

## 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 road ahead for **South Korea** after President Yoon's impeachment. Meanwhile, the **US** and **China** are renewing a science cooperation deal, the Bank of **Japan** will decide on another rate hike, and **France's** new prime minister is trying to make a budget deal. Elsewhere, **Germany's** president must decide whether to call early elections, **Vietnam** looks set for major political reforms, and **Turkey** will hike its minimum wage.

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

Following Yoon Suk-yeol's Impeachment by the National Assembly, we ask our Senior Advisor for the Korean peninsula [Victor Cha](#) to look ahead.

#### What is the near-term roadmap for the impeachment now?

The Constitutional Court now has up to 180 days to adjudicate on the validity of the impeachment but has taken only 2-3 months to rule in such cases in the past. If it upholds the parliament's decision, a new presidential election must be held within 60 days. Hence, acting president Han Duck-soo may be in office for 4-6 months.

#### How is the impeachment likely to impact domestic politics and foreign policy?

Paradoxically, domestic governance could improve in the near-term, as the acting president looks likely to engage more constructively than Yoon did with the opposition-controlled National Assembly. The Democratic Party leader Lee Jae-myung leads early public opinion polls for the next president, and a DP victory in that election would give the party control of both the legislative and the executive branches of government. However, on foreign policy, South Korea risks being left behind in the coming months as other countries move quickly to build relationships with the incoming Trump administration in the US.

### WHAT TO WATCH

#### ASIA-PACIFIC

##### US/China

**The US and Chinese governments renewed a bilateral agreement on science cooperation on 13 December, with the deal updated to include "robust national security guardrails," according to the US State Department.** The US-China Science and Technology Agreement promotes cooperation across various scientific fields, but the chair of the House of Representatives' select committee on China last week called on the Biden administration to suspend its efforts at renewing the deal. John Moolenaar, a Republican, said the Biden administration's talks with Beijing over the deal were "a clear attempt to tie the hands of the incoming administration."

##### Japan

**The Bank of Japan may hold off a fresh rate hike when its monetary policy committee meets on 18-19 December.** Bank governor Kazuo Ueda seems to think that domestic economic data are moving in the right direction to support what would be the [third hike since March](#), but may opt to take additional time to evaluate inflation and wage data and the impact of Donald Trump's return on the US economic outlook.

##### Vietnam

**Details are emerging of what could be the most sweeping overhaul of the political system in decades.** The plan involves eliminating five ministries through mergers, reducing the number to 15. Several legislative committees would also

be dissolved or merged. Within the Communist Party, certain committee functions like foreign affairs and health would be transferred to the government. The goal appears to be a purely technocratic effort to streamline control and reduce inefficiencies caused by the dual party-state mechanism.

## Myanmar

**Thailand is hosting two meetings this week on Myanmar.** The first, starting on December 16, includes representatives from neighboring countries Bangladesh, China, India, and Laos. The second, on December 20, will involve foreign ministers from interested ASEAN countries. Myanmar may hold [elections in 2025](#) and is likely seeking Bangkok's help to gain regional and ASEAN recognition, despite the expected lack of free and fair elections and likely rejection of the polls by Western governments.

## EUROPE

### France

**After the naming of Francois Bayrou as prime minister, the veteran centrist lawmaker is meeting with leaders of all parties represented in the National Assembly.** In parallel, a so-called special law is being debated in both houses of parliament this week, to effectively roll over the 2024 budget and ensure continued tax collection. In his talks, Bayrou will try to win the tacit support of moderate center-left MPs with proposals to amend the tax-hiking and expenditure-cutting 2025 budget of Bayrou's censured predecessor Michel Barnier. Even if such a deal can be achieved, the longevity of the new government remains in question. Topics such as pension reform and immigration have the potential to create renewed frictions between center-left and center-right at any time.

