

## 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 **Germany's** coalition troubles. Meanwhile, **Japan's** ruling LDP is trying to form a minority administration, **France's** junior trade minister is in **China**, and **Moldova's** re-elected president is set to continue the country's Westward geopolitical orientation. Elsewhere, **Brazil's** finance minister is facing pressure for budget cuts, while **Botswana** faces economic challenges after its peaceful transfer of power.

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 speculation about Germany's traffic light coalition continuing, we ask our deputy director of research [Carsten Nickel](#) to look ahead.

#### What has happened with the coalition leaders?

Finance Minister Christian Lindner has further raised the stakes with his demand for a menu of supply-side reforms. These will be hard to accept for the Greens and the Social Democrats. Chancellor Olaf Scholz will hold meetings with Lindner and the Greens' Vice Chancellor Robert Habeck this week.

#### What is the near-term outlook?

If Lindner's Liberals (FDP) pull out after a high-level coalition meeting on 6 November, snap polls could follow in March. The risk of a break-up could also increase depending on the outcome of the US election.

### WHAT TO WATCH

#### ASIA PACIFIC

##### Japan

**Prime Minister Shigeru Ishiba is expected to meet with centrist Democratic Party for the People (DPP) leader Yuichiro Tamaki on 9 November as he attempts to continue in office following the 27 October [general election](#).** A confidence and supply arrangement would allow the ruling Liberal Democratic Party-Komeito coalition to continue governing as a [minority administration](#), in return for including some [DPP policies](#) in upcoming budget bills. The new Diet is due to convene for the first time on 11 November to select a prime minister.

##### China/EU

**French junior trade minister Sophie Primas began a three-day visit to China on Sunday.** China's Commerce Minister Wang Wentao is urging Paris to take an "active role" in resolving EU-China disputes over electric vehicles (EVs). Wang said China's trade probes into European brandy, pork, and dairy follow World Trade Organization rules, unlike the EU's

investigation into Chinese EVs. Last month Beijing followed through with [threatened anti-dumping tariffs](#) on European brandy with [threatened anti-dumping tariffs](#) on European brandy imports, apparently in retaliation for [EU tariffs on Chinese EVs](#), which hit French brands including Hennessy and Remy Martin.

## EUROPE

### Moldova

**The re-election of President Maia Sandu for a second four-year term in office will sustain Moldova's Westward geopolitical orientation and nascent efforts to join the EU.** According to preliminary results, Sandu (independent, linked to the governing Party of Action and Solidarity, PAS) received 55.4% of the vote, coming ahead of her opponent former prosecutor general Alexandr Stoianoglo (independent, linked to Party of Socialists of the Republic of Moldova). The next signpost to watch is the 2025 parliamentary elections that are likely to be held in late spring or early summer 2025. Pro-Western PAS party is leading the polls, but Russia will likely continue its covert efforts to shape voter views ahead of the vote.

### Spain

**Heavy rains in the eastern region of Valencia and other areas have resulted in at least 213 deaths since 29 October.** While the situation around Valencia has become more manageable, conditions have worsened in Catalonia. On 3 November, Prime Minister Pedro Sánchez, King Felipe, Queen Letizia, and Valencia's regional Prime Minister Carlos Mazon were heckled on a visit to an affected town. Protesters threw mud and other objects, highlighting the potential consequences on political and institutional trust. Given the extraordinary circumstances, the central government may try to persuade potential allies, including former Catalan president Carles Puigdemont's Together party, that approving the 2025 budget bill is now more critical than ever.

### Turkey

**Parliament is set to vote in the coming days on a new "foreign agent law."** The legislation expands the definition of espionage in such a vague manner that it could criminalize legitimate work by human rights defenders, journalists, and other civil society actors. The vague wording of the article also raises the prospect that local civil society organizations or media outlets in Turkey lawfully receiving foreign funding could fall foul of the new law.

## LATIN AMERICA

### Brazil

**Finance minister Fernando Haddad canceled his trip to Europe this week amid pressure to cut spending.** President Lula da Silva asked Haddad to stay to finalize a proposal for cuts promised for after the municipal elections on 27 October. Markets have been reacting negatively, with the real slipping to its lowest level against the US dollar since the beginning of the COVID pandemic. According to the agreed fiscal framework Brazil needs to zero its deficit in 2024 and 2025 but that is unattainable in the absence of new measures. To compound the situation, markets have also been especially sensitive to the possibility of a Donald Trump victory in the US elections which could affect the inflation trajectory through changes in trade, immigration, and fiscal policies.

### Argentina

**The government will this week try to head off a bid by parties to curb the use of presidential decrees.** Parties in the lower house are close to forming a majority to push through an initiative that would either set a time limit on so-called 'Decrees of Necessity and Urgency' (DNUs) or make it easier for the legislature to strike them down. President Javier Milei has come to rely on DNUs to get around his weakness in the legislature. The issue will probably eclipse ongoing discussions over the government's 2025 budget proposal, which have barely progressed since September. If there is no agreement on the new budget, Milei can reapply this year's budget (itself a rollover from 2023), which would afford him considerable discretionary power over spending. Another initiative facing an uphill struggle in the lower house is the government's privatization proposal for loss-making state carrier Aerolineas Argentinas, which was withdrawn from the package of reforms ("bases law") that passed earlier this year.

## MIDDLE EAST AND AFRICA

### Botswana

**The long-dominant Botswana Democratic Party (BDP) suffered an epic defeat in parliamentary and local council elections conducted on 30 October.** The opposition Umbrella for Democratic Change (UDC) won 36 seats in the National Assembly, while the BDP was relegated to fourth position with just four seats. Crucially, outgoing president Mokgweetsi Masisi quickly conceded defeat on 1 November and cooperated to ensure a smooth, peaceful transition of power to President Duma Boko on the same day. The UDC now faces the daunting task of delivering on its electoral pledges, which focus on employment creation and incomes in a lackluster economic environment.

### Mozambique

**Mozambique's 9 October elections have triggered a protracted post-election crisis.** Protests against the election results—which handed long-ruling Frelimo party a resounding win—have been reported across multiple cities in recent days. These have been met with heavy-handed police interventions, while an internet shutdown has also been reported. Fresh protests have been called by medical staff for 5 November. The coming days will demonstrate whether the security forces can restore a degree of order and stability, or whether the crisis could lead to a state of emergency and possibly political negotiations with the opposition.

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