

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 developments. Meanwhile, **Mexico**, **Japan**, and **South Asian** countries seek progress in their respective trade relations with the US, while **China** and **ASEAN** work towards upgrading their own trade framework. Elsewhere, **Ukraine** plans a major cabinet reshuffle, **Romania's** government is set to survive a no-confidence vote, the prime minister's grip on power weakens in **Thailand**, and **Cameroon's** president plans to seek re-election.

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

GLOBAL SNAPSHOT

With the US now threatening to impose 30% tariffs on the EU, we ask our deputy research director [Carsten Nickel](#) to look ahead.

What are the implications of US President Donald Trump's latest threat?

While the 30% rate is higher than the 20% imposed earlier but then halted, it is lower than the 50% rate previously threatened for 9 July. As such, this latest move could suggest a modest, albeit tentative, atmospheric shift in what remains a confrontational negotiation.

How is the EU likely to respond in the coming days?

The overlap of trade with military and security issues — including the evolving question of Ukraine support — should be watched this. The EU may be preparing retaliation measures but will tread carefully before triggering them. Likewise, coordination with other trading partners is welcome but will do little to lower Europe's immediate dependence on American markets and security support.

WHAT TO WATCH

ASIA-PACIFIC

China/Southeast Asia

China and the Association of Southeast Asian Nations (ASEAN) have agreed to submit their upgraded free trade agreement to national leaders for final approval in October. Chinese Foreign Minister Wang Yi made the announcement on Sunday following the East Asia Summit in Kuala Lumpur. The so-called "3.0 version" of the China-ASEAN Free Trade Trea covers sectors including the digital economy, the green economy, and supply chain connectivity. Negotiations began in November 2022 and were completed in May this year.

Japan/US

Japan's trade team may have their first and only round of talks on home soil this week, when US Treasury Secretary Scott Bessent visits the World Expo in Osaka on 19 July. Though the [new 1 August baseline tariff](#) hike deadline is fast approaching, substantive developments are unlikely at this stage, with the Japanese side unable to make major concessions before the [Upper House election](#) being held on 20 July. The last ten days of the month are likely to see more intense negotiations, with Tokyo still wanting Washington to remove the additional 25% tariff on its crucial autos sector exports.

Thailand

Prime Minister Paetongtarn Shinawatra is scheduled to file her reply with the Constitutional Court on 16 July to charges filed by 36 senators seeking her dismissal for alleged ethical violations. However, media report that the prime minister might ask for another 15 days to submit her defense. The charges relate to a 15 June phone call with former Cambodian leader Hun Sen, and the controversy caused the Bhumjaithai party to leave her coalition, which now has a very thin majority in the lower house. The situation in Bangkok has eased temporarily, but her government's survival remains very uncertain.

South Asia/US

South Asian nations will step up their respective efforts this week to negotiate trade terms to protect critical export sectors, with the 1 August baseline tariff deadline looming. India, under pressure from Washington over dairy import rules, seeks tariff rates below 20% while safeguarding politically sensitive industries ahead of the Bihar elections. Pakistan is nearing a potential agreement to avoid a 29% tariff by offering increased crude oil imports, expanded mining-sector access, and a possible strategic partnership backed by up to USD 1bn in US Export-Import Bank financing. Bangladesh is bracing for a 35% tariff from 1 August, jeopardizing over USD 10bn in garment exports and endangering millions of jobs in its export-dependent economy. Meanwhile, Sri Lanka is lobbying to reduce a 30% duty on apparel — threatening 2.4% of its GDP — and regain parity with [Vietnam's 20% rate](#).

EUROPE

Ukraine

On 14 July, Ukrainian President Volodymyr Zelensky announced plans for a major “managerial transformation,” which might take place as soon as this week. It is expected to include the replacement of Prime Minister Denys Shmyhal with Yulia Svyridenko, currently serving as First Deputy Prime Minister and Minister of Economy. The cabinet reshuffle is likely part of Zelensky's broader effort to restore public trust in the government following a series of corruption scandals and declining morale amid intensified Russian air attacks. One current cabinet member is also reportedly set to be appointed as Ukraine's new ambassador to the US, replacing Oksana Markarova, who has struggled to build close ties with the Trump administration. Kyiv is also hoping for an announcement of new US military assistance during the anticipated Trump's statement on Russia/Ukraine on 14 July.

Romania

Prime Minister Ilie Bolojan's coalition government is expected to comfortably survive a parliamentary vote of no confidence scheduled for 14 July. The motion was initiated by right-wing opposition parties in response to the government's decision to adopt a [fiscal consolidation package](#) via an expedited legislative procedure. If the motion fails, the package will come into effect without amendments. While investors welcome swift fiscal consolidation efforts, the measures are likely to erode the government's popularity and test the cohesion of the diverse governing coalition in the months ahead.

LATIN AMERICA

Mexico

The government is seeking to clarify the reach of the US's new 30% tariff on imports from Mexico, which US President Donald Trump has threatened to impose from 1 August. The main question is if there would be an exemption for goods that

are compliant with the United States-Mexico-Canada Agreement (USMCA). The government claims that 87% of Mexican goods exports to the US are compliant, which would mean the new 30% levy would only apply to the remaining 13%, which are already subject to a 25% tariff. If the new rate is applied across the board, the impact would be far more consequential. Trump may also be using the new 30% rate as a negotiating ploy. Both sides are already in talks as the government pushes for a “general agreement” with the US that encompasses all areas of the complex bilateral agenda. The two sides have eighteen days before the latest deadline to reach a deal.

AFRICA

Cameroon

President Paul Biya has publicly confirmed his candidacy for the upcoming presidential election, [as anticipated](#).

The president made the declaration on 13 July, via a post on his official X (formerly Twitter) account. This followed an 11 July presidential decree convening the electorate and setting 12 October 2025 as the date.

[Client Portal >>](#)

Geopolitical Research

+44 20 7186 8894

Macro@teneo.com

© 2025 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo. To unsubscribe click [here](#).