

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 **EU's** possible response to the **US's** so-called "Liberation Day" tariff escalation. Meanwhile, **China** flexes its military muscle, **South Korea** continues to wait for the presidential impeachment decision, and the leader of **France's** far-right faces a ban from office. Elsewhere, **Venezuela** considers the implications of US "secondary tariffs," **Japan's** budget finally passes, but **South Africa's** budget still faces unprecedented uncertainty.

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

GLOBAL SNAPSHOT

With major trading partners bracing for the so-called "Liberation Day" escalation of the US tariff agenda on 2 April, we ask our Deputy Director of Research [Carsten Nickel](#) to explain the view from Europe.

What are we expecting to happen?

The outlook remains far from clear. Last week, President Donald Trump seemed to be considering a more differentiated so-called "reciprocal" approach, while downplaying the overall extent of the tariffs and raising the possibility of exemptions for some countries. However, the latest media reports suggest that the Trump administration could be considering a "universal" tariff of perhaps 20% on virtually all trading partners. Separately, the US also appears to be considering industry-specific tariffs—with critical minerals mentioned as one possible target—which could be applied on top of the other tariffs. The full picture may not emerge for some time.

What options are on the table for the EU to respond?

The EU's response is unlikely to be immediate but will rather overlap with its ongoing response to the earlier US decision on aluminum and steel tariffs. There, the EU is returning to a list of rebalancing measures that the bloc introduced in response to the initial round of tariffs during Trump's first term in 2018. To allow more time for talks both within the EU and with the US, however, the list of EU measures has been delayed until 13 