

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 trajectory of the conflict in the **Middle East**. Meanwhile **Japan's** new prime minister will dissolve the Diet and hold a snap Lower House election this month, **Turkish** parliament will discuss risks posed to the country by the escalating conflict in the Middle East, September inflation data will be published this week in **Argentina** – a key indicator of the effectiveness of Milei's economic plan, and **Mozambique** will hold presidential, parliamentary, and gubernatorial elections.

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

On the first anniversary of the 7 October Hamas-led attack in Israel, our expert [Emily Stromquist](#) analyzes the situation.

Where does the conflict stand one year on?

90 hostages remain in Gaza, tens of thousands have lost their lives, and Israel is fighting a regional war on multiple fronts. But the nature of the conflict has morphed – Israel has concluded that openly engaging Iranian proxies is the most effective way to reduce the Iranian risk.

How could the trajectory of the conflict continue to evolve?

Following an Iranian missile barrage on Israel last week, how and when Israel chooses to respond in the days or weeks ahead will be critical in determining the escalation risk, and regional and global implications. The use of force always bears inherent risk of escalation, so it will be important to watch any fallout or miscalculation with risks for shipping, energy markets, and regional security.

WHAT TO WATCH

ASIA PACIFIC

[China/Europe](#)

China's state news agency criticized the [European Commission's decision](#) on Friday to finalize tariffs on electric vehicle (EV) imports from China. "These tariffs risk sparking a trade conflict that could harm not only China-EU relations but also Europe's own ambition for a green transition," the official Xinhua news agency said in an editorial. However, talks continue between the Commission and China's Commerce Ministry, which has reportedly offered to guarantee minimum sales prices for Chinese EVs sold in Europe.

[Japan](#)

New prime minister Shigeru Ishiba will dissolve the Diet on 9 October and hold a snap Lower House election on 27 October. Although Ishiba has previously enjoyed a reputation for personal popularity with the wider electorate, his

Liberal Democratic Party has struggled to regain public trust following the slush fund scandal that came to light in late 2023, making seat losses likely. Internal divisions could also hurt the LDP. Ishiba is set to deny party endorsements to many sitting members caught up in that affair, a stance that would likely gain voter approval at the cost of further straining relations between the leader and the party's scandal-tainted Abe wing.

EUROPE

Turkey

The Turkish parliament will hold a closed-door session on 8 October to discuss Israel's ongoing military actions in the Middle East and the risks faced by Turkey. Foreign Minister Hakan Fidan and Defense Minister Yasar Guler are scheduled to brief lawmakers on the escalating conflict. The briefing comes a few days after President Tayyip Erdogan's warning that the "next place Israel will set its eyes on will be Turkey." Erdogan's bellicose rhetoric is aimed at instrumentalizing foreign-for-domestic political goals, notably consolidating his base and distracting public attention from the hard economic situation.

Lithuania

The center-left Social Democratic Party of Lithuania (LSDP) is likely to win the first round of the [parliamentary elections](#) scheduled for 13 October and lead government formation after the second-round vote on 26 October. One important signpost to watch will be the performance of a center-left populist newcomer, the Dawn of Nemunas (NA), which has been soaring in opinion polls and might become kingmaker in forming the next cabinet. In general, a LSDP-led center-left government would not bring major shifts in domestic and foreign policies, but would likely seek to improve relations with China.

LATIN AMERICA

Argentina

Inflation data for September will be published on 10 October. Maintaining the disinflation trend is a critical plank of the government's economic plan. The monthly rate is expected to drop below 4%, having been in the double digits as recently as March. Anything under 4% would bring some relief for Milei and Economy Minister Luis Caputo after inflation rose slightly in August, reaching 94.5% for the first eight months of 2024. While the reduction of a tax on FX access last month has contributed to the disinflation process, it is also the case that lower demand – a product of the ongoing recession – also accounts for decreasing price pressures. This dynamic points to the evolving challenges facing Milei, who has built political legitimacy by bringing inflation under control but risks losing popularity if he cannot deliver economic recovery soon.

Brazil

The outcome of the municipal elections' first round voting demonstrates a strengthening of the center-right known as "the Big Center" and a decline in the Lula-Bolsonaro polarization. Eleven out of the twenty-six state capitals elected mayors in the first round, with victories claimed by large margins in some key cities such as Rio de Janeiro and Recife. Sao Paulo remains the most critical race, where only 80,000 votes in an electorate of 12mn separated the first from the third-placed candidates. Contrary to the trend, Sao Paulo remained polarized since the winners advancing to the second round are candidates supported by Bolsonaro and Lula, respectively, incumbent centrist Ricardo Nunes from the Brazilian Democracy Party (MDB) and leftwing Guilherme Boulos from the Socialism and Liberty Party (PSOL), despite neither being from Bolsonaro's or Lula's parties.

MIDDLE EAST AND AFRICA

Mozambique

Presidential, parliamentary, and gubernatorial elections will take place on 9 October. Ruling party Frelimo has fielded a younger, relatively unknown 'change' candidate – Daniel Chapo – to succeed President Filipe Nyusi after two terms. Candidates from the two main opposition parties (Renamo and MDM) stand little chance, though independent Venancio Mondlane injects some uncertainty into the race. At best, Frelimo will hope that Mondlane will split Renamo's vote and increase Chapo's lead. At worst, Frelimo will likely rely on its advantage in the electoral system, including 878,868 ghost voters identified on the electoral register.

The 2023 local elections already indicated that the conduct of the national elections may be contested, trigger protests, and further dent the credibility of Mozambique's electoral process.

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