

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 talks between **Venezuela and Guyana**. Meanwhile, turnout in the **Hong Kong** district elections was low, the increase in **Turkey's** minimum wage is expected to be around 40%, senior policymakers in **Brazil** are leading a year-end push to clear the economic agenda, and **Ethiopia** will not be able to make interest payments due on its Eurobond. Our graph of the week zooms in on political support for **Germany's traffic light coalition**.

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

Venezuela's President Nicolas Maduro is set to meet his **Guyanese** counterpart Irfaan Ali in St Vincent and the Grenadines on 14 December. Our Latin America expert [Nicholas Watson](#) analyzes the situation.

Who is taking part in the meeting?

Brazil is stepping up its efforts to de-escalate tensions arising from Venezuela's intensified campaign to push its territorial claim over the Essequibo region of Guyana. Kingstown will host the meeting, at which Brazil's President Luiz Inacio Lula da Silva should be present, because St Vincent currently holds the rotating presidency of the Community of Latin American and Caribbean States (CELAC) under PM Ralph Gonsalves, who is a longtime Venezuela ally.

What is the likely way forward?

An end to the crisis does not appear likely given that the Maduro regime has fanned nationalist sentiment and taken steps to implement the various measures approved in the 3 December public referendum on the Essequibo. The two sides are at odds over the jurisdiction of the International Court of Justice (ICJ). Ali has already said that Guyana's position on the border demarcation is "non-negotiable." However, the meeting could help to lower immediate tensions and establish a framework for regional mediation, which would require Brasilia to exert its influence over Maduro.

WHAT TO WATCH

ASIA PACIFIC

Hong Kong

District elections in Hong Kong on 10 December attracted a record low turnout of 28%, in the first election since [electoral reforms in 2021](#) imposed a "patriots-only" requirement on candidates and cut the number of directly elected seats. In the last round of [district elections in 2019](#), 71% of voters turned out to support the democratic camp amid large anti-Beijing protests, but Hong Kong chief executive John Lee now says that election endangered national security.

Japan

The ruling Liberal Democratic Party (LDP) is facing a once-in-a-generation upheaval due to the political funding scandal engulfing the party's most powerful faction. Prime Minister Fumio Kishida is set to dismiss from his administration four cabinet ministers and 11 junior ministers from the 100-member Abe faction later this week, precipitating a major reshuffle. Once the party rides out the short-term destabilization, the demise of the Abe faction is likely to shift the longer-term trajectory of fiscal policy and other key agendas.

Japan/ASEAN

Japan will mark the upcoming 50th anniversary of diplomatic ties with ASEAN by hosting a major summit in Tokyo from 16 to 18 December. The agenda is set to include supply chains, infrastructure, digitalization, cybersecurity, denuclearization, and decarbonization transition financing. The summit comes at a time when Japan is actively working to strengthen ties with Southeast Asia partners including the Philippines and Vietnam, to offset China's influence in the region.

Vietnam

Chinese President Xi Jinping will visit Vietnam for the first time since 2017. Vietnamese media is highlighting the visit as creating momentum for upgraded bilateral ties, possibly including announcements of new infrastructure projects. For the Vietnamese leadership, the flurry of diplomatic engagements with the US and Japan in recent months and now, with Xi's high-profile visit will be seen as validating its multipolar foreign policy.

EUROPE

Italy

Parliament is unlikely to vote on the reformed treaty of the European Stability Mechanisms (ESM) – the Eurozone's bailout fund – before the end-of-year deadline. At present, there is no majority within Giorgia Meloni's governing coalition in favor of ratification. Absent some last-minute concessions from Brussels in relation to the new fiscal rules that would allow Meloni to save face, parliament is likely to postpone the vote after a possible short debate, which could take place next week, on the controversial matter. Italy is the only Eurozone member that has not ratified the revised ESM treaty, stopping the early entry into force of the Single Resolution Fund's (SRF) common backstop.

