

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 **Japan's** Upper House election campaign. Meanwhile, **China** imposes new trade restrictions on the **EU**, **Latin American** capitals brace for US tariff announcements, and problems grow for **Greece's** government. Elsewhere, **Colombia's** frictions with the US increase, **Romania** pursues fiscal consolidation, lawfare continues apace in **Turkey**, and a group of **African** leaders will attend a summit in the White House.

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

GLOBAL SNAPSHOT

With Japan's Upper House election campaign getting into full swing this week, we ask our Japan analysis lead [James Brady](#) to look ahead.

What is the importance of this election?

By the numbers, 125 of 248 seats in the second chamber of the Diet will be contested on 20 July, with each seat having a six-year term. Campaigning got underway on 3 July, with cost-of-living issues dominating the policy debates, alongside responses to US tariffs, social security reform, immigration policy, and national security. Broadly, the election is seen as a referendum on the performance to date of the LDP-Komeito minority government, led by Prime Minister Shigeru Ishiba since the October 2024 general election.

What is the outlook for the government?

The ruling LDP-Komeito coalition has set a modest target, aiming to retain at least 50 of the 66 seats it is defending, which would be enough to preserve its majority in the second chamber. Opinion polling suggests the race could be close. The LDP seems to be improving slightly after months of low polling, while the opposition parties have lately lost some of the momentum they gained after the last general election. A weak performance by the governing parties would not affect their Lower House position but could further complicate legislative efforts in the second chamber, while a very poor showing may threaten PM Ishiba's leadership.

WHAT TO WATCH

ASIA-PACIFIC

China/EU

European Union medical device companies are set to be excluded from public procurement contracts in China, unless those companies have subsidiaries in China. The finance ministry's announcement, on 6 July, is in retaliation for EU's barring of Chinese medical device public procurement inside the bloc, a decision taken in January following a nine-

month European Commission investigation. Beijing's move follows Chinese top diplomat Wang Yi's visit to Brussels last week, where he met EU officials to prepare for a leaders' summit in Beijing later this month.

South Korea

Private household consumption is set for a boost after the government of President Lee Jae-myung approved a supplementary budget totaling KRW 31.8tn (USD 23.3bn) on 5 July. Headline measures include [cash transfers of up to USD 370 per person](#) to help stimulate consumption and improve the growth outlook amid fears of the impact of the US tariff global tariff war on export-oriented manufacturers. Separately, South Korea's trade minister and top national security official will visit Washington this week for meetings with counterparts, with a fresh announcement on the US's so-called "reciprocal tariffs" expected before 9 July.

EUROPE

Turkey

Ankara's chief prosecutor has launched a new investigation into the chairman of the main opposition Republican People's Party (CHP). The allegation is that Ozgur Ozel insulted President Tayyip Erdogan and threatened public officials during a speech condemning the arrests of three CHP mayors. The mayors were detained in early-morning raids on 5 July, part of a prolonged campaign that has already ensnared dozens of opposition figures. The effort to weaken and delegitimize the CHP through the use of the judiciary is likely to continue in the months ahead.

Greece

Prime Minister Kyriakos Mitsotakis' government is struggling amid the growing fallout from [the OPEKEPE scandal](#), amid a deepening sense of systemic failure within key institutions. The main opposition party, PASOK, is expected to push this week for a judicial inquiry into two former ministers over alleged misuse of EU agricultural subsidies. The crisis could deepen further given the ongoing investigation by the European Public Prosecutor's Office (EPPO) into the farm subsidies, and potential probes into the misuse of Recovery and Resilience Facility (RRF) funds and the management of EU funds allocated for migrant support.

Romania

On 7 July, parliament is set to adopt a fiscal consolidation package proposed by Ilie Bolojan's coalition government. The legislation, tied to a confidence vote, includes a VAT hike from 19% to 21%, higher excise taxes, and removal of some health fund exemptions, effective 1 August. Further tax increases — including on dividends, banks, and gambling — are planned for early 2026, alongside a freeze on state salaries and pensions. The government estimates the measures will cut the 2025 deficit by RON 23.3bn (1.2% of GDP). Despite trade union protests and falling approval, a second fiscal consolidation package is planned later this year.

LATIN AMERICA

US/Region

Latin American governments are watching closely as the US is expected to start announcing updated tariff policies from 7 July. Most of the region was spared in the original April list, but Guyana, Nicaragua, and Venezuela face elevated rates if suspended tariffs are reinstated — Nicaragua's economy would be most affected. Governments are hoping key exports like oil and copper remain exempt. A separate threat of tariffs on countries aligning with BRICS may complicate ties for Chile and Uruguay. Mexico, not on the original list, is pushing for relief on steel and aluminum and seeking a broader US deal covering trade, security, and migration.

Colombia

The US on 3 July cited “baseless and reprehensible statements” from “the highest levels” of Colombia’s government as it recalled its most senior diplomat in the country for consultations. These statements likely refer to President Gustavo Petro’s suggestion that US Secretary of State Marco Rubio discussed removing him from office. Petro has since walked back his accusation without apologizing, while recalling Colombia’s ambassador to Washington and proposing a new bilateral agenda unlikely to gain traction with the Trump administration. Continued turbulence in bilateral relations looks possible, given Petro’s erratic tendencies, the resignation last week of foreign minister Laura Sarabia over a separate issue, and the threat of other unspecified measures from the US.

AFRICA

US/Africa

Five African presidents have reportedly been invited to Washington from 9 to 11 July for a summit with US President Donald Trump. The agenda is expected to center on commercial diplomacy — especially critical minerals — as well as security cooperation, including against jihadism and drug trafficking. The invitees include Senegal’s Bassirou Diomaye Faye, Liberia’s Joseph Boakai, Gabon’s Brice Clotaire Oligui Nguema, Mauritania’s Mohamed Ould Ghazouani and Guinea-Bissau’s Umaro Sissoco Embaló.

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