

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 new semiconductor projects in **India**. Meanwhile, **China's** cabinet has announced a subsidies plan, conversations of senior **German** military officers have been leaked, **Argentina's** president has offered a cross-party unity pact, and **Senegal's** president might be under pressure to resign ahead of his scheduled end of tenure. Our graph of the week zooms in on **satisfaction with democracy**.

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

India has approved building three semiconductor plants with investments of more than USD 15bn as the country aims to become a major chip hub. Our India expert [Arpit Chaturvedi](#) analyzes the situation.

What investments are planned?

Indian companies will partner with Taiwanese, Thai and Japanese firms to develop advanced semiconductor packaging technologies for automotive, consumer electronics and power applications. All three planned factories will start construction within the next 100 days. The factories are expected to create 20,000 advanced technology jobs and about 60,000 indirect jobs.

What is the domestic political background?

The strategic timing of these project announcements, just before the elections, along with the release of the All India Household Consumption Expenditure Survey data after a gap of 11 years, showing marked improvements in consumption patterns, serves to reinforce the government's claims of economic growth. These claims have been under fire from opposition parties, primarily due to issues of unemployment and inflation.

WHAT TO WATCH

ASIA PACIFIC

China

The State Council, China's cabinet, announced a plan on Friday to provide fiscal subsidies for consumers to upgrade durable goods, as well as for "equipment renewal." The list of targeted sectors includes construction, urban infrastructure, transport, agriculture, and medical treatment. The cabinet's fiscal stimulus plan comes ahead of the opening on 5 March of China's annual parliament session, which will provide further details on [economic support policies](#) this year.

Japan

The FY2024 ordinary budget has finally passed the Lower House of the Diet and now moves to the Upper House for rubber-stamping by the end of March. Opposition parties had sought to delay the bill in the budget committee stage

in order to extract concessions from the ruling LDP over its factional slush fund scandal, though ultimately to little effect. The scale of the JPY 112.5tn (USD 750bn) package is slightly smaller than the FY2023 ordinary budget, with debt servicing payments of JPY 35.5tn (USD 237bn) and record defense spending of almost JPY 8tn (USD 53bn) among the notable outlays.

South Korea/US

South Korea and the United States will be conducting annual military exercises from 4 to 14 March, including both desktop simulations and field exercises. The ‘Freedom Shield’ drills are intended to both deter North Korea and help the allies better coordinate responses to contingency scenarios. However, they may also provoke a near-term response from Pyongyang, such as condemnatory statements, missile launches, or other actions. Kim Jong-un has a history of [stepping up provocations](#) in US election years, particularly in the absence of dialogue.

EUROPE

Bulgaria

Prime Minister Nikolai Denkov (PP) is set to submit his resignation to parliament on 6 March. This is part of the coalition agreement between the governing GERB and PP-DP alliances, which stipulates that a GERB nominee Mariya Gabriel takes over the leadership of the government for the next nine months. However, the proposed rotation is marred by disagreements over future cooperation between the two political groups, which heightens the risk of a coalition breakup and snap parliamentary elections. Renewed political instability would endanger the country’s objective of adopting the euro at the start of 2025.

Germany

Leaked phone conversations by senior air force officers have led to renewed debate about providing Ukraine with long-range Taurus cruise missiles. In the conversations published by Russian state media, German officers debate whether Ukraine could utilize Taurus without direct German involvement – something Chancellor Olaf Scholz has argued is impossible, therefore refusing to supply such missiles. The opposition is debating a parliamentary investigation committee, questioning Scholz’s public reasoning, but in reality, the technical conversations can be interpreted in different ways politically. More concerning is the Russian ability to tap such sensitive conversations in which German officers also referred to the presence of British personnel in Ukraine.

UK

Chancellor Jeremy Hunt will present his spring budget on 6 March. This is likely to be the final major fiscal event ahead of the general election widely expected for the autumn. As the fiscal headroom calculated by the independent Office for Budget Responsibility is likely to have shrunk, Hunt has tried to defuse intra-party pressures for major tax cuts. Beyond electioneering, the budget will once again highlight structural tensions between public demands for improving public services and a backdrop of fiscal constraints despite the highest tax burden in decades.

LATIN AMERICA

Argentina

Provincial governors will this week be mulling over an apparent volte-face by President Javier Milei. In a set-piece speech to Congress on 1 March, Milei offered up the possibility of a cross-party unity pact on a set of ten principles that would underpin his reform agenda. Milei wants the pact finalized by May. This apparent shift – accompanied by Milei’s typical condemnation of the political class as a whole – follows the International Monetary Fund (IMF)’s recent guidance about “working pragmatically to build social and political support” to ensure that reforms are effective. The catch is what Milei expects in return; he certainly plans to resubmit elements of the omnibus bill of reforms that collapsed in February to Congress, almost certainly including pension, tax, and labor initiatives. However, provincial governors will insist that Milei compromise or risk seeing his repackaged reforms failing to pass again. Milei’s timeframe may also be designed to buy him time to press on with his economic adjustment measures and fend off growing resistance in the senate to other reform initiatives contained in a mega-decree that he unveiled soon after coming to office.