### Germany

**Following the no-confidence vote in the Bundestag, Chancellor Olaf Scholz will formally report the result to Federal President Frank-Walter Steinmeier.** The president has 21 days to decide whether to dissolve the Bundestag and call early elections. However, Steinmeier has signaled for weeks that he supports cross-party plans for snap elections on 23 February. Both Scholz's Social Democrats (SPD) and the opposition Christian Democrats (CDU/CSU) will present their manifestoes on 17 December. The SPD plans to reform the debt brake and increase taxes for higher income earners, contrasting with CDU/CSU proposals for tax cuts and preserving the debt brake. These clear-cut alternatives could help Scholz and the SPD, whose poll numbers have lately begun to improve.

### Russia

**President Vladimir Putin will hold an annual "Direct Line" call-in show alongside his year-end press conference on 19 December.** Among other things, this highly choreographed event will provide insights into the Kremlin's official views on potential ceasefire talks with Ukraine, relations with the West, and mounting economic challenges at home. Putin's show will follow the EU's adoption of a fifteenth round of restrictive measures, primarily targeting Russia's oil exports, with similar new sanctions potentially following from the US in the coming weeks. Meanwhile, Russia's central bank is facing a difficult decision on whether to hike key interest rate above 21% at its meeting on 20 December.

### Turkey

**The second meeting of the Minimum Wage Determination Commission took place on 16 December to consider the minimum wage for 2025.** The commission— which consists of representatives of the government, employers, and workers— will have further meetings throughout December and the new minimum wage will likely be announced on 31 December. The current minimum wage for a worker is set at around TL 20,000 gross per month, and TL 17,000 net after deductions. The market consensus is that the wage hike will be around 25%, but our expectation is for a 30-35% increase. The hike will affect some nine million workers.

## LATIN AMERICA

### Brazil

**The arrest of the first four-star general to be detained since Brazil's re-democratization in the 1980s will put pressure on conservatives to define their approach to former president Jair Bolsonaro.** General Braga Netto, Bolsonaro's former defense minister and running mate in the 2022 elections, was arrested on 14 December for interfering with federal police investigations. He was indicted along with Bolsonaro and 35 others for involvement in a coup attempt following the election of current president Lula da Silva. The arrest aims to prevent further interference by the general, and will further divide conservatives, especially within Bolsonaro's PL party. Both right-wing politicians and the military have remained relatively quiet about the arrest. Bolsonaro and Braga Netto have been declared ineligible for election until 2030 following three decisions by the electoral court (TSE) since October 2023.

### Ecuador

**President Daniel Noboa has promised that energy rationing will end on 20 December.** According to Noboa, the resumption of electricity imports from Colombia, improved rainfall levels, and repair work on various thermal and hydro plants have led to the improved energy outlook. However, the incorporation of additional capacity may not be as significant as claimed. Large industrial users have been told that they will be cut off from the national grid (SNI) for the final two weeks of this year. These users include Ecuador's two steel and three largest cement plants, as well as the large mines at Fruta del Norte and Mirador, which have already been subject to electricity rate hikes. Noboa, who has acknowledged that the electricity crisis has affected his popularity ahead of the elections set for 9 February, has this month rolled out small subsidies for residential consumers that will last until February. Unplanned outages over Christmas would represent a political setback for Noboa, as would the forced resumption of load reduction measures in the first six weeks of 2025.

## MIDDLE EAST AND AFRICA

### Mozambique

**Intensifying post-election protests risk a downward spiral.** Demonstrations first erupted on 21 October and have been met with heavy repression, though a state of emergency has not yet been declared. Border closures and port and transport disruptions, which have begun to affect mining and smelter operations, present worsening downside risks to the economy. At the same time, pressure is growing on President Filipe Nyusi to engage in political negotiations with opposition leaders. The Constitutional Council is set to validate the election results by 23 December, though its review process has faced heavy criticism.

### Nigeria

**President Bola Tinubu is expected to present the proposed 2025 budget to a joint session of the National Assembly on 17 December.** A key issue that will remain in focus is whether the executive will push ahead with proposed tax changes, which has been deeply opposed by state governors owing to potential negative impacts on state government finances.

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