Poland

On 11 December, acting Prime Minister Mateusz Morawiecki (Law and Justice, PiS) is expected to lose a vote of confidence in the lower chamber of parliament (the Sejm). This will pave the way for the Sejm to appoint Donald Tusk (Civic Coalition, KO) as prime minister, who is scheduled to present his cabinet and governing program for parliament's approval on 12 December. Barring any unexpected developments, Tusk's 25-member cabinet should be approved and sworn in on 13 December, just ahead of the European Council summit later this week.

Russia

Following the announcement that he was seeking a fifth term in office in the March presidential vote, Vladimir Putin will hold his year-end press conference, combined with a televised call-in show, on 14 December. The event will be held for the first time since the start of Russia's full-scale invasion of Ukraine, likely motivated by electoral considerations and a more favorable outlook for the so-called special military operation.

Serbia

The governing Serbian Progressive Party (SNS) is set to win the 17 December parliamentary elections but might lose control of the capital Belgrade in local elections scheduled for the same day. The election result will test public support for the governing party since the 2022 April vote, a period marked by the cost-of-living crisis, persisting tensions with Kosovo and two mass shootings followed by protests. A strong electoral performance by SNS would reinforce policy continuity and might give more political space to pursue unpopular compromises on issues like lithium mining or an agreement with Kosovo. Meanwhile, a weaker

performance than in the 2022 vote would heighten the probability of a notable cabinet reshuffle and more populist economic and fiscal policies.

Turkey

The minimum wage increase for 2024 is expected to be around 40%. Labour Minister Vedat Isikhan will chair on 11 December the first meeting of the commission to determine the new minimum wage for 2024. Around 50% of workers in Turkey earn a wage similar to the minimum wage. Last year, the minimum wage was hiked twice, first at the start of the year, and again in July, to a net TL 11,402 (around USD 394 at the current exchange rate). According to the trade unions, the estimated hunger threshold in November was 23% higher than the net minimum wage.

LATIN AMERICA

Brazil

Back from the COP-28 climate summit in Dubai, the House Speaker and the Senate Chairman lead a significant year-end push to clear the economic agenda. Senators will focus on the approval of bills on sports betting and online games of chance, both of which can increase annual tax revenues by more than BRL 10bn (USD 2bn). At the House, the main theme will be the tax reform, the government's top economic priority for the year, slated to clear Congress before the beginning of the congressional recess on 23 December; the rapporteur of the related constitutional amendment will start the week meeting party leaders to try and avoid a partial approval of the text that came from the Senate. House representatives will also vote on the Law of Budget Guidelines (LDO) on Tuesday, 11 December, with a view to a plenary vote in both chambers by 22 December. Congress should also hold confirmation hearings for President Lula da Silva's nominees for the Supreme Court (STF) and the Federal Prosecutor's Office (PGR) this week.

MIDDLE EAST AND AFRICA

Ethiopia

Over the weekend, the Ministry of Finance informed bondholders that it would not be able to pay the USD 33mn interest payment on its Eurobond due on 11 December. The USD 1bn bond matures in 2024. Ethiopia had already sought a debt reprofiling under the G20 Common Framework. On 30 November, an agreement with the official creditor committee (OCC) was announced "for a time-bound suspension of debt service due from 1 January 2023 to 31 December 2024." The OCC's debt suspension is contingent on Ethiopia reaching a staff-level program with the IMF by 31 March 2024.

