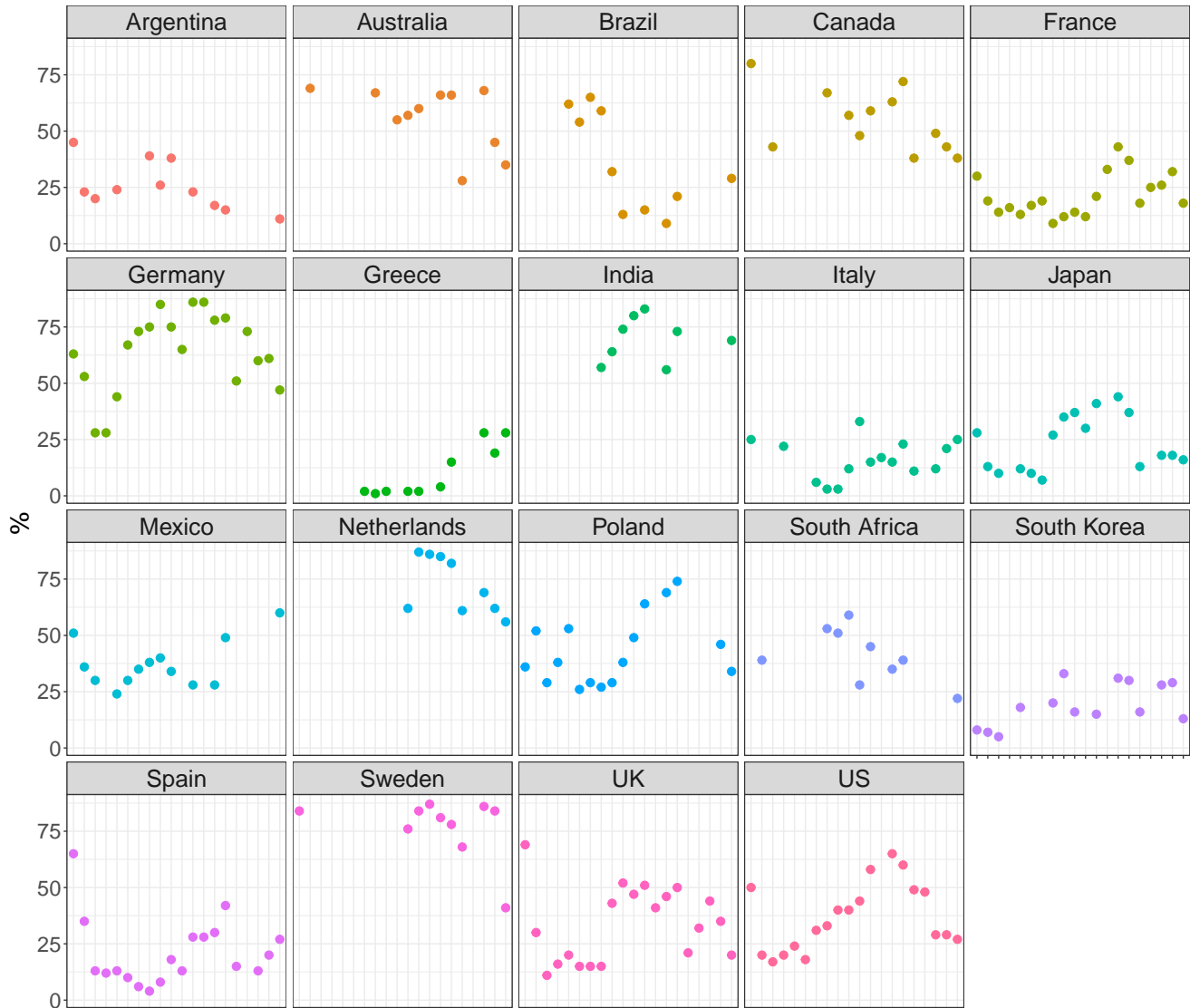
South Africa

President Cyril Ramaphosa will host two Western leaders this week, the Dutch and Danish prime ministers. The visits come on the heels of Ramaphosa's underwhelming peace mission to Ukraine and Russia. Such overtures may do little to assuage growing Western concerns about South Africa's seemingly pro-Russian stance in the Ukraine conflict. The Republican-led US Congress is taking an increasingly vocal stance against South Africa by questioning the country's trade privileges under the African Growth and Opportunities Act (AGOA). Yet South Africa seems no closer to resolving its biggest diplomatic test: how to handle President Vladimir Putin's attendance at the 22-24 August BRICS summit without falling foul of the ICC warrant and antagonizing Western players further.

GRAPH OF THE WEEK

Voters in many countries are pessimistic about the state of the economy

% who say the current economic situation in their country is good (2007–2023)



Source: Pew Research Center

While inflationary pressures appear to be stabilizing, **voters' perceptions of the economy** are particularly negative by historical comparison. On the one hand, public opinion data over the past fifteen years shows that voters in several countries, including Italy, South Korea, Spain, the UK, and the US, are almost as dissatisfied with the economy as they were during the 2007–08 financial crisis. Other countries, such as Australia, Poland, Japan, and Canada, have seen a more recent decline in voters' satisfaction with the economy. Economic issues, therefore, are likely to play a crucial role in important elections in Spain, Argentina, the US, and the UK in the near future.

[Client Portal >>](#)

Geopolitical Research

+44 20 7186 8894

Macro@teneo.com

© 2023 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo.