

## 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 **EU's** tariffs on **Chinese** EVs. Meanwhile, a long-time critic of the late Shinzo Abe will become **Japan's** next prime minister, **France's** new government faces its first test in parliament, **Brazil's** president will propose a new free trade agreement with **Mexico**, and another round of nationwide protests is scheduled in **Nigeria**.

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

**EU** member states are now scheduled to decide on 4 October whether to make currently preliminary tariffs on **Chinese** EVs permanent. Our Europe expert [Carsten Nickel](#) analyzes the situation.

#### What is the outlook for the vote?

It still seems unlikely that a so-called qualified majority will be achieved. This would mean 15 member states, representing 65% of the EU's population, voting against the European Commission's proposal to make the tariffs permanent. However, individual member states might still change their mind, depending on the ongoing negotiations with the Chinese side.

#### Could there still be a compromise?

Talks continue about maximum imports and minimum prices. So far, however, the Commission seems unimpressed by the proposals allegedly on the table, as they would not address the structural question of large-scale state support for EV makers. The EU might decide to make the tariffs permanent while trying to continue talks with the Chinese government at the same time.

### WHAT TO WATCH

#### ASIA PACIFIC

##### Japan

**Shigeru Ishiba will become Japan's next prime minister on 1 October, following his shock victory in the ruling Liberal Democratic Party's leadership election on 27 September.** A long-time critic of late PM Shinzo Abe who spent the past decade in the political wilderness, Ishiba is known for his interests in technical aspects of defense policy as well as rural revitalization. His economic policy ideas are relatively underdeveloped, but he appears likely to continue with predecessor Fumio Kishida's agenda while supporting the Bank of Japan's ongoing moves towards normalizing the monetary policy environment with higher interest rates. One of Ishiba's first acts as PM will be to call a snap general election for 27 October, with the new leader's popularity bounce likely to mean a moderately good result for the LDP.

##### Philippines

**Candidate registration for the May 2025 midterms will take place from 1-8 October.** The most closely watched slate will be that put forward by the family of former president Rodrigo Duterte, as his daughter, Vice-President Sara Duterte, has said they would field not only the former president, but her two brothers Sebastian and Paolo. If this were to happen, the midterms would become a political contest between the Duterte family and the administration of President Ferdinand Marcos, Jr. Specifically, if all three Dutertes win, then it would establish the family as still politically viable for the 2028 general elections and entrench Sara as a strong contender for the presidency.

#### South China Sea

**The US, Japan, the Philippines, Australia, and New Zealand held joint maritime exercises in the South China Sea on Saturday.** This marks the first time Wellington has joined such exercises alongside the other four navies. Apparently in response, China's military said it would conduct its own exercises and patrols around Scarborough Shoal, also in the South China Sea, on the same day.

### **EUROPE**

#### Austria

**For the first time, the far-right Freedom Party (FPÖ) emerged as the strongest party from the 29 September general election.** However, this outcome might make it less likely that the party ends up in government. The center-right People's Party (ÖVP) is looking for alternative constellations that would also retain incumbent Karl Nehammer's chancellorship. For now, the standard model of postwar Austrian government – a grand coalition of ÖVP and the Social Democrats (SPÖ) – is the central scenario, but given the magnitude of yesterday's shifts, the situation remains volatile.

#### France

**Prime Minister Michael Barnier will face his first test in the National Assembly this week.** On 1 October, Barnier will present his government's policy program in the so-called general political declaration. The speech will be followed by a motion of censure against Barnier, tabled by the leftist New Popular Front (NFP). Thanks to tacit support from Marine Le Pen's far-right National Rally (RN), however, the government is expected to survive. Barnier's speech will be watched for further indications regarding spending cuts and tax hikes in the 2025 budget. The latter will cause a much bigger risk for government survival.

#### Kazakhstan

**On 6 October, Kazakhstan is set to hold a non-binding referendum which is expected to pave the way for the construction of the first nuclear facility in the country.** Recent polling data shows that around half of respondents are in favor of nuclear power and around one-third oppose it. As the world largest producer of uranium, Kazakhstan has long been considering nuclear power, but growing energy shortages in southern parts of the country and considerable international interest in the project are likely key factors driving the initiative at this point.

#### Turkey

**After its customary summer recess, parliament (TBMM) will reopen on 1 October with several important bills in the pipeline, including an omnibus bill to reform the judiciary.** The session will start with President Tayyip Erdogan's address to lawmakers. The debate over a new constitution will likely re-ignite in the weeks ahead, as Erdogan will continue to test the waters on that front.

### **LATIN AMERICA**

#### Brazil

**President Lula da Silva will propose a new free trade agreement with Mexico when he attends the inauguration of Claudia Sheinbaum on 1st October.** Brazil has had agreements with Mexico since before the signing of Mercosur in 1991, but they have always been partial in nature, covering only a certain number of negotiated products. The intention now is to increase the number of products in the bilateral trade and broaden the scope of the relationship to extend beyond tariffs to include rules of origin, trade

facilitation measures, technical barriers, sanitary and phytosanitary measures, trade remedies and government procurement. Mercosur (Argentina, Brazil, Paraguay and Uruguay) allows the negotiation of bilateral agreements with non-member countries as long as such agreements are open for accession by other member countries. In addition, all Mercosur member countries have maintained bilateral agreements with other Latin American countries through the Latin American Integration Association (ALADI).

## Mexico

**Claudia Sheinbaum's inauguration takes place tomorrow, 1 October.** With Sheinbaum promising continuity from outgoing president Andres Manuel Lopez Obrador (AMLO), one of the key questions at the outset of her presidency will be how much influence AMLO continues to wield. The final actions of the AMLO presidency will certainly shape the early stages of Sheinbaum's administration. These range from a(nother) diplomatic rift with Spain caused by AMLO's refusal to invite the Spanish monarch to tomorrow's swearing-in ceremony, to the extensive reform agenda that AMLO has bequeathed his successor; the most recent reform to pass in the legislature, where Sheinbaum will enjoy supermajorities, put the National Guard (GN) under the control of the Defense Ministry (Sedena).

## **MIDDLE EAST AND AFRICA**

### Nigeria

**Another round of nationwide protests is scheduled to take place on 1 October, which marks Independence Day.** This follows an earlier 10-day national protest on 1-10 August, where members of the public marched to the streets to protest against what they say has been economic hardship and bad governance under the current administration. The "Take It Back Movement" – the group behind the protests – say they are again protesting on Independence Day because the government has failed to heed to their demands which include rejecting of IMF policies; reversing recent hikes in fuel price and electricity tariff back to pre-29 May 2023 levels; making government-owned refineries work to guarantee affordable fuel products; reducing food prices; supporting farmers to ensure sustainable food production; ending insecurity, banditry, terrorism and violent crimes; and prosecuting culprits and their sponsors.

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