

## WEEKLY POLITICAL COMPASS

Welcome to this edition of the Weekly Political Compass from Teneo's political risk advisory team.

This week, we take a closer look at the latest escalations in **US-China** trade tensions. Elsewhere, fragile parliamentary arithmetic complicates prime ministerial plans in **Japan** and **France**, **India** launches financial reforms, and **Argentina** finalizes a financial support package from Washington. Meanwhile, the **UK** deepens economic ties with India, **Greece** pushes controversial labor reforms, and **Cameroon** awaits key election results. Finally, **Kenya** pursues IMF talks, **Brazil** reshapes its Supreme Court, and state elections in **Malaysia** draw national attention.

As always, we welcome your questions or comments at [Macro@teneo.com](mailto:Macro@teneo.com).

### GLOBAL SNAPSHOT

With a new cycle of [US-China escalation](#) underway following the Chinese government's sweeping package of export controls announced on 8 October, we ask our China analysis lead [Gabriel Wildau](#) to look ahead.

What triggered the new US-China escalation cycle?

The recent escalation may reflect misunderstandings on both sides. China's [new export control package](#) was likely intended to build negotiating leverage ahead of a planned meeting between US President Donald Trump and Chinese President Xi Jinping in South Korea later this month. China's leadership may have also perceived that the Trump administration was the first to escalate when the US Commerce Department on September 29 significantly expanded the scope of its export control blacklist. By contrast, US officials likely viewed that expansion as a technical adjustment aimed at closing loopholes.

What is the short-term outlook for bilateral relations?

Trump suggested on Friday that he may cancel the summit in South Korea, but on Sunday Treasury Secretary Scott Bessent said the meeting would likely go forward as planned and that he would meet Vice Premier He Lifeng in advance of the presidential meeting. Even so, the Trump administration will likely retaliate against China's new export controls with US restrictions on chip design software and jet engines, mirroring the retaliatory measures imposed in May before the bilateral truce [reached in London](#) in June.

### WHAT TO WATCH

#### ASIA-PACIFIC

Japan

New Liberal Democratic Party leader Sanae Takaichi faces a critical week of negotiations with opposition parties as she seeks the parliamentary votes needed to become Japan's first female prime minister. The staunch conservative's hopes were [damaged on 10 October](#) when junior partner Komeito quit the ruling minority coalition, ending the moderate conservative party's 26-year tie-up with the LDP. Meanwhile, Yoshihiko Noda of the Constitutional Democratic Party is

exploring a potential rainbow coalition with smaller opposition groups, though deep policy divisions over national security and energy remain. A Lower House vote to choose the next PM may not be held until next week.

## India

India launched broad financial and foreign exchange reforms to address the impacts of US tariffs, rupee depreciation, and declining FX reserves. The Reserve Bank of India (RBI) authorized domestic banks to finance acquisitions and eased External Commercial Borrowing norms, long-standing demands from the industry. It also reportedly intervened in offshore markets to shore up the rupee and proposed measures to ease regulatory burdens, while the government announced a new foreign currency settlement system to enable rapid settlement of foreign currency transactions within India. The moves aim to improve business confidence as the government faces scrutiny over its economic management.

## Malaysia

The Election Commission will meet this week to set the date for the state elections in Sabah, the first such polls in more than two years. The election will garner substantial attention as a possible barometer of national voter sentiment, but Sabah's highly localized electoral dynamics will make extrapolation difficult.

## **EUROPE**

### France

**President Emmanuel Macron has reappointed Sebastien Lecornu as prime minister.** Lecornu presented his new cabinet over the weekend, with the key economic and foreign affairs portfolios remaining in the hands of Macron confidants. As expected, the center-right Republicans (LR) have exited the government, while Lecornu will seek to persuade both LR and the center-left Socialists (PS) to abstain in upcoming censure motions by the far-left and far-right after his 14 October policy statement. Passage of the 2026 budget will hinge on policy compromises such as a dilution or delay of pension reform.

### Greece

**Parliament will this week vote on a controversial labor bill to allow a 13-hour workday and give employers greater control over scheduling and leave.** The measure is part of a broader modernization of labor laws that the government claims will increase flexibility, competitiveness, and worker choice. Unions and opposition parties describe it as a serious rollback of workers' rights. Major unions have called a second nationwide 24-hour general strike on 14 October to pressure the government to withdraw the bill.

### UK/India

PM Sir Keir Starmer's first visit to India produced several agreements and initiatives to deepen bilateral cooperation in technology, defense, and education. These included a new India-UK Joint Centre for AI, an agreement to secure sustainable mineral supply chains for green technologies, and a USD 468 missile deal. Plans for a further nine UK university campuses in India were also announced.

## **LATIN AMERICA**

### Argentina

**President Javier Milei meets US counterpart Donald Trump at the White House on 14 October.** The meeting is intended to highlight what US Treasury Secretary Scott Bessent recently described as the "geopolitical strategic importance" of bilateral relations. The conditions of the planned US financial support package should also become clearer. Bessent's reference last week to Milei's goal of "getting China out of Argentina" raises questions about the future of the parallel swap line with China. Following the Milei-Trump meeting, Finance Minister Luis Caputo will participate in the International Monetary Fund (IMF) meetings that are

taking place this week in Washington amid ongoing questions about the direction of economic policy after the 26 October midterm elections.

## Brazil

**President Luiz Inacio Lula da Silva will make his eleventh appointment to the Supreme Court across his three terms in office after the early retirement of judge Antonio Barroso.** Only five of these appointments remain in the eleven-member court. With the new appointment, the court will have a majority of seven judges chosen by governments of Lula's Workers' Party (PT), including two who were appointed by Dilma Rousseff. Lula has appointed three judges during his current term, opting for personal or ideological loyalty in his choices. His preference this time is Attorney-General Jorge Messias. Former Senate Chairman Rodrigo Pacheco is favored by current Senate Chairman Davi Alcolumbre, but Lula would prefer him to run for the state governorship of Minas Gerais in 2026.

## **AFRICA**

### Cameroon

**Cameroonians are awaiting the results of the 12 October presidential elections, after voting concluded largely without incident.** Minor clashes were reported in the town of Garoua between supporters of opposition candidate Issa Tchiroma Bakary and nonagenarian incumbent President Paul Biya, who has governed Cameroon for 43 years. The Constitutional Council has until 27 October to announce the official results. Although Biya is expected to be declared the winner once again, tensions could escalate as citizens increasingly clamor for change.

### Kenya

**Following a two-week staff visit through 9 October, talks for a new IMF program are set to continue.** So far, the IMF has only tentatively signaled "initial discussions... on a reform agenda that could pave the way for an IMF-supported program," including measures around fiscal policy credibility, debt sustainability, governance, and transparency. Talks will continue during the IMF/World Bank Annual Meetings this week, but it is unclear what kind of IMF program would be feasible given Kenya's aborted prior program.

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### **Geopolitical Research**

+44 20 7186 8894

Macro@teneo.com

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