

## 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 election of the **European Commission** president. Meanwhile, **China** has criticized a new **US** law regarding Tibet, the **UK** government's agenda will be outlined in the king's speech, and political and fiscal uncertainty linger in **Kenya**. Our graph of the week zooms in on **feelings of economic vulnerability**.

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

Ursula von der Leyen is likely to be confirmed for another term as president of the **European Commission** on 18 July. Our Europe expert [Carsten Nickel](#) analyzes the situation.

#### Will the vote be close?

Members of the newly elected European Parliament will likely rubberstamp the agreement reached by member state leaders. However, support for von der Leyen might be narrow. The three groups traditionally supporting the Commission – the center-right People's Party (EPP), the Social Democrats (S&D) and the Liberals (Renew) – will largely vote for her. However, there will be some defections.

#### Which are the defections to watch?

Some groups of MEPs such as the French center-right will vote against von der Leyen, making her dependent on the Greens. Once the Commission president is elected, the EPP might side with the strengthened far-right on individual policy files. This raises questions about the outlook in key areas such as the green transition.

### WHAT TO WATCH

#### ASIA PACIFIC

##### US/China

**China's foreign ministry said that a new US law that implies support for Tibetan separatists “grossly interferes in China's domestic affairs” and threatened unspecified countermeasures.** The Tibet Dispute Act, which US President Joe Biden signed into law on Saturday, calls on Beijing to reach a negotiated settlement with Tibetan leaders and to protect the region's cultural, religious, and linguistic identity.

#### EUROPE

##### Estonia

**On 15 July, Prime Minister Kaja Kallas (Estonian Reform Party, RE) submitted to President Alar Karis (independent) a resignation request ahead of her anticipated appointment as the EU's next foreign policy head later this year.** Kallas will now lead the government in a caretaker capacity while Karis holds talks with all parliamentary parties before nominating a new candidate to form a government. The most likely candidate to replace Kallas is the climate minister Kristen Michal (RE), who is expected to continue leading the current three-party pro-Western coalition government. If approved, Michal is expected to prioritize fiscal consolidation and the strengthening of defense capabilities, which might lead to some tax hikes.

## UK

**Following Labour's general election victory, King Charles III will formally open the new parliament on 17 July.** The king's speech will outline the new government's key legislative plans. With the cabinet already focused on its growth agenda, working towards planning reform and the creation of a national wealth fund, surprises are unlikely. More interesting will be Chancellor Rachel Reeves' first autumn budget later in the year. Speculation continues that targeted tax hikes might be likely to prevent cuts to public services.

## **MIDDLE EAST AND AFRICA**

### Kenya

**Political and fiscal uncertainty linger following weeks of unprecedented anti-tax protests.** President William Ruto has dismissed most of his cabinet; it is still uncertain when he will announce his new executive and a even cabinet including members from the official opposition is unlikely to appease the protesters. Following Ruto's earlier rejection of the controversial finance bill, the government over the weekend tabled a supplementary budget to align lower revenue forecasts with spending cuts, with the budget deficit expected to increase slightly, from a projected 3.3% to 3.6% of GDP. How the cuts are distributed and implemented will be crucial for political legitimacy and future borrowing requirements.

### Nigeria

**President Bola Tinubu is expected to meet with the heads of the two largest unions this week as part of ongoing negotiations over an increase in the national minimum wage.** The exact date of the meeting has yet to be disclosed, but failure to reach an agreement on a new national minimum wage continues to pose a risk of another disruptive strike action that could further exacerbate growing public anger against the government over perceived economic hardships. Currently, there appears to be no consensus by both parties on the issue, and the unions have threatened to disrupt public services if the government does not meet their demands for the minimum wage to be increased from NGN 30,000 (about USD 20) per month to their latest proposal of NGN 250,000 (roughly USD 166).