South Africa

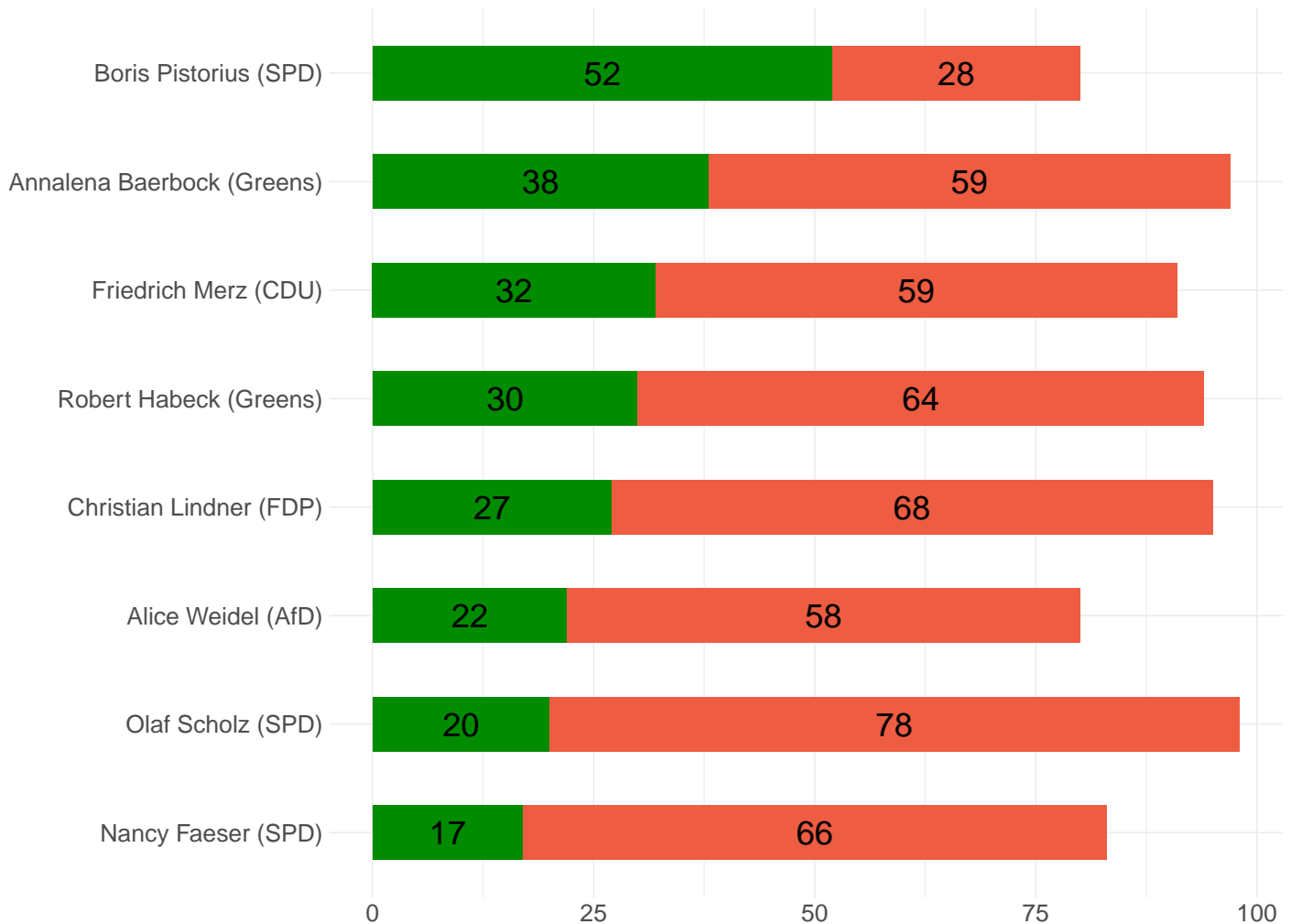
On 8 December, Dan Marokane was announced as the next CEO of power parastatal Eskom. Marokane, a former Eskom executive who has most recently been overseeing the restructuring of sugar producer Tongaat Hulett, was suspended from his position as Eskom Group Executive: Group Capital in March 2015. The subsequent State Capture Inquiry found his suspension to have been a plot by the infamous Gupta family and former president Jacob Zuma. Marokane faces the mammoth task of stabilizing Eskom after load-shedding reached an all-time high this year.

GRAPH OF THE WEEK

Chancellor Scholz is now a very unpopular politician

'How satisfied are you with the political performance of...'

■ Satisfied ■ Dissatisfied



Source: Infratest dimap, December 2023

Germany's traffic light coalition is losing voters' confidence amid a fiscal crisis. A recent survey suggests that Chancellor Olaf Scholz is one of the least popular politicians in the country, with Finance Minister Christian Lindner only slightly more popular. This is consistent with parties' polling trends, which place Scholz's Social Democrats (SPD) at historical lows (15%), together with the Greens, while the Liberals (FDP) remain on a downward trajectory. This week, it will be all the more important for all three coalition partners to finally reach agreement on the 2024 budget.

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