

## 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 heightening tensions between the **US** and **India**. Meanwhile political leadership in **Japan** and **Thailand** each face a challenging week ahead, a **Turkish** parliamentary commission will meet regarding PKK disarmament, and progress continues towards a **Democratic Republic of Congo (DRC)-Rwanda** peace deal. Elsewhere, **Mexico** is working towards a bilateral security deal with the US while **China** raises security concerns about proposed US legislation impacting Nvidia's H20 chip.

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

### GLOBAL SNAPSHOT

Tensions between **Washington** and **New Delhi** have intensified after Donald Trump announced a 25% tariff on Indian goods and threatened penalties for purchasing Russian oil. We ask our South Asia Advisor, Arpit Chaturvedi, to look ahead.

#### How will India respond?

While some public refiners have recently cut Russian oil orders due to diminishing discounts, India is likely to continue buying Russian oil, particularly through private sector firms, while ongoing Russian investments in India suggest long-term energy ties will remain intact.

#### What is the likely political and economic impact?

The Indian government has projected a modest GDP impact from the tariffs of up to 0.3%, but this likely underestimates the risk from diverted trade if US importers shift demand to lower-tariffed countries. Trade talks are set to resume in mid-August, with both sides still aiming for a deal by September.

### WHAT TO WATCH

#### ASIA-PACIFIC

##### US/China

**The Communist Party's most authoritative mouthpiece said in a 1 August commentary that Nvidia must provide "convincing security proofs" to address concerns surrounding the H20 chip.** A day before the *People's Daily* piece, China's cyberspace regulator expressed concerns about proposed US legislation that would require Nvidia to install geolocation technology to prevent diversion to countries or factories that US export controls forbid. In July, the Trump administration reversed a ban on H20 sales to China that it had imposed in April.

##### Japan

**Prime Minister Shigeru Ishiba faces a crucial week for his political future, with a formal meeting of Diet members from his ruling LDP set to be held on 8 August.** Growing numbers of the party are calling for Ishiba to step down

following the 20 July election in which the ruling coalition lost its Upper House majority. Ishiba has said that he does not want to create a political leadership vacuum, but a strong rebellion at the meeting would make it increasingly difficult for the prime minister to continue in office into September, when LDP leadership contests are traditionally held.

## Thailand

**The Constitutional Court has set 4 August as the non-extendible date for suspended Prime Minister Paetongtarn Shinawatra to submit her answer to the charges that seek her dismissal for alleged ethical misconduct.** This allows for a court ruling sometime in late August or early September. Her father, former prime minister Thaksin Shinawatra, also faces important court dates in the next few weeks: 22 August for a verdict in the lese majeste case filed by the previous government and 9 September on whether he improperly failed to serve his prison sentence upon his return.

## **EUROPE**

### EU

**Following the high-level trade deal with the US, the coverage of entire industries – such as the wine and beauty sectors crucial to France – remains dubious.** The publication of a joint statement should therefore be watched this week, with the promised zero-for-zero tariff list of special interest. In parallel, the results of the US investigations into separately tariffed steel and aluminum, pharmaceuticals and semiconductors, are still being awaited.

### Turkey

**A newly formed 51-member parliamentary commission on PKK disarmament will meet on 5 August to set its procedures, amid renewed peace talks with the PKK.** The focus is squarely on managing the group's disarmament, with no indication of concessions to broader Kurdish demands. Overall, the current peace process appears less about liberalization or expanding political inclusion, and more about consolidating President Recep Tayyip Erdogan's power. Despite government optimism, public opinion over the initiative is split.

## **LATIN AMERICA**

### Brazil

**The third of a recent series of pro-Bolsonaro protests on 3 August was marked by the absence of the former president and current rightwing presidential hopeful governors.** The president was barred from taking part in person due to restrictions by the Supreme Court (house arrest and ankle bracelet), and joined by phone instead. Most notably, the best evaluated potential successor to Bolsonaro, Sao Paulo Governor Tarcisio de Freitas, did not attend, as three other prominent rightwing governors who until recently openly supported the former president. These governors have been distancing themselves from Bolsonaro, but the move has become more explicit following the announcement of 50% tariffs against Brazilian imports by the Trump administration. A 3 August poll showed that 61% of the electorate would not vote for a candidate that commits to annulling the former president's conviction.

### Mexico/US

**President Claudia Sheinbaum said that a bilateral security agreement was close to fruition and could be sealed within days.** Her remarks followed a telephone conversation with Donald Trump on 31 July, in which he agreed to maintain the current tariff regime on Mexican imports for a further 90 days. Sheinbaum was vague about the contents of any deal, saying only that it would involve further measures to reduce fentanyl trafficking and increase intelligence-sharing. It is unclear if the leaders discussed collusion between politicians from the governing National Regeneration Movement (Morena) and cartels, a delicate issue for Sheinbaum. Any bilateral security agreement would send a positive signal about the chances of reaching a wider trade deal ahead of the new late-October deadline set by Trump.

## **AFRICA**

**The implementation of the Democratic Republic of Congo (DRC)-Rwanda peace deal continues with the first joint oversight committee meeting held in early August.** On 1 August, the first meeting of the joint oversight committee – part of the Washington#brokered peace agreement – took place with participation from the US, African Union (AU) and Qatar, marking a new stage in implementing the June accord. Meanwhile, negotiations with the M23 rebel group are due to begin no later than 8 August, aiming for a final peace agreement by 18 August. This week’s developments will be critical in monitoring whether troop withdrawals, FDLR disarmament, and restoration of state authority progress as promised.

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