

## 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 race to succeed **Japan's** prime minister. Meanwhile, **Thailand's** government published the prime minister's first policy statement, Mario Draghi has presented his report on enhancing **EU** competitiveness, and **Mexico's** senate is set to vote on the government's judicial reform.

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 race to succeed Fumio Kishida as **Japan's** prime minister reaches top gear on 12 September, as the official campaign period for the ruling LDP's leadership election opens. Our Japan expert [James Brady](#) analyzes the situation.

#### Who are the candidates?

The field is [unprecedentedly large](#), with seven candidates already declared and two more close to obtaining the necessary 20 nominations from parliamentary colleagues before Thursday's deadline. Policy debates so far include whether to proceed with planned tax hikes to pay for higher defense and social spending commitments, and further reforms to political funding.

#### What are the next signposts?

The result of the first-round vote will be announced on 27 September, with the top two candidates then proceeding to a second-round run-off within days. Speculation of a snap general election in October is also growing.

### WHAT TO WATCH

#### ASIA PACIFIC

##### China/Netherlands/US

**China's Commerce Ministry said Sunday it is "dissatisfied" with a decision by Dutch regulators, announced Friday, to restrict sales of two additional ASML deep ultraviolet (DUV) immersion lithography tools to China.** Those machines were [already subject](#) to export control through the US government's "foreign direct product rule," which applies extraterritorial jurisdiction foreign products containing US-origin technology, but The Hague's move harmonizes Dutch domestic regulations with the US rule. Beijing's statement urged The Hague to "avoid measures that damage Sino-Dutch cooperation in semiconductors."

##### Thailand

**The government published Prime Minister Paetongtarn Shinawatra's first policy statement, which she will deliver to parliament on 11 September.** The priorities include debt restructuring for households, including housing and automobile

loans; the THB 10,000 handout, disbursement of which is expected to start this month; a negative income tax for low-income groups; greater protection from low-cost consumer imports from China; and the legalization of gambling.

## EUROPE

### EU

**Key member states are likely to engage selectively with Mario Draghi's wide-ranging report on enhancing Europe's competitiveness.** Italy's former PM presented the report to Commission President Ursula von der Leyen today, 9 September. It calls for further efforts in several areas that have already been on the agenda in recent years, including competition policy and capital markets union. However, Draghi's long-expected call for additional joint borrowing remains highly unlikely to receive sufficient support in the short term.

### Russia/NATO

**Two incidents involving a Russian unmanned aerial vehicle (UAV) last weekend highlight security and escalation risks with Russia on NATO's eastern flank.** One UAV entered Romanian airspace, and another one crashed on Latvian territory. Poland reported a similar incident in late August. The proliferation of aerial threats from Russia and Belarus will strengthen calls for stronger NATO air-defense capabilities on the eastern flank and stimulate deliberation among alliance members on shooting down incoming missiles/drones before they enter NATO airspace.

## LATIN AMERICA

### Brazil

**Human Rights and Citizenship Minister Silvio Almeida was dismissed by President Lula da Silva on 6 September following complaints of harassment.** Almeida is recognized as one of the greatest Brazilian specialists on racial issues and author of several books on racism, law, politics, political economy, and philosophy. The complaints were mentioned in a statement by "MeToo Brasil", an organization that supports victims of sexual violence. At least fourteen women came forward with complaints, including current Racial Equality Minister Anielle Franco who only spoke about the matter after Almeida's dismissal. Anielle is the sister of Marielle Franco, a black councilwoman who was murdered in 2018 and became the symbol of the fight for equality and social justice in Brazil. Lula has decided to appoint a black woman to the post and is considering alternatives. Almeida is also of African descent. He is the fifth minister to be dismissed by the president.

### Mexico

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### Geopolitical Research

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**The senate is set to vote on the government's highly controversial judicial reform on 11 September.** The governing National Regeneration Movement (Morena) and its allies in the lower house approved the reform bill last week. However, in the senate the governing alliance is one vote short of the two-thirds majority required to alter the constitution. The opposition National Action Party (PAN), the Institutional Revolutionary Party (PRI), and the Citizen Movement (MC) party have a combined 43 votes. All 43 senators have declared their intention both to attend the session (the two-thirds requirement applies to the number of senators present in the chamber for the vote) and to reject the reform. Whether Morena succeeds in cajoling, bribing, and/or blackmailing any senator over to its side will probably only become clear on the day of the vote itself, which is likely to see further protests by court workers and government opponents. Any attempt to reinterpret what constitutes a two-thirds majority – some *Morenistas* have been trying to argue that the magic number is 85 and not 86 – would be met with uproar and legal challenges.

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