

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 **US-EU** trade relations. Meanwhile, tensions between **China** and **Australia** rise, **Japan's** PM attempts a political reset, and the foreign policy statements of **Germany's** chancellor are attracting attention. Elsewhere, **South Korea** and **Poland**, head towards presidential elections, while **Mexico** holds judicial elections and **Turkey's** finance minister is under pressure.

As always, we welcome your questions or comments at Macro@teneo.com.

GLOBAL SNAPSHOT

Following the delay on US tariffs on EU imports until 9 July, we ask our Deputy Director of Research [Carsten Nickel](#) to look ahead.

What drove the latest policy change?

The delay was agreed in the first official phone call between European Commission President Ursula von der Leyen and US President Donald Trump. The new timeline adds yet another key date to a two-week window between late June and early July, already featuring tariff deadlines and the crucial NATO summit.

What is the outlook now for a deal?

Direct engagement at the presidential level might be required to move the talks beyond their EU-typical technical nature so far, instead enabling a more political deal. The interplay with wider transatlantic tensions over defense spending, Ukraine support and relations with China should also be watched.

WHAT TO WATCH

ASIA-PACIFIC

China/Australia

China's ambassador to Australia criticized Prime Minister Anthony Albanese's pledge to claw back Darwin Port from Chinese ownership, after Canberra sold a 99-year lease to Landbridge Group in 2015. "It is ethically questionable to lease the port when it was unprofitable and then seek to reclaim it once it becomes profitable," Ambassador Xiao Qian said. Around 2,000 US marines conduct exercises in the city of Darwin in northern Australia for six months each year.

Japan

Prime Minister Shigeru Ishiba will attempt a political reset after last week's scandal-driven [ministerial resignation](#), with consumer rice prices emerging as a key metric of success. New agriculture minister Shinjiro Koizumi has promised to roughly halve rice prices by early June by releasing stockpiled rice reserves directly to retailers, with the staple

having doubled in price in the last year following a poor harvest and distribution bottlenecks. The success of the new rice strategy will now be seen as an important measure of government competency—along with the outcomes of US trade negotiations—ahead of June's Tokyo metropolitan assembly elections and July's national Upper House elections.

South Korea

The final set of polls for next week's presidential election continue to show progressive Democratic Party candidate Lee Jae-myung with a double-digit lead in the upper-40s. Conservative People Power Party nominee Kim Moon-soo registers in the mid-to-upper 30s, while former PPP leader Lee Jun-seok polls at around 10 percentage points. In the final days of the campaign, Lee Jae-myung will attempt to overcome his polarizing image by appealing more to centrist voters, while Kim will seek to win over conservatives currently supporting Lee Jun-seok. No more opinion polls will be published after 28 May, with early voting taking place on 29 to 30 May, ahead of polling day on 3 June.

EUROPE

Germany

Chancellor Friedrich Merz's statements on Ukraine and Israel have received attention, but the practical consequences remain less clear. Merz criticised Israel for violating international law in Gaza, while announcing the removal of a range of restrictions on German weapons delivered to Ukraine. Taken together, the comments signal an intention to more closely align Germany's foreign policy with its EU allies. However, it remains unclear whether the Ukraine comment means delivery of Taurus cruise missiles. Opening up this opportunity might also be intended to incentivize continued US support for Kyiv.

Poland

The second round of presidential elections on 1 June will see a tight race between a centrist Rafal Trzaskowski and conservative Karol Nawrocki. Although governing Civic Coalition (KO) nominee Trzaskowski holds a slight advantage, the outcome of the vote hinges on voter mobilization on each side. A Trzaskowski victory would strengthen Prime Minister Donald Tusk (KO) politically and reinforce his reform agenda. Meanwhile, a victory by Nawrocki, nominated by the opposition right-wing Law and Justice (PiS) party, could widen divisions within Tusk's governing coalition and limit prospects for key reforms until the end of the government's term in late 2027.

Turkey

The pro-government daily Yeni Safak criticized Turkey's current economic policies in a front-page article published on 26 May, implicitly targeting Finance Minister Mehmet Simsek. The piece blamed high interest rates for slowing economic growth and failing to rein in inflation, while praising the earlier low-rate approach championed by former minister Nureddin Nebati. The newspaper described the current orthodox policy framework as leading to a "rational collapse," reflecting deep dissatisfaction with the recent interest rate hike. Yeni Safak has grown increasingly vocal in its criticism of Simsek and the Central Bank over the past month, marking a shift in tone that may carry weight given the outlet's history of influencing key government economic decisions.

LATIN AMERICA

Mexico

Public elections for 881 federal judicial positions take place on 1 June. Roles to be filled include all nine members of a newly trimmed Supreme Court, members of the judiciary's administrative and disciplinary council, and hundreds of circuit and district judges. Although the government claims that the elections will democratize the judiciary, the new judiciary will likely be more prone to political interference, significantly diminished as an institutional check on executive power, and more susceptible to criminal corruption. A directly elected judiciary will also negatively impact investors' confidence that they would receive fair treatment in the event of a legal dispute. Election results are not expected to be available for around ten days. A second phase of elections for the remaining federal judicial positions is set for 2027.

Brazil

Supreme Court Justice Alexandre de Moraes opened an investigation into former President Jair Bolsonaro's son Eduardo (Liberal Party, PL) on 26 May. Eduardo took a leave of absence from his mandate as a federal representative last March to relocate to the US. At the time, he said his intention was to “rescue lost freedoms in Brazil” and “seek appropriate sanctions to human rights violators.” This was seen as a reference to Moraes himself, who is overseeing the preceding proceedings of the trial that is likely to result in the conviction of his father for plotting a coup d'état and related crimes following the election of President Lula da Silva. The decision to investigate Eduardo Bolsonaro comes a few days after US Secretary of State Marco Rubio affirmed in Congress on 21 May that there is “a great possibility” that the Trump Administration will apply sanctions against Moraes based on the Global Magnitsky Human Rights Accountability Act.

AFRICA

Ghana

President John Mahama has now clarified that his government will exit the current IMF program in 2026 as scheduled, despite earlier hints about a possible renegotiation of the terms of the deal. Mahama has now said that his government is aiming to meet all the targets under the current agreement to allow the country to end the USD 3bn agreement as planned.

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