

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 **Polish** election result. Meanwhile, **China** will host its third Belt and Road Forum, **Italy's** government has approved its 2024 budget, and the first round of **Argentina's** presidential ballot will be held. Our graph of the week zooms in on the production of **critical raw materials**.

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

After Sunday's parliamentary election in **Poland**, our Central and Eastern Europe expert [Andrius Tursa](#) analyzes the situation.

Who won the election?

According to preliminary results and exit polls, the governing United Right (ZP) alliance led by the Law and Justice (PiS) party won the elections. However, the three pro-EU opposition lists are on course to secure an absolute majority in the lower chamber of parliament, the Sejm.

What are the implications?

If the results are confirmed, the opposition parties led by Civic Coalition (KO) would be the clear favorites to form the next government, although the process might stretch into December or even early January. A KO-led government would start a contentious process of unraveling PiS's reforms and limiting the party's influence in various state institutions; in foreign policy, a thaw in Warsaw's relations with Brussels is expected.

WHAT TO WATCH

ASIA PACIFIC

China

The government will host its third Belt and Road Forum on 17-18 October, with attendees to include Russian President Vladimir Putin, the Taliban, and representatives of developing countries. The conference will mark the tenth anniversary of the Belt and Road Initiative and follows last week's announcement by Sri Lanka of an agreement to restructure USD 4.2bn in Chinese loans, as Beijing seeks to rebut criticism that its BRI lenders are blocking multilateral debt resolutions.

Indonesia

The nomination period for presidential and vice-presidential candidates will start on 19 October. It will close 24 October, including nominations for other elective posts in the 14 February general elections. Also today, the Constitutional Court ruled against a petition to lower the age for vice-presidential candidates from 40 to 35, but it also said

that the age limit would not apply to candidates who had already won elective positions since they had already proven to have won the trust of their constituencies. This opens the door for President Joko Widodo's son, Gibran Rakabuming, who is now 35 years old and the mayor of the city of Solo, to contend for the vice-presidential position. He is rumored to be the potential VP partner of defense minister Prabowo Subianto.

Japan

The National Diet begins a new session on 20 October, with Prime Minister Fumio Kishida once again on the back foot due to low opinion poll numbers. Kishida hopes to change the narrative by passing a supplementary budget to fund a soon-to-be-finalized new economic stimulus package that may include some minor tax cuts. First, the ruling LDP faces a test as it tries to retain seats in two Diet by-elections in Tokushima-Kochi and Nagasaki on 22 October.

EUROPE

Czech Republic

A vote of no confidence starting on 17 October in the government led by Petr Fiala (Civic Democratic Party) is highly unlikely to succeed. The motion was initiated by the opposition Action of Dissatisfied Citizens over Minister of Interior Vit Rakusan's (Mayors and Independents) use of an encrypted phone, which allegedly raised questions about his integrity. However, the three governing parties have a clear majority of 108 mandates in the 200-seat lower chamber of parliament and are united in supporting Rakusan.

Italy

The government approved on 16 October its 2024 budget, which will see the deficit rising to 4.3% of GDP next year. The extra borrowing is worth around EUR 16bn and will be largely used to fund tax cuts. The budget bill will now go to parliament, which must pass it by the end of the year. Meanwhile, the European Commission will carry out its own review to determine whether the budget complies with EU rules. A separate decree was also approved to implement from next year a 2021 international agreement to introduce a minimum global corporate tax rate of at least 15%. This measure is expected to raise EUR 2-3bn.

LATIN AMERICA

Argentina

The first round of the presidential ballot, together with partial legislative elections and some gubernatorial races, take place on 22 October. Although polls have erred in the past and they previously failed to capture the level of support for the ultra-libertarian Javier Milei, they indicate that the electorate remains divided into roughly equal thirds – as seen in the August primaries. Most polls put Milei in the lead, though they suggest he is short of the 40% with a ten-point advantage or 45% needed to avoid a run-off that would take place on 19 November. The main uncertainty is which of Patricia Bullrich, running for the Together for Change (JxC) coalition, or Sergio Massa, the candidate of the governing *Union por la Patria* (UP) coalition, is most likely to reach the run-off.

