

## 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 the latest **US-China** trade talks. Elsewhere, hopes of a **US-Japan** deal this week recede, **Italy's** five referendums look set to fail, and an attempted assassination impacts politics in **Colombia**. Meanwhile, governments in **Poland** and **Spain** look set to hold on amid difficulties, **Brazil** and **South Africa** make progress on fiscal matters, and dynasts in **the Philippines** and **Thailand** face investigatory pressures.

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

### GLOBAL SNAPSHOT

With the US and China holding trade talks in London on 9 June, we ask our China analysis lead [Gabe Wildau](#) to look ahead.

#### What precipitated the latest negotiations?

The talks stem from US President Donald Trump's phone call with Chinese President Xi Jinping last Thursday, which [rescued bilateral talks](#) from derailing. Export controls will likely top the agenda when Treasury Secretary Scott Bessent, Commerce Secretary Howard Lutnick, and US Trade Representative Jamieson Greer meet the Chinese delegation led by Vice Premier He Lifeng.

#### Have there been any notable developments on the Chinese side?

Following the presidential call, Chinese regulators reportedly granted temporary licenses for the export of rare-earth products to the top three US automakers, who had suffered under restrictions on [exports of rare earth magnets](#) imposed in early April. But rare earth exports will remain subject to cutoff at short notice if US-China relations deteriorate. Separately, Vice Premier He will also hold trade negotiations with UK officials during a visit that will last until 13 June.

### WHAT TO WATCH

#### ASIA-PACIFIC

##### US/Japan

**Hopes that a trade deal could be reached this week appear to be receding.** Tokyo's trade envoy Ryosei Akazawa downplayed the prospects of an imminent breakthrough following the fifth round of cabinet-level meetings on 6 June, although he is expected to return to Washington this week for further talks. Tokyo had previously signaled that PM Shigeru Ishiba might himself visit Washington ahead of the Canada G7 Summit beginning 15 June if a deal seemed close, but talk now is of Ishiba and US President Donald Trump holding an "exchange" in Canada. [Domestic political dynamics](#) also incentivize Ishiba to prolong the negotiations until after 22 June.

## Philippines

**The Senate will convene on 11 June to receive testimony from prosecutors from the lower house regarding the charges against Vice President Sara Duterte.** However, instead of focusing on the charges, the upper chamber may instead engage in a discussion on whether the trial can proceed even after the current Congress concludes its term and a new one commences on 30 June. An early termination of the trial would be detrimental to the administration of President Ferdinand Marcos Jr., as it would affirm the Dutertes' political power. Conversely, if the trial were to continue, it could have adverse consequences for the Duterte family given the corruption charges. The final session of the Senate's current term is on 13 June.

## Thailand

**Two events this week will return the focus to former PM Thaksin Shinawatra, both of which are related to the police hospital stay that allowed him to avoid jail time following his return and while awaiting a royal pardon.** The first is an investigation by the Supreme Court into whether government officials improperly granted Thaksin's request for hospital confinement. The second is a decision by the medical profession's regulatory council on whether to uphold sanctions against the doctors that issued the medical certificates that facilitated Thaksin's transfer to a police hospital.

## **EUROPE**

### Poland

**The lower chamber of parliament (Sejm) is expected to reaffirm its confidence in Prime Minister Donald Tusk's coalition government in a vote scheduled for 11 June.** Tusk initiated the motion to reinforce unity among the four ideologically diverse governing parties and to present his updated policy agenda, following the opposition-backed Karol Nawrocki's victory in the presidential election last week. Despite the likely passage of the vote, Tusk's government stands politically weakened and will have to navigate internal divisions, fiscal constraints, and the prospect of presidential vetoes of its reform agenda. Tusk's failure to deliver on his electoral pledges would likely bolster Euroskeptic opposition parties ahead of the next parliamentary elections due in late 2027, or potentially earlier if political instability leads to snap elections.

### Italy

**Five referendums on strengthening labor rights and easing citizenship requirements look set to fail due to low turnout.** With turnout at just 22% as of 1pm on 8 June, the referendums look unlikely to meet the "50%+1" quorum threshold before polls close at 3pm on 9 June. The initiative, spearheaded by union leader Maurizio Landini and backed by the center-left, aimed to reassert their political relevance but appears to have fallen flat. The low engagement highlights the center-left's ongoing challenges in mobilizing support, while the center-right led by Prime Minister Giorgia Meloni remains securely positioned in government.

### Spain

**Around 50,000 people gathered in a demonstration in Madrid to protest the Socialist-led government of Prime Minister Pedro Sanchez and demand an early general election.** The protest, which was organized by the center-right main opposition Popular Party (PP), portrayed the current government as a "mob," underscoring the high degree of political polarization in the country. Last week, opposition leader Alberto Nunez Feijoo mooted a possible no-confidence vote against the government, but in the current parliamentary landscape, this would be highly unlikely to succeed.

## **LATIN AMERICA**

### Colombia

**A senate plenary discussing a labor reform bill on 9 June may be suspended following the [attempted assassination](#) on 7 June of Miguel Uribe, the opposition senator who remains in a critical condition.** Opposition parties resurrected the labor reform in May as the senate simultaneously rejected President Gustavo Petro's plan for a referendum on his version of the labor reform proposal. Petro could use any delay to press ahead with his latest maneuver to set in motion a referendum via decree. Any such move would trigger legal challenges and likely raise political tensions even higher. It is not clear whether the attack against

Uribe will convince Petro to hold off on his decree or de-escalate tensions by postponing rallies planned for 11 June. The senate has until 20 June to pass the labor reform.

## Brazil

### **Congressional leaders and the finance minister agreed to preserve increases in the financial operations tax (IOF).**

Negotiations concluded on June 8, and the results will be presented to President Lula da Silva on June 10, when he returns from France and the congressional deadline expires. The result is a lower IOF increase, combined with other tax increases (such as on betting operators and fixed-income investment instruments issued by Brazilian banks) and a commitment to structural changes (such as tax relief reductions and administrative reform). Both Congress and the government will claim political victory from the compromise, while expected revenues from IOF increases have decreased from BRL 20bn (USD 4bn) to under BRL 7bn.

## **AFRICA**

### South Africa

**The National Assembly will vote on Finance Minister Enoch Godongwana's third 2025 budget on 11 June.** The erstwhile coalition holdout against Godongwana's fiscal framework and revenue proposals – the Democratic Alliance (DA) – has run out of reasons to oppose the budget. This should guarantee broad parliamentary support within the government of national unity (GNU) coalition, whose ten parties hold 287 of 400 National Assembly seats. Another potential obstacle to the package has also failed in court – the Economic Freedom Fighters (EFF)'s legal challenge against a fuel levy increase. This settles the immediate coalition deadlock around the budget, though the Treasury's medium-term fiscal and debt challenges will remain.

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