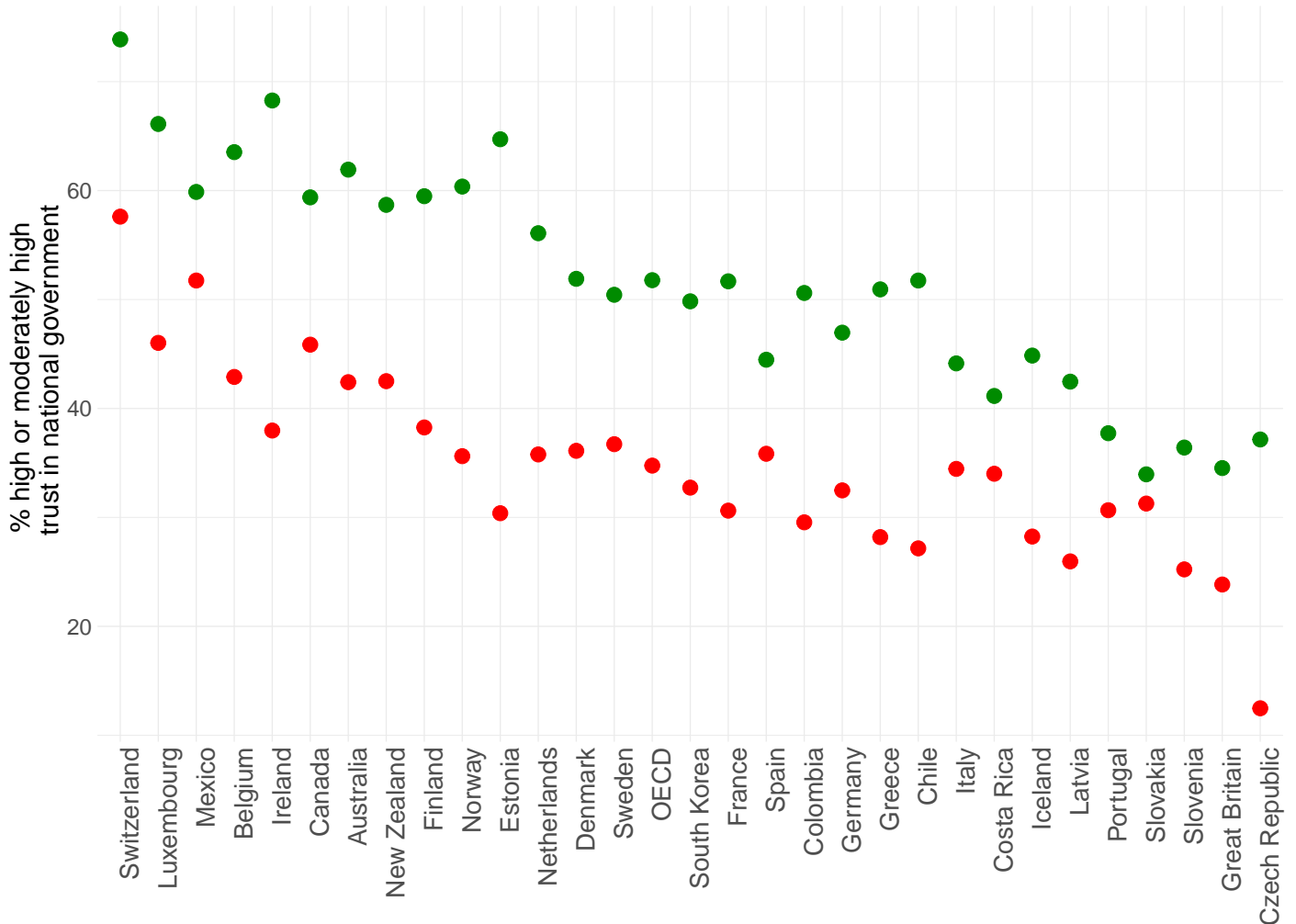
### South Africa

**President Cyril Ramaphosa's new 'Government of National Unity' (GNU) cabinet convened for the first time on 13-14 July.** While the bloated cabinet will be continually scrutinized for its durability and coherence, initial reports from the cabinet lekgotla (gathering) managed to convey a sense of unity and purpose. The question is whether such early optimism can translate into tangible and speedy policy implementation and an improved macro outlook. Ramaphosa's Opening of Parliament Address (OPA) on 18 July is to outline the GNU government's agenda.

## **GRAPH OF THE WEEK**

## Economic insecurity is highly correlated with low trust in governments

● High level financial concerns ● Low level financial concerns



Source: OECD Trust Survey 2023

**Feelings of economic vulnerability** tend to be associated with low trust in national governments across OECD countries. On average, only 35% of individuals who are worried about their economic prospects have high or moderately high levels of trust in governments, while this number rises to 52% for those with fewer economic worries. Similarly, university degree holders and those who do not feel part of a discriminated group report higher levels of trust in government. These gaps also exist in high trust countries, such as Switzerland, Canada, and northern European countries. As populist parties tend to succeed in contexts of widespread distrust, economic worries might need to be addressed to avoid a vicious cycle of distrust and populist success.

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