

## 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 **South Africa** severing diplomatic ties with Israel. Meanwhile, a deal between **Taiwan's** two main opposition parties is in danger, voters are going to the polls in the **Netherlands**, Javier Milei has won the presidential elections in **Argentina**, and the IMF has reached a staff-level agreement with **Kenya**. Our graph of the week zooms in on **debates on globalization**.

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 21 November, **South Africa's** national assembly will vote on a motion to close Israel's embassy and sever all diplomatic ties with the country. Our Southern Africa expert [Anne Frühauf](#) analyzes the situation.

#### Will the proposal pass in parliament?

The motion has been tabled by the Economic Freedom Fighters (EFF), but the ruling ANC has already indicated its support. The ANC's stance reflects the extent to which the demands of a burgeoning protest movement are influencing top-level diplomacy. This raises fresh risks for bilateral relations with the US, a revived boycott movement, and the conflation of US interests with Israeli interests.

#### What are the implications for the domestic political outlook?

Parliamentary collaboration between the ANC and EFF might also be scrutinized for any signs of a potential alliance following the 2024 elections; the ANC is currently polling at around 41%-45% and a coalition with its radical offshoot would represent the worst possible election outcome.

### WHAT TO WATCH

#### ASIA PACIFIC

##### Taiwan

**An apparent deal between Taiwan's two main opposition parties to join forces in the 13 January presidential election is in danger.** Ko Wen-je of the Taiwan People's Party (TPP) said he is not yet willing to support a joint ticket led by Hou Yu-ih of the Kuomintang (KMT). Talks between the two parties are continuing ahead of the November 24 deadline to register candidates. If they fail to reach an agreement, Vice President William Lai of the incumbent Democratic Party (DPP), which the mainland government refuses to engage, would remain the favorite to win a [close election](#) on 13 January.

#### EUROPE

## Netherlands

**General elections will be held on 22 November.** The party system remains highly fragmented, but the parties of the wider political right are likely to win an overall majority once again. However, this is unlikely to translate into a right-of-center government. Former Christian Democrat MP Pieter Omtzigt has been toying with the idea of a cabinet made up exclusively of technocrats but remains likely to either become prime minister or at least the central kingmaker. As he has positioned himself against cooperation with Geert Wilders' far-right Freedom Party (PVV), a more centrist coalition is likely, potentially also including the joint list of the Social Democrats and the Green Left (PvdA-GL).

## Romania

**On 20 November, the lower chamber of parliament is expected to adopt a new pensions bill.** It would increase pensions by nearly 14% at the start of 2024 and by another 40% in September, just months ahead of the presidential and parliamentary elections. The proposed bill raises concerns about the government's commitment to fiscal consolidation, with the 2024 budget deficit projected at 5.3% of GDP (excluding pension increases) by the European Commission. If adopted, the opposition parties might refer the bill to the Constitutional Court for review. The bill would also allow the government to postpone or even cancel the September hike depending on the economic situation.

## Slovakia

**Parliament is expected to approve a new coalition government led by Prime Minister Robert Fico (Direction – Social Democracy, SMER-SD) in a vote of confidence on 21 November.** SMER-SD will govern with the center-left Voice-Social Democracy (HLAS-SD) and the right-wing Slovak National Party (SNS), which together hold 79 mandates in the 150-seat parliament. Among other things, the government's program proposes to tax extraordinary profits in the banking and other sectors to lower the budget deficit and increase social spending.

## UK

**Chancellor Jeremy Hunt will deliver his autumn statement on 22 November.** Hunt has come under pressure to announce tax cuts, given the looming general election, slightly greater fiscal leeway thanks to high inflation, and a number of setbacks for the Conservative right-wing, including the sacking of Home Secretary Suella Braverman and the Supreme Court ruling against the deportation of illegal migrants to Rwanda. However, amid still elevated inflation, Hunt will tread carefully. To appease his party, he might announce future plans for cutting the taxes on inheritance and property purchases while maintaining the fuel duty freeze and extending investment relief on corporation tax. Hunt will try to save bigger announcements for the spring statement, closer to the election.

## **LATIN AMERICA**

### Argentina

**With 99.3% of ballots counted following the 19 November presidential run-off vote, the political outsider and ultra-libertarian Javier Milei had won 55.7% of the vote,** in a clear victory over the Peronist candidate and Economy Minister Sergio Massa, who obtained 44.3%. Milei's convincing margin of victory entirely removes the risks of a dispute over the outcome following earlier fraud allegations from the Milei camp. Massa was quick to concede defeat. An immediate question is how the outgoing government maintains the economy on an even keel between now and the 10 December inauguration; Milei may unveil his pick for economy minister this week in a bid to provide some clarity about his plans. In his initial comments following his election victory, Milei said that he would implement "drastic changes" and that there was "no room for gradualism" on the economic front. The full local market reaction to the election result will only be felt tomorrow, 21 November, since today is a public holiday in Argentina.