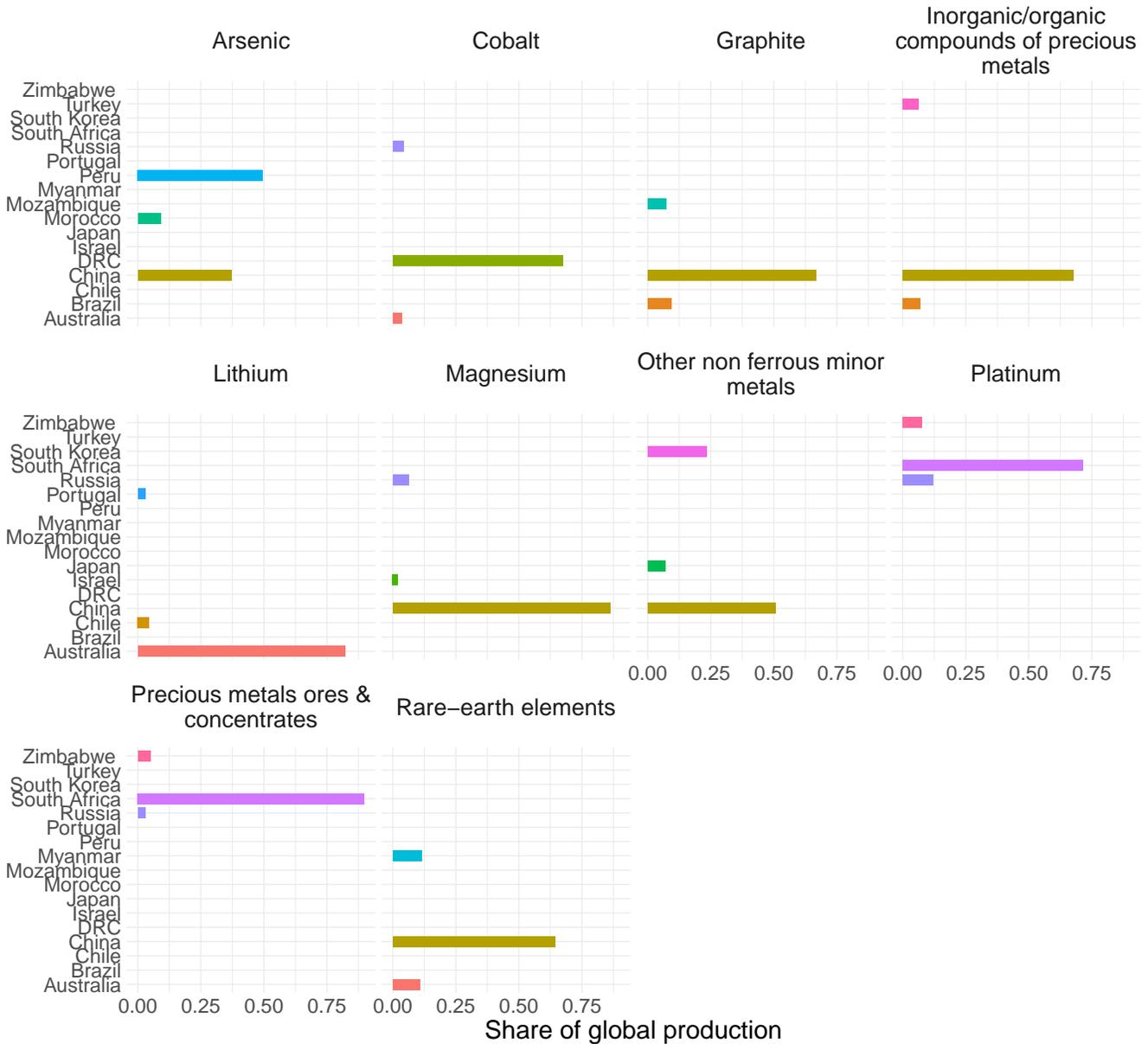
Brazil

President Luiz Inacio Lula da Silva remains in recovery from surgery on his leg two weeks ago but placed calls to the President of Israel and the Leader of the Palestinian Authority. Brazil had just assumed the chairmanship of the UN Security Council (UNSC) for the month of October when the members of Hamas invaded Israeli territory, killing and taking civilians as hostages. The situation in Gaza and the Brazilian UNSC presidency have been the main media item since the day of the invasion, 7 October. The far right, led by former President Jair Bolsonaro, attempts to use the conflict in Israel to mobilize the evangelical electorate by characterizing Lula as an ally of Hamas. Bolsonaro should be found ineligible by the electoral court (TSE) for a second time this week, this time in relation to irregular political propaganda during his time in office.

GRAPH OF THE WEEK

The production of critical raw materials is highly concentrated

Top producers of the most production-concentrated critical raw materials



Source: Kowalski and Legendre (2023) and OECD (2023)

The **production of critical raw materials** is highly concentrated in a small number of geographical locations. At the same time, questions over supply of and investment in these minerals add additional uncertainty to the pace of technological development associated with the energy transition. Electric cars, for instance, require six times the mineral inputs of a conventional car. The growing importance of industrial policy in both developed and developing economies, together with

Geopolitical Research

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the increasing competition between China and the West, further increases the likelihood of future trade-related political rifts around geographically concentrated raw materials.

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