

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 **French** legislative elections. Meanwhile, **Thailand's** constitutional court will consider a dissolution case against an opposition party, voters will go the polls in the **UK** general election, federal spending is in focus in **Brazil**, and **South Africa's** president has announced his cabinet. Our graph of the week zooms in on **British and French voters' top concerns**.

Should you have questions or wish to discuss any of these stories in greater detail, please do not hesitate to reach out to us!

GLOBAL SNAPSHOT

The National Rally (RN) of Marine Le Pen and Jordan Bardella won around 34% of votes in the first round of the **French** legislative elections on 30 June. Our Europe expert [Antonio Barroso](#) analyzes the situation.

Will the RN lead the next government?

The far-right party is in a strong position to win a plurality of seats in the second round on 7 July. However, the high number of three-way races makes it difficult to estimate whether the RN can obtain an absolute majority. The key thing to watch in the coming days is whether the cues given by political leaders to vote against the RN have any impact.

Who is trying to organize majorities against the RN?

The leader of the far-left France Unbowed (LFI), Jean-Luc Melenchon, has asked leftist candidates in third position to withdraw their candidacy to prevent a victory by the RN candidate. Meanwhile, senior figures from the pro-Macron camp have called on voters not to support either the RN or any candidate from LFI.

WHAT TO WATCH

ASIA PACIFIC

Mainland China/Taiwan

The mainland Chinese government said Taiwanese should feel welcome to visit the mainland despite guidelines threatening severe punishments, including the death penalty, for advocates of Taiwanese independence. The statement by the mainland's Taiwan Affairs Office on Friday was as response to a travel warning from Taiwan's government issued on Thursday, which advised citizens not to travel to the mainland unless absolutely necessary. China's security agencies and top court issued guidelines on 21 June for "punishing 'Taiwan independence' diehard separatists for committing crimes of secession."

Japan

Would-be challengers to Prime Minister Fumio Kishida are beginning to emerge, ahead of the ruling LDP's triennial party-presidential election in September. Former party secretary-general and defense policy enthusiast Shigeru Ishiba looks set for a fourth tilt at the top job, while current digital agency minister and deregulation-minded nuclear power opponent Taro Kono appears to be planning what would be his third leadership attempt. Economic security minister Sanae Takaichi, a foreign policy hawk, seems certain to launch her second leadership campaign, while incumbent LDP secretary-general Toshimitsu Motegi, a stalwart of the party's old guard, has also given heavy hints of his intentions to run. Kishida himself has yet to commit to seeking a second three-year term as leader, with one close aide recently unable to say if Kishida would run.

Thailand

The Constitutional Court will meet on 3 July to deliberate on the dissolution case against the opposition Move Forward Party (MFP). The Election Commission sought MFP's dissolution because of its position that the country's royal defamation rules should be revised. The court could issue its ruling or defer its decision. However, we expect that the Court will eventually rule against the party and order its dissolution. Also, on 3 July, the EC is expected to release the official results for the Senate elections. Although the senators are supposed to be non-partisan, a significant portion of the expected winners are affiliated with the conservative Bhumjaithai Party, followed by the opposition Move Forward Party (MFP). The senators can no longer vote for the prime minister, but the weak showing of For Thais (PT)-affiliated candidates will add to the perceived political challenges facing the party.

EUROPE

Germany

Senior members of Chancellor Olaf Scholz's traffic light coalition continue their negotiations about the 2025 budget. While initially expected for sign-off in cabinet this week, the deadline for the accounts has been delayed to 17 July. However, for this date to be realistic, political agreement would probably be required by the end of this week. As none of the three parties has good outside options, eventual agreement remains the most likely outcome. This would make coalition survival until the September 2025 Bundestag elections more likely.

Serbia

A free trade agreement (FTA) between Serbia and China is coming into effect on 1 July. It underlines deepening economic and political relations between the two countries. The agreement, signed back in October 2023, is expected to cover 90% of the products traded between the two countries, but will exclude some agricultural products. Belgrade hopes that its good trade relations with China and largest Western markets (including the EU and the US) will boost the country's attractiveness for foreign investment.

Turkey

The Energy Market Watchdog (EPDK) announced a 38% hike on electricity prices for households on 1 July, further complicating the Central Bank's disinflation efforts. On the same front, the Household Inflation Expectations Survey carried out in June by Konda and Koc University indicates that Turks expect year-end inflation to reach 93%. This is more than double the rate envisaged by markets, a finding that highlights the difficulty facing policymakers in cooling domestic demand and regaining credibility. The Turkish Statistical Institute (TÜİK) will release the nationwide June inflation data on 3 July.

UK

Voters will go to the polls in the general election on 4 July. The opposition Labour party is expected to win, with Sir Keir Starmer replacing Rishi Sunak as PM. Apart from the exact size of Labour's majority, the key item to watch is the magnitude of the Conservatives' defeat – and the inroads Nigel Farage's Reform party might be able to make. Infighting on the wider political right will also have implications for Starmer's room of maneuver as he faces calls for building out public services amid very limited fiscal leeway.