MIDDLE EAST AND AFRICA

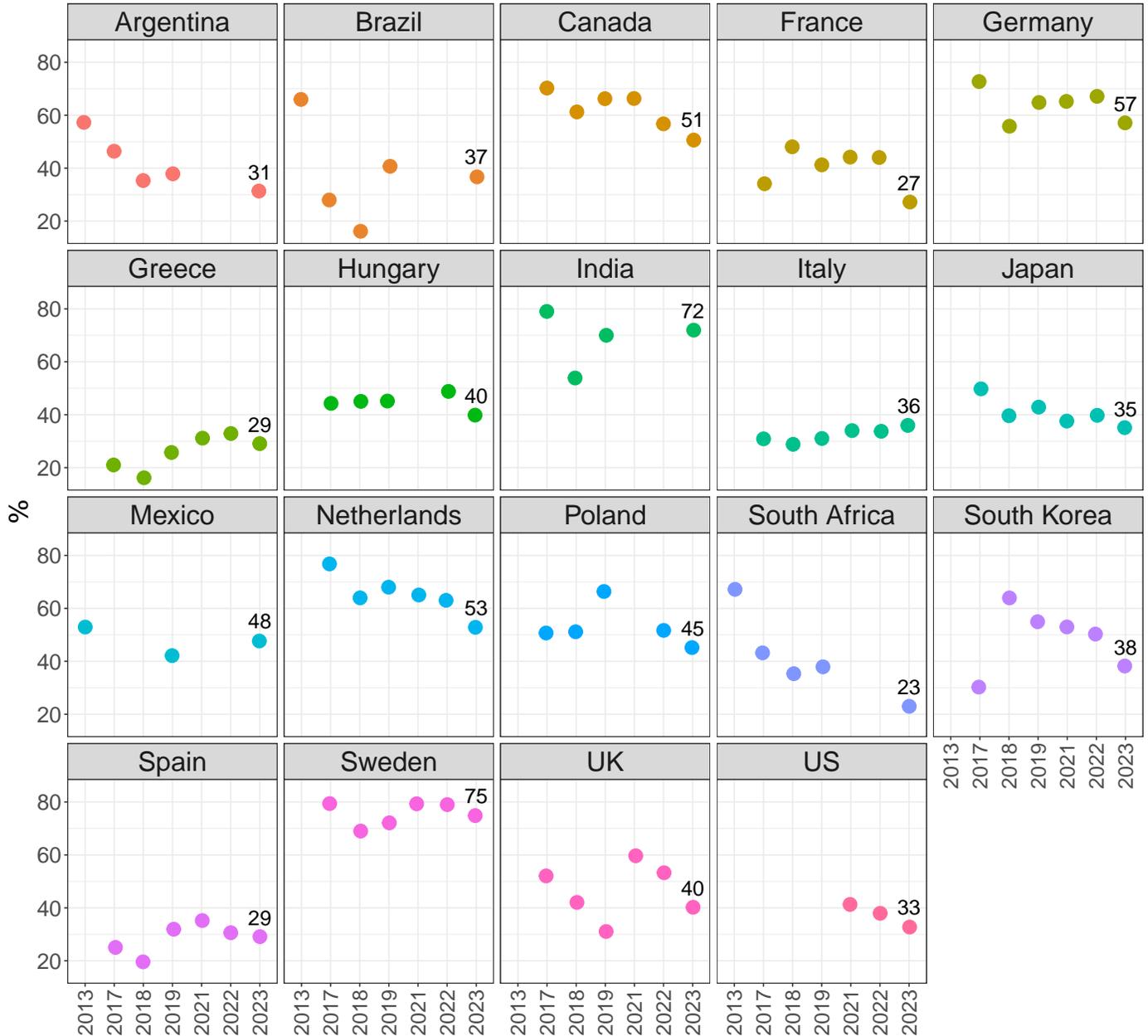
Senegal

Latest domestic rumors suggest that outgoing president Macky Sall has come under pressure from his inner circle to resign even ahead of his scheduled end of tenure on 2 April. Legally, this resignation would automatically trigger a 'power vacuum', allowing for the current President of the National Assembly, Amadou Mame Diop, to be appointed as transitional president. Suggestions are that the governing Alliance for the Republic (APR) is pushing for such an outcome as it could provide a legal pretext for the presidential election to be postponed beyond the currently mooted 2 June timeline, giving the party more time to align around a widely accepted candidate. Prime Minister Amadou Ba, the nominated APR candidate for the election, continues to face growing opposition within his party.

GRAPH OF THE WEEK

Satisfaction with democracy is decreasing in most countries

% who are satisfied with democracy (2013–2023)



Source: Pew Research. Spring 2023 Global Attitudes Survey

Satisfaction with democracy has declined in most countries over the past decade, including in traditionally satisfied countries like Germany, the Netherlands, and Canada. Additionally, despite the emergence of new political parties, satisfaction remains low in Spain, Italy, Greece, and Japan. The UK and the US also exhibit comparatively low satisfaction levels, with a downward trajectory. Argentina and South Africa present the sharpest decline in satisfaction with democracy over the past ten years, reflecting a changing political landscape in both countries.

[Client Portal >>](#)