

## 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 **Spanish** election result. Meanwhile, **Thailand's** parliament will again vote for a prime minister, the **NATO-Ukraine** council will meet, **Peru's** president will deliver her annual address to Congress, and **Nigeria's** president is required to submit the names of his cabinet nominees. Our graph of the week zooms in on **AI regulation**.

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

The center-right People's Party (PP) has won the 23 July **Spanish** elections, but the combined bloc of the right failed to reach an absolute majority, amid losses for far-right party Vox. Our Spain expert **Antonio Barroso** examines the outlook.

#### Will the PP manage to replace PM Pedro Sanchez?

The problem for the PP is that it needs the support of Vox and other parties to govern. However, regionalist parties such as the Nationalist Basque Party will probably find it very hard to support a government that includes Vox. The PP has already publicly asked the other parties to abstain in an investiture vote to facilitate the appointment of PP leader Alberto Nunez Feijoo as prime minister. However, such an outcome is unlikely to materialize.

#### Does this improve the chances of Sanchez remaining in office?

Sanchez has a better shot at forming a government by cutting a deal with the far-left Sumar and smaller parties. However, to be reappointed, the socialist leader will have to rely on the abstention of the Catalan secessionist party Together, which will likely drive a very hard bargain in the negotiations. As a result, a scenario of gridlock and a repetition of elections should not be discarded.

### WHAT TO WATCH

#### ASIA PACIFIC

##### Japan

**The Bank of Japan's monetary policy committee will meet on 27-28 July and announce any policy changes and its new economic Outlook Report on the 28th.** Despite the consumer price index rising fractionally to 3.3% in June, the BOJ still expects inflation to decelerate in the remainder of the fiscal year. Any tightening of monetary policy—even tweaking the target bands for ten-year government bonds under the Yield Curve Control policy—would be a surprise at this point, but may rise in likelihood when the next MPC meetings are held on 21-22 September and 30-31 October.

##### Thailand

**Parliament will again vote for a prime minister on 27 July with the For Thais (PT) party of former prime minister Thaksin Shinawatra expected to put forward Sretta Thavisin.** But the outcome is not assured and a game of political chicken is being played. The royalist and military linked parties are against supporting the coalition with Move Forward (MFP) still in it, while Move Forward similarly rejects them. The possibility of PT abandoning MFP and building its own coalition is also still being discussed. An MFP-PT meeting on Tuesday could be critical.

## EUROPE

### Russia/Ukraine

**The NATO-Ukraine council meeting scheduled for 26 July will focus on the situation in the Black Sea following Russia's withdrawal from the Black Sea Grain Initiative (BSGI) last week.** Kyiv is looking for ways to resume the exports of agricultural products via the Black Sea even without Russia's participation. Meanwhile, Moscow is set to repeat its pledges to supply grain to African countries, both on a commercial and humanitarian terms, during the Russia-Africa Economic and Humanitarian Forum in St Petersburg on 27-28 July. Russia's aerial attacks on Odesa and other port infrastructure in Ukraine makes the renewal of the BSGI increasingly complicated, but diplomatic efforts by Turkey to negotiate a compromise should be watched.

## LATIN AMERICA

### Peru

**President Dina Boluarte will deliver her annual address to Congress on 28 July.** Congress should elect its new leadership beforehand. The congressional president is elected for a 12-month period. Whoever is elected will be an important figure given they are next in the line of presidential succession – and Boluarte is hardly in a strong position. In a fragmented and highly transactional legislature, jockeying for position has been intense in recent weeks. However, last week's countrywide protests did not fundamentally alter the current political equation. The results of an IEP survey that ran over the period 15-19 July are categorical: 80% want elections to be held earlier than their currently scheduled date of 2026 and 77% want to see the back of the current Congress. In a striking glimpse of regional discontent, 60% of people living in the south of the country no longer believe Peru is a democracy.

