

## 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 a crucial court decision for **Thailand's** government. Elsewhere, **Japan's** Upper House election campaign kicks off, **South Africa's** government faces a new crisis, and tensions rise between the **US** and **Mexico** and also mainland **China** and **Taiwan**. Meanwhile, **India** tries to finalize a US trade deal, **Brazil** seeks an alternative to raising the financial transactions tax, and scandals hurt **Greece's** prime minister. Finally, **Poland's** president-elect will overcome a legal challenge, and "lawfare" prolongs uncertainty in **Turkey**.

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

### GLOBAL SNAPSHOT

With Thailand's prime minister facing a crucial court decision this week, we ask our Southeast Asia expert [Bob Herrera-Lim](#) to look ahead.

#### What is the background to the court case?

The Constitutional Court will meet on 1 July to decide whether to consider a petition from 36 senators against Prime Minister Paetongtarn Shinawatra that seeks her dismissal. The petition alleges that she committed a serious ethical breach in a conversation with former Cambodian Prime Minister Hun Sen on 15 June. The move follows a moderately sized protest rally held on 28 June by conservative groups asking for her ouster.

#### What is the outlook for the case, and for Thai politics more broadly?

An immediate dismissal of the prime minister seems unlikely, but there is speculation that the court could order her suspension, which would be almost as problematic politically. Tensions would ease if either the court decides to proceed but without any suspension or, more substantially, if it decides not to hear the case.

However, Shinawatra's opponents are planning more street protests and the position of the opposition People's Party (PP), which is the largest party in parliament, is unclear. The PP has asked for the prime minister's resignation but has been unwilling to join the current protest movement due to ideological differences. There is a scenario where Paetongtarn survives given splits among her opponents, but Thailand's fragmented politics and the deep divisions among its key players will continue to make effective governance difficult in most scenarios.

### WHAT TO WATCH

#### ASIA-PACIFIC

##### Japan

**The official campaign period for the triennial House of Councillors elections will kick off on 3 July, with around half of the chamber's 248 seats being contested on 20 July.** The ruling LDP and junior coalition partner Komeito currently hold 140 seats in the Diet's less powerful Upper House, and the latest polls suggest that chronically anemic support levels for Prime Minister Shigeru Ishiba's administration and his LDP party may finally be starting to rise. However, Ishiba's hopes of achieving a trade deal breakthrough with the US before the election are receding, with talks remaining deadlocked on the autos tariff issue following a seventh round of negotiations in Washington.

## India

**India's trade delegation has extended its stay in Washington as talks continue ahead of the 9 July deadline, when higher US tariffs on Indian goods are scheduled to take effect.** Originally set to conclude on 27 June, the negotiations were extended in hopes of clinching a limited deal this week. An interim agreement that would allow both sides to claim progress seems likely, though decisions on sensitive issues such as agriculture, dairy, and digital trade may be postponed. There is also a scenario in which Washington grants New Delhi more time beyond the deadline to finalize a broader deal. Key sticking points remain, with the US wanting greater market access and India pushing for sectoral reciprocity and tariff adjustments.

## Mainland China/Taiwan/Czechia

**Taiwan's Mainland Affairs Council alleged that mainland China had "seriously threatened the personal safety" of Vice President Hsiao Bi-khim.** This followed a statement by Czech military intelligence that officials at the mainland Chinese embassy in Prague had considered a plan to stage a car crash during Hsiao's visit there in March 2024. The Czech Republic does not have official diplomatic relations with Taiwan but has cultivated warm relations with the island's government. China's foreign ministry denied wrongdoing by its diplomats and criticized the Czech government's decision to host Hsiao as interference in China's internal affairs.

## **EUROPE**

### Greece

**Prime Minister Kyriakos Mitsotakis will struggle to uphold his technocratic image amid mounting scandals and governance failures.** Public trust has further eroded following a massive EU farm subsidy fraud scandal, which led to several high-profile resignations. Although Mitsotakis acknowledged government shortcomings in a social media post, his remarks are unlikely to sway a skeptical public. The fallout includes major controversies like the Predator spyware scandal and the Tempe train crash. The cabinet was reshuffled on 28 June following resignations linked to an EU farm subsidy scheme.

### Poland

**The Supreme Court on 1 July is expected to validate opposition candidate Karol Nawrocki's victory in the 1 June presidential runoff, rejecting allegations of irregularities during the vote count.** Nawrocki's inauguration is scheduled for 6 August. In the meantime, Prime Minister Donald Tusk is continuing discussions with coalition partners on the upcoming government restructuring, which is expected to be completed by mid-July. Relations between the Tusk government and the incoming president are likely to be highly confrontational, fueling political tensions and increasing policy uncertainty.

### Turkey

**A critical court ruling involving the opposition Republican People's Party (CHP) scheduled for 30 June has been postponed until September, prolonging a period of uncertainty and volatility.** The legal case concerning the CHP's 2023 congress could reinstate former leader Kemal Kilicdaroglu or place the party under trustee control, both outcomes that are widely seen as serving President Tayyip Erdogan's political calculus. The postponement could intensify turmoil within the CHP and also raise new concerns over Erdogan's increasing reliance on "lawfare" – the strategic use of legal tools to undermine political opponents.

## **LATIN AMERICA**

## Mexico

**Recent events suggest that US pressure on Mexico could be building after a period of relative calm.** The US Treasury on 25 June imposed sanctions on three Mexico-based financial institutions accused of money laundering related to fentanyl trafficking. The US State Department also introduced new visa restrictions on family members and business associates of those subject to existing fentanyl-related sanctions. Even if the sanctioned entities themselves are relatively small, the action is a rebuke of Mexican financial regulation and could presage further US action against drug trafficking organizations and/or their financial networks. Notably, one of the entities is owned by Alfonso Romo, who was former president Andres Manuel Lopez Obrador's chief-of-staff and once a main link between AMLO and the local business community.

## Brazil

**Congress will vote to lower fiscal incentives following its rejection last week of a government-proposed increase of the financial transactions tax (IOF).** The increase in the IOF was key for the government to secure compliance with an agreed zero deficit for 2025, but Congress rejected it after months of to-and-fro with the government. In essence, Congress objected to increasing taxes in the absence of any spending cuts by the government. President Lula will now advance a narrative that Congress is against taxing the rich to pay for social programs and tax reductions for the poor. The strained relations between the government and centrist forces in Congress have reached a high point and will require much effort to prevent a formal rupture of the existing fragile government coalition.

## **AFRICA**

### South Africa

**The government of national unity (GNU) faces a fresh crisis just as the third draft budget is due to be finalized.** The latest standoff has been triggered by President Cyril Ramaphosa's dismissal of the Democratic Alliance (DA)'s deputy trade and industry minister, reviving concerns that the GNU could collapse. The DA is trying to force a broader cabinet reshuffle by pressuring Ramaphosa to dismiss ANC ministers accused of corruption. If Ramaphosa refuses, the DA has threatened to vote against budgets for specific departments (human settlements and higher education), with budget votes for departments and entities scheduled for this week and through 17 July. The DA caucus should still support the Appropriations Bill, due for a vote on 23 July, shortly before the end-July deadline by which the budget must be finalized to avoid a mini-shutdown.

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