## **MIDDLE EAST AND AFRICA**

### Kenya

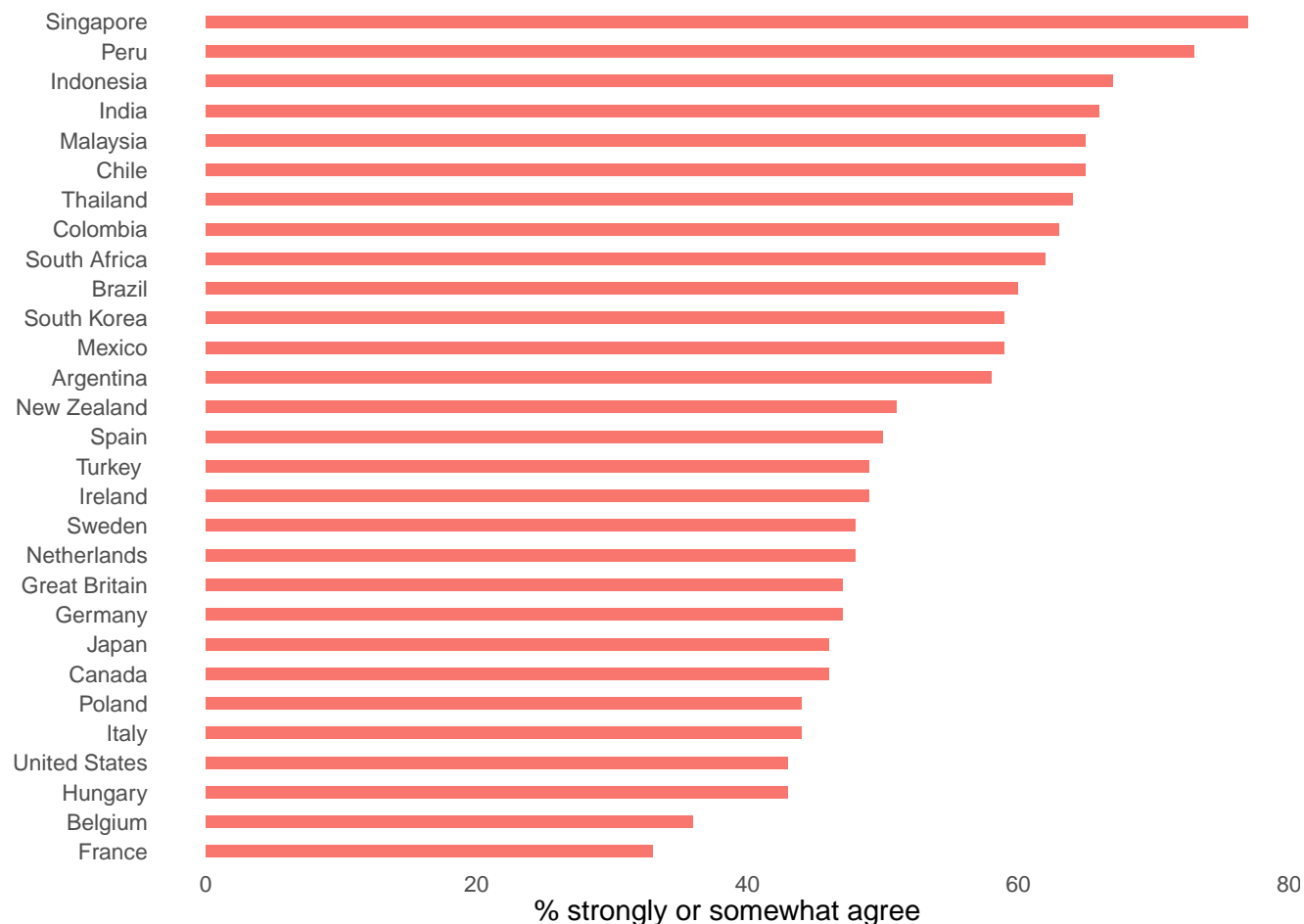
**On 16 November, the International Monetary Fund (IMF) announced it had reached a staff-level agreement to increase Kenya's existing lending program by USD 938mn.** The deal would provide for immediate access to USD 682.3mn and brings

total IMF lending under the existing Extended Fund Facility (EFF) and Extended Credit Facility (ECF) to USD 4.43bn. The lending is a fillip for President William Ruto’s administration, which has struggled to formulate a consistent strategy to manage a mounting debt burden, significant FX challenges and a wall of Eurobond repayments facing Kenya next year.

## GRAPH OF THE WEEK

### Globalization remains contested in many democracies

*'Overall, globalization is a good thing for my country' (% strongly/somewhat agree)*



Source: Ipsos, November 2023. Online samples in some countries (Brazil, Chile, Colombia, Indonesia, Ireland, Malaysia, Mexico, New Zealand, Peru, Singapore, South Africa, Thailand, and Turkey) are more urban, educated, and/or affluent than the general population

In recent years, **debates about globalization** have intensified among global policymakers. These debates emerged against the backdrop of a political backlash against traditional laissez-faire economics, often in the form of growing support for anti-establishment politics and rhetoric. Talk about deglobalization is also widespread, even if the available data does not yet seem to point in that direction. However, geopolitical tensions make governments more willing to trade economic efficiency for national interests or partnering with political allies. When asked about the benefits of globalization, citizens around the

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globe, and particularly in developed economies, remain divided. Less than 50% of respondents believe that globalization is good for their country in Italy, the US and France.

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