## MIDDLE EAST AND AFRICA

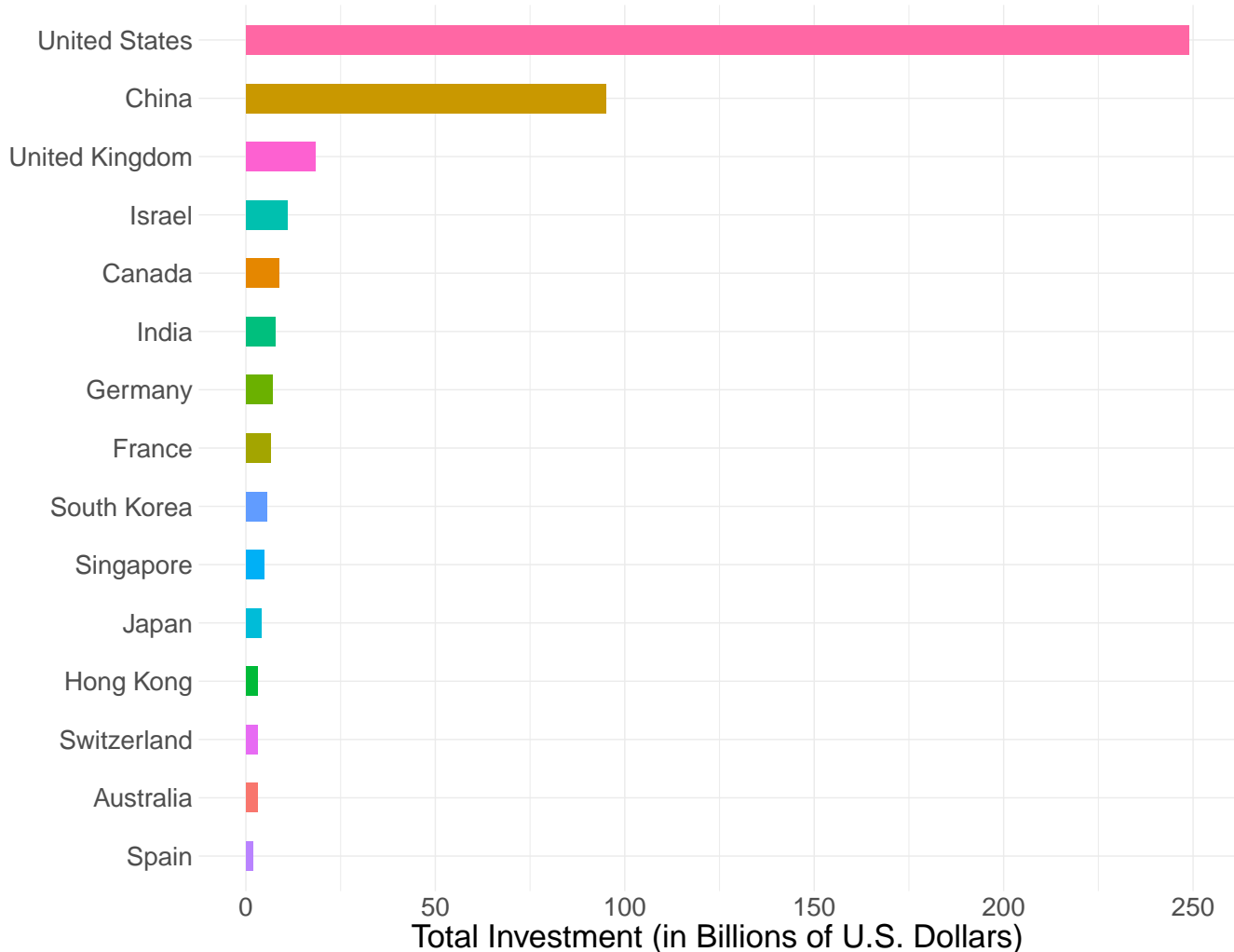
### Nigeria

**President Bola Tinubu is, by law, required to submit the names of his cabinet nominees to the National Assembly no later than 28 July.** Having begun his presidency with a promise to 'hit the ground running,' many are surprised that two months into his tenure, cabinet appointments are still pending – even if the president was swift in announcing some major economic policy changes and appointing advisors. The delay reflects just how politically sensitive cabinet nominations are in a country where the president is legally required to constitute a cabinet to reflect "federal character" - a reference in the Nigerian constitution for the need to take into account the country's complex ethno-religious and geopolitical identities.

## GRAPH OF THE WEEK

## The US leads in private AI investment, followed by China and the UK

*Private Investment in AI by Geographic Area, 2013–2022*



Source: NetBase Quid, 2022 & 2023 AI Index Report

The latest developments in **artificial intelligence** have attracted major attention in recent months across business and political circles. These developments, and others such as quantum computing, will be increasingly exposed to new regulations. In recent months, for instance, the US Federal Trade Commission has expressed concerns about the negative impact that new generative AI tools can have on consumers by potentially steering people into harmful decisions in sensitive areas, such as finance and health. Similarly, UK competition authorities have launched a review of the AI market, while the European Parliament has proposed some of the most restrictive proposals on the development of the technology. The interaction between scientific progress, the uncertain regulatory landscape, and people's attitudes will determine the suitability of AI investments in the coming years.

[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.