LATIN AMERICA

Brazil

The government enters the week with a renewed focus on reviewing federal spending. This follows an increasing credibility crisis in the conduct of public accounts reflected in a 15% rise of the dollar in the first half of the year. This culminates efforts by the government to try and comply with the agreed fiscal framework by relying on tax revenues expected from higher economic growth as opposed to spending cuts. President Lula has resisted cuts despite efforts by Finance Minister Fernando Haddad to reorient efforts away from revenues and towards cost reductions. A collegiate of ministers will lead the work starting with a spending review focused on low priority, inefficient or ineffective spending. Chief among the expenditures to be examined in that context are social security benefits. The president will continue to worry about possible effects on his popularity, particularly in a municipal election year that works as a bellwether for the 2026 presidential elections.

Venezuela

The presidential election campaign officially gets underway from 4 July ahead of the 28 July vote. The opposition candidate Edmundo Gonzalez, backed by the main opposition figurehead Maria Corina Machado, will hold a joint rally in Caracas on 4 July before heading to Barinas, the home state of the Chavez clan and until 2021-22 *Chavismo*'s electoral stronghold. Machado has meanwhile accused the regime led by President Nicolas Maduro of intensifying its harassment of opposition campaign staffers and organizers and upping its disinformation campaign; more of this should be expected over the next four weeks as the regime looks to generate apathy among the electorate. In parallel, the regime will presumably have used a dry run of the vote held yesterday, 30 June, to hone any plan it might have to engineer an electoral fraud.

MIDDLE EAST AND AFRICA

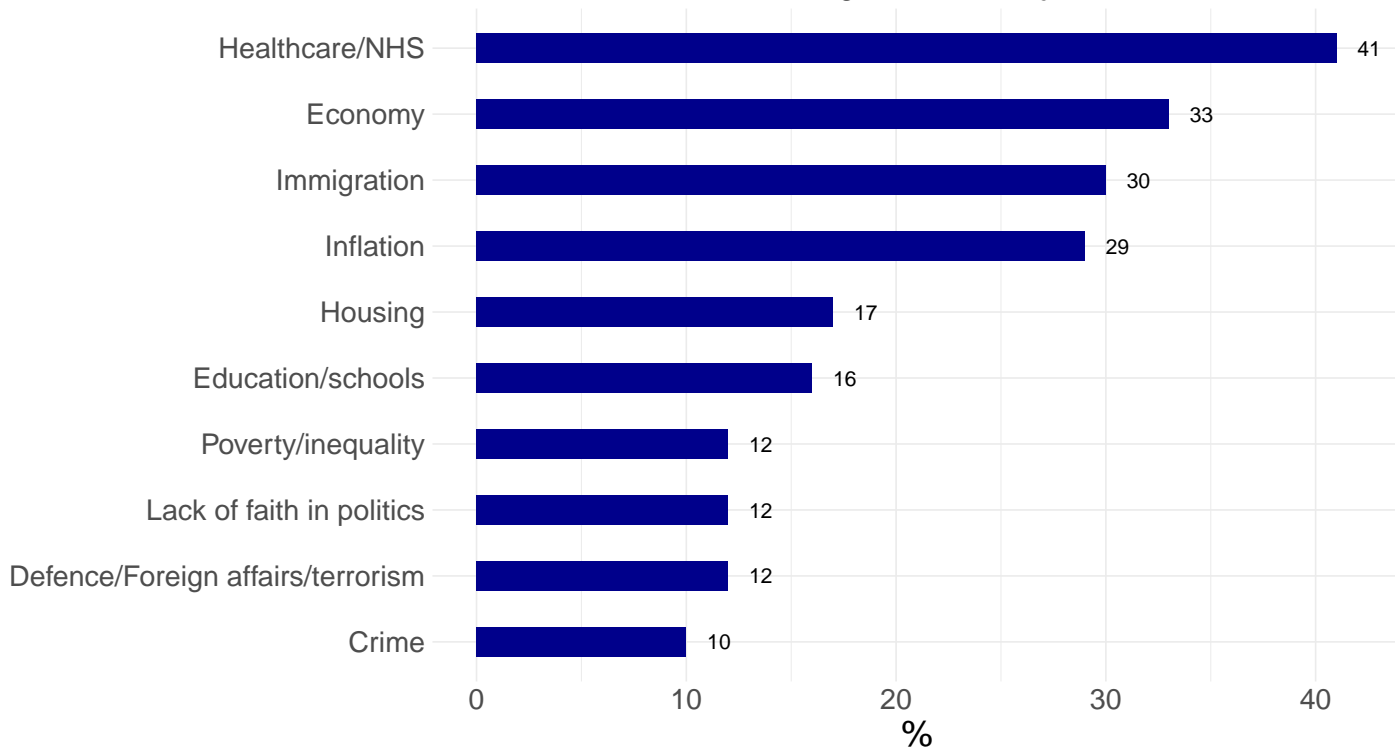
South Africa

Late on 30 June, President Cyril Ramaphosa announced his cabinet. Following days of tense cabinet negotiations and brinkmanship, particularly between the ANC and the Democratic Alliance (DA), the very fact that the cabinet has been finalized will allay fears that the historic 'GNU' coalition arrangement – now incorporating 11 parties – could collapse even before getting off the ground. The cabinet size is bloated, but the composition is a broadly pragmatic mix that should broadly favor economic reforms, even if the government's stability and policy cohesion will be constant tensions to be negotiated.

