

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 outcomes of the **US-South Korea** summit. Meanwhile, the US threatens fresh tariffs on **China** over rare earths, **India's** prime minister visits China and Japan, and **Brazil** investigates a major corruption scandal. Elsewhere, **Thailand's** prime minister awaits a crucial court ruling, **Lithuania** gets a new government, and wildfires have political consequences in **Spain**. Finally, **Argentina's** government faces a new corruption scandal ahead of key elections, while student-led protests in **Indonesia** seem unlikely to spread.

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

GLOBAL SNAPSHOT

Following South Korean President Lee Jae Myung's White House summit with Donald Trump on 25 August, we ask our Senior Advisor [Victor Cha](#) to look ahead.

What were the key takeaways from the meeting?

Overall, the visit was viewed as a success by Lee's team, with seemingly good personal chemistry between the two leaders. Both sides signaled alignment on re-engaging North Korea, with Trump committing to meet Kim Jong-un before the end of the year. Positions on China also appeared close, while security discussions also seemed to go smoothly, though troop reductions and the cost-sharing issue remain unresolved.

What about economic issues?

On the economic side, there was agreement conceptually on shipbuilding cooperation, which may take the form of South Korea investing in US shipyards for local production, building vessels domestically for export to the US, or exporting components for assembly in US yards. There appear to be more difficulties on broader trade and investment. While headline numbers have been set, many details are still being hammered out between the US Commerce department and their Korean counterparts.

WHAT TO WATCH

ASIA-PACIFIC

US/China

President Donald Trump said on Monday that China must sell rare earth magnets to the US or else "we have to charge them 200% tariff or something," adding that the threat of tariffs gives the US "tremendous power" over China. Trump's comments mark a departure from generally friendly US rhetoric towards China in recent months, but it is unclear if the statement signals new obstacles in ongoing US-China [trade talks](#).

India

Prime Minister Narendra Modi will visit China on 31 August for the Shanghai Cooperation Organisation (SCO) summit, marking his first trip there in seven years amid efforts to reset strained bilateral ties. The visit will follow Modi's trip to Japan from 29 to 30 August, and comes as India signals interest in de-dollarization, with the central bank easing rupee settlement rules. Despite high-level diplomacy, structural limits in India-China economic ties remain given a relative lack of complementarities, though investment channels may reopen selectively, as seen in New Delhi's recent greenlight for Chinese investment in an Indian semiconductor plant.

Thailand

The Constitutional Court will rule on 29 August on the dismissal case against suspended Prime Minister Paetongtarn Shinawatra. She is charged with ethical violations by 36 senators, who claim she undermined national sovereignty during a call with former Cambodian leader Hun Sen. If Paetongtarn is forced to step down, there are several possible replacements from her For Thais (PT) Party or United Thai Nation (UTN), though none are popular. The prospect of potentially weak or distracted government may raise expectations of early elections being called.

Indonesia

Student-led demonstrations will take place early this week to express anger over reports that members of parliament are receiving a monthly housing allowance of about USD 4,800. The protests are likely to remain contained unless they spread to other sectors, such as via labor unions. However, the labor unions have separate interests to students, and they are more vulnerable to being co-opted by the government. Nonetheless, with economic conditions generally unfavorable, the government may be facing more latent discontent going forward.

EUROPE

Spain

Spain will declare nearly all regions as disaster zones on 26 August after a severe wildfire season, unlocking emergency aid and tax relief, with only the Basque Country excluded. The extensive wildfires have also brought growing scrutiny of the government's response. Debate over fire prevention has intensified with cross-party calls to boost public investment, which has halved over the past decade. Near-term government expenditure in the area is set to increase, while political polarization is set to continue.

Lithuania

Lithuania's parliament approved former social affairs minister Inga Ruginiene as prime minister on 26 August, tasking her with forming a government within 15 days. Ruginiene was nominated by the Social Democratic Party (LSDP) and will lead a coalition with the populist Dawn of Nemunas (NA) and the Lithuanian Farmers and Greens Union (LVZS). Despite expected policy continuity on defense and economic competitiveness, there may be public concern and even protests regarding the inclusion of the populist NA in government. Ruginiene's relative lack of political experience may complicate coalition management and limit her parliamentary influence.

LATIN AMERICA

Brazil

A Congressional committee this week starts an inquiry into BRL 6bn (USD 1.1bn) in fraud in the national pension system (INSS) spanning the last three administrations. The committee will investigate irregular deductions from low-income retirees' benefits during the presidencies of Michel Temer (2016-18), Jair Bolsonaro (2019-2022), and Lula da Silva (since 2023), highlighting longstanding governance and oversight failures. The proceedings are likely to deepen Lula-Bolsonaro polarization

as the latter faces criminal trials and the former grapples with fragile congressional support. Limited government control over the inquiry committee could impact Lula's political recovery amid a nascent rebound in public approval ratings.

Argentina

President Javier Milei's government is under pressure following leaked audio alleging kickbacks involving his sister and chief-of-staff, Karina Milei, in a public drug procurement scheme. The recording implicates Karina in dealings tied to the disability agency ANDIS, raising concerns given her pivotal role in the administration. The timing is sensitive, with Buenos Aires provincial assembly elections on 7 September and partial national midterms looming in October. President Milei has been hoping for strong election results to help sustain his economic reform agenda, but further corruption leaks in the coming weeks could erode public trust and weaken the electoral performance of the governing Liberty Advances (LLA).

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