

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 Romania's geopolitically consequential elections. Elsewhere, France holds a key vote related to the budget, the Mercosur summit kicks off at a sensitive time for global trade relations, and Brazil's new fiscal plan is causing confusion. Elsewhere, China is conducting further military exercises in the Taiwan Strait, South Korea postpones its cryptocurrency tax again, and US president Joe Biden visits Angola.

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

Following the far-right upset in Romania's first-round presidential elections, we ask our Central and Eastern Europe advisor [Andrius Tursa](#) to explain the latest developments.

What were the outcomes of the 1 December parliamentary elections?

The pro-Western alliance is likely to continue in power, although the Social Democratic Party (PSD) and National Liberal Party (PNL) will need at least one more coalition partner and support from national minority deputies to form a majority government. Overall, despite a stronger performance by right-wing Euroskeptics compared to 2020, moderate pro-Western parties received over 60% of the vote.

Do the parliamentary election results have implications for the second round of the presidential vote?

This result favors centrist Elena Lasconi (Save Romania Union,USR) in the presidential runoff against right-wing populist Calin Georgescu on 8 December, though the race might be tight. The constitutional court might still cancel the first round of the presidential election and order a re-run later this month, though this is unlikely.

The Liberal Democratic Party-Komeito minority coalition will continue policy negotiations with the centrist Democratic Party for the People this week to finalize the agenda for the short Diet session from 28 November to year-end. [Budget-related discussions](#) will include revisions to the income tax threshold and the gasoline tax, both potentially reducing annual tax revenue. A political funding reform bill is also under discussion, with the LDP resisting calls from the main opposition Constitutional Democratic Party to abolish corporate and group donations to political parties.

South Korea

The government will once again postpone the implementation of a capital gains tax on cryptocurrency, from January 2025 to January 2027. President Yoon Suk-yeol's conservative People Power Party sought the latest delay for the tax, originally set for 2021. The progressive Democratic Party, which controls the National Assembly, initially opposed the delay but has been wanting to raise the tax threshold.

Indonesia

Regional elections delivered only one surprise, the victory by the opposition PDI-P in the capital Jakarta. Otherwise, candidates backed by the ruling Advance Indonesia Coalition won most of the major races, including several in PDI-P strongholds. The elections were clean and fair. Party elites fielded stalwarts in many of the races, which in turn limits the potential for new faces to emerge and refresh the national political stage.

EUROPE

France

The final reading of the social security budget law (PLSS) on 2 December will force Marine Le Pen's far-right National Rally (RN) to decide whether to try to bring down PM Michel Barnier's government. Barnier is invoking Article 49.3 of the constitution, which will prevent a parliamentary vote on the PLSS but trigger a motion of censure. Even if Le Pen abstains, allowing Barnier to continue, two more budget laws must be voted on before Christmas, posing similar risks. If no 2025 budget is passed and Barnier's government falls, a special budget will likely roll over the 2024 accounts and ensure continued tax collection.

Spain

Prime Minister Pedro Sánchez was re-elected leader of the ruling Spanish Socialist Workers' Party (PSOE) with 90% of the votes at the party's federal congress in Seville. The congress highlighted the party's heavy reliance on Sánchez's leadership and the lack of a clear successor if the party faces a significant electoral defeat in the next election, scheduled for 2027. Despite the government's recent approval of its tax plan in Congress, the 2025 budget bill is unlikely to be presented before year-end, as negotiations with former Catalan President Carles Puigdemont's Together party continue.

Turkey

The restart of fighting in Syria may serve Ankara's immediate security interests near the Turkish-Syrian border but also raises the risk of a new wave of refugees heading towards Turkey. Ankara-backed rebel forces could move into areas of Aleppo province where Kurdish militants associated with the Kurdistan Workers' Party (PKK) have found a safe haven under protection by Iran and Russia. This would establish a sphere of influence that Turkey could directly control along its borders and beyond. If Turkey pushes for regime change in Damascus, it would again conflict with major states like Iraq and the UAE, which support Syrian President Bashar al-Assad.

LATIN AMERICA

Brazil

The government's fiscal plan has caused confusion and now requires sensitive negotiations with Congress. Finance Minister Fernando Haddad and others presented the plan on 28 November. The market reacted negatively to three elements of the plan: an income tax exemption for salaries below BRL 5,000 (USD 833), to be offset by higher taxes on incomes above BRL 50,000 (USD 8,330); several proposed changes that would need congressional approval; and a BRL 70 billion (USD 12 billion)

cut over two years was seen as insufficient. Congressional leaders may pass changes before year-end, likely including increased cuts and delaying the tax exemption to 2026. The announcement of the plan was also delayed several times, which contributed to increased tensions and misunderstandings.

Mercosur

Uruguay hosts a Mercosur leaders' summit on 5-6 December, with the summit coming at another sensitive time in the EU-Mercosur trade negotiations. Recently, Carrefour CEO Alexandre Bompard announced the supermarket chain would no longer sell meat from Mercosur countries. The Brazilian government demanded a retraction, and though Bompard apologized, the decision stands. Brazil's House of Representatives approved an urgent request for a new draft law on "environmental reciprocity" in international negotiations. Meanwhile, despite President Javier Milei walking back vague threats to exit the block, Argentina's push for individual Mercosur members to pursue bilateral trade agreements outside is continuing to undermine unity. Since Donald Trump's election victory, Milei has been promoting a potential bilateral free trade agreement with the US, likely more in hope than expectation. This stance detracts from renewed hope for advancing the EU-Mercosur trade talks after the election of left-leaning Yamandu Orsi in Uruguay.

MIDDLE EAST AND AFRICA

Angola

US President Joe Biden is visiting Angola this week, fulfilling his promise to visit Africa during his presidential term. Angola is a traditional ally of Russia and China, but has recently emerged as a US darling and the site of the US-backed flagship Lobito rail corridor project intended to bolster access to critical minerals produced in the DRC and Zambia. A key question is whether Donald Trump's incoming US administration will retain the same focus, though competition with China may provide an incentive to continue to back the Lobito corridor.

Namibia

The results of the 27 November elections are still pending. President Nangolo Mbumba extended the voting period from 27 to 30 November at select polling stations due to ballot paper shortages and technical glitches that prevented many from voting. These issues have damaged the credibility of the electoral process. The ruling party SWAPO appeared headed for slim majorities in the presidential and parliamentary races, but only 20% of votes had been counted as of 1 December. The Independent Patriots for Change (IPC) and other opposition parties have rejected the process and vowed legal challenges, potentially leading to a protracted post-election dispute.

Ghana

General elections will take place on 7 December, with the primary focus on the presidential poll on the same day. Current Vice President Mahamadu Bawumia will represent the governing New Patriotic Party (NPP) against former President John Dramani Mahama of the main opposition New Democratic Congress (NDC). Economic management remains a key consideration for voters, giving Mahama an advantage as voters have been critical of the NPP for poor economic management and the recent cost-of-living crisis.

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Geopolitical Research

+44 20 7186 8894

Macro@teneo.com

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