GRAPH OF THE WEEK

Most important issues for UK voters

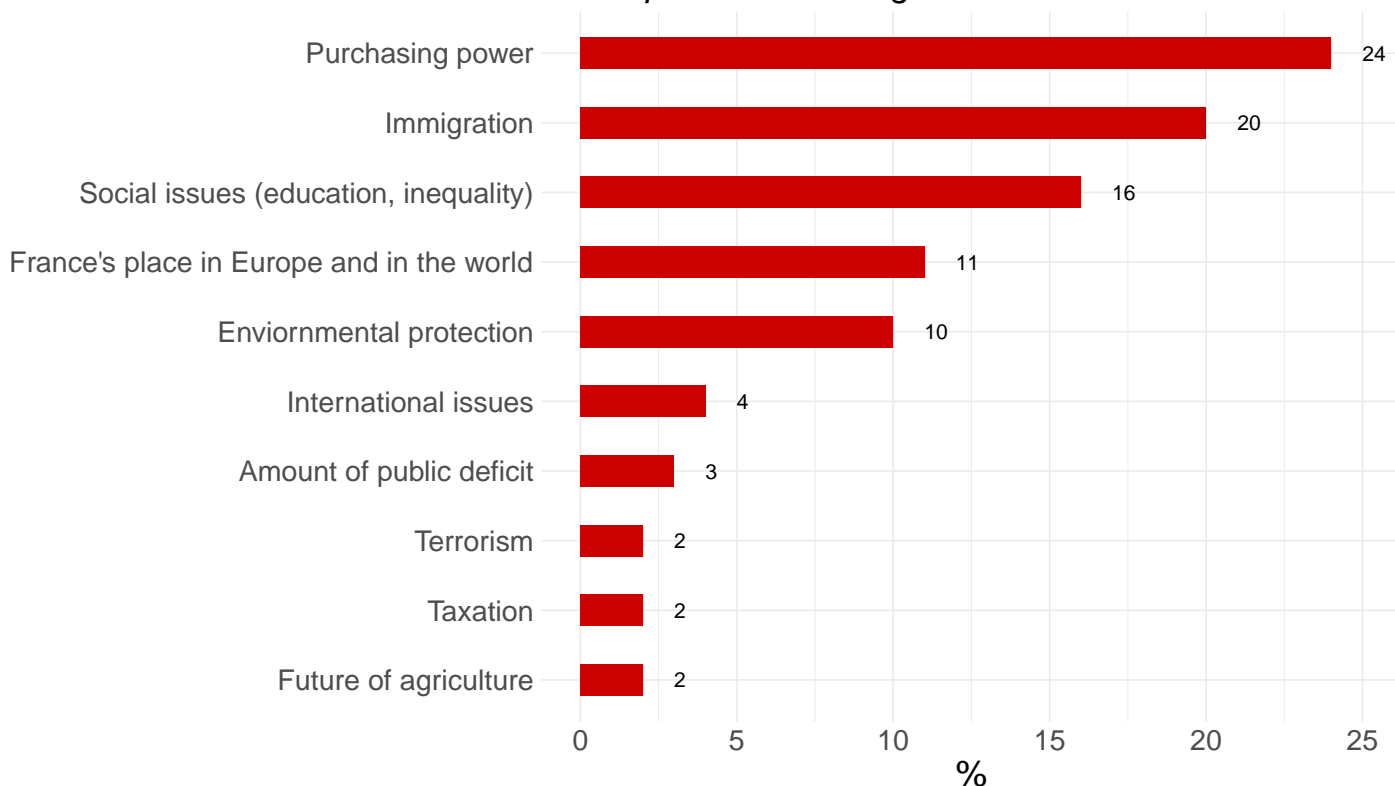
What do you see as the most important issue facing Britain today?



Source: Ipsos (5–11 June 2024)

What concerns French voters

Top concern driving vote choice in EU elections



Source: Ipsos (27 June 2024)

Economic issues, the cost of living, and immigration are **top concerns for voters** in the UK and France in important elections. In France, voters are focused on the cost-of-living crisis, immigration, the educational system, social inequalities, and the

environment. Similarly, in the UK, voters prioritize issues where Labour is perceived as more competent, such as the public health system, the economy, and inflation. The campaigns in these two countries demonstrate that electorates with similar concerns can manifest their preferences in different ways, influenced by their respective institutional settings and the varying programmatic offerings of political parties. In addition, anti-incumbent voting appears prominent in both countries due to the unpopularity of ruling parties.

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