

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 general election outcome in **Japan**. Meanwhile, the US has approved new missile and radar sales to **Taiwan**, **Georgia** may see protests following alleged election irregularities, the center-right in **Brazil** has gained momentum following municipal election victories, and **South Africa**'s finance minister will set out a new fiscal plan amid an improving outlook.

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

With Japan's ruling coalition losing its majority in the general election, we ask our Japan analyst James Brady to look ahead.

What happened yesterday?

The Liberal Democratic Party (LDP) dropped more than 50 seats to 191 on 27 October, while junior partner Komeito also dropped 8 seats to 24, leaving the ruling coalition short of a 233 majority in the 465-seat Lower House. The main opposition Constitutional Democratic Party (CDP) jumped 50 seats to 148, while the centrist Democratic Party for the People (DPP) quadrupled its seat tally to 28.

What happens next?

Japan's constitution requires the Diet to convene within 30 days to choose a new prime minister. Recently-appointed PM Shigeru Ishiba has indicated his intention to continue leading the government, perhaps via a confidence-and-supply type agreement for issue-by-issue cooperation with the DPP. Reports suggest that Ishiba will aim to convene the Diet session on 11 November.

WHAT TO WATCH

ASIA PACIFIC

Taiwan

The US approved a USD 2bn arms sale to Taiwan, including USD 1.16bn in advanced missiles and USD 828mn in radar systems, the Pentagon said on Friday. The missile sale consists of three National Advanced Surface-to-Air Missile System (NASAMS), a medium-range platform that has been battle-tested in Ukraine and represents the most advanced air defense system that the US has ever shared with Taiwan.

North Korea/Ukraine

NATO has confirmed that North Korean troops have been deployed to Russia's Kursk region. NATO Secretary-General Mark Rutte called it a dangerous expansion of Moscow's war in Ukraine and a breach of UN Security Council

resolutions. South Korea is set to convene 2+2 foreign and defense ministerial talks with the US shortly to discuss the development, as it considers how to respond.

EUROPE

Bulgaria

A highly fragmented parliament after the 27 October [parliamentary elections](#) will complicate government formation. As anticipated, center-right Citizens for the European Development of Bulgaria (GERB) won the election by receiving 26.4% of the vote and is projected to have 66 out of 240 seats in the unicameral parliament. To form a stable majority government, GERB needs to add three coalition partners, which is a difficult task given long-standing rivalries. Unless parliamentary parties agree on a temporary technocratic cabinet with a clearly defined agenda, another snap election will be held in the first half of 2025. That scenario would hamper reform progress, access to EU funds, and prospects of a swift accession to the eurozone.

Georgia

President Salome Zurbishvili and pro-Western opposition parties are calling for a mass protest in Tbilisi on 28 October over alleged electoral irregularities that have led to incumbent Georgian Dream's (GD) victory in the 26 October [parliamentary elections](#). According to official results, GD received 53.9% of the vote, which would give it an absolute majority of seats in the 150-seat parliament. However, domestic and international election observers have flagged a number of irregularities during the campaign period and on voting day. Considering deep political polarization within the country and high geopolitical significance of the vote, the risk of violence during the post-election period is considerable.

Moldova

Firmly pro-Western incumbent Maia Sandu and a Moscow-friendly former Prosecutor General Alexandr Stoianoglo will face off in the second round of presidential elections on November 3. While Sandu remains the favorite, Stoianoglo's unexpectedly strong performance in the first-round vote and efforts by Russia to influence the election leaves room for surprises. The Moldovan president's constitutional powers are limited, but the vote will demonstrate voter preferences regarding the country's future geopolitical orientation and will shape political scene ahead of the parliamentary elections in mid-2025. If Sandu wins, Moscow might ramp up its efforts to destabilize the country.

LATIN AMERICA

Brazil

The second round of the municipal elections confirmed flight to the center-right of the political spectrum. The party with the greatest number of mayors is now the centrist Social Democratic Party (PSD) with 891, followed by the more traditional centrist Brazilian Democratic Movement Party (MDB) with 864. The elections were not driven by the polarization between current President Lula da Silva from the leftwing Workers' Party (PT) and former President Jair Bolsonaro from the right-to-far-right Liberal Party (PL). In São Paulo, the most significant municipal election in the country where the two presidents supported the two contestants, the winner was Ricardo Nunes (MDB) who was supported by Bolsonaro and his former infrastructure minister and current São Paulo state governor Tarcisio de Freitas. The overall message of the 2024 municipal elections was that the electorate seems to favor moderation ahead of the 2026 presidential elections.

MIDDLE EAST AND AFRICA

South Africa

On 30 October, Finance Minister Enoch Godongwana will present the Medium-Term Budget Policy Statement (MTBPS). A much-improved political story under a landmark coalition government, its focus on growth and investment and positive financial market sentiment have led to South Africa being hailed as 'the fastest improving fiscal story' across the EM sphere. Yet evidence is still needed of improvement in the real economy. Issues that will be scrutinized include Treasury's continued commitment to fiscal consolidation; any potential debt ceiling; accelerated reforms; the public-sector wage bill; social grants (including the Social Relief

of Distress (SRD) grant and any signal whether this could form the basis of a longer-term basic income grant); parastatal funding; municipal debt; and the controversial National Health Insurance Act (NHI Act).

Mozambique

On 24 October, the National Elections Commission (CNE) announced the results of Mozambique's 9 October elections. Ruling party Frelimo won just under 71% in the presidential polls and a two-thirds majority in parliament. However, the elections' credibility is under heavy doubt, with observer missions including the EU criticizing irregularities and political violence. Protests and heavy-handed police interventions occurred last week, and the coming days will demonstrate whether the security forces can quash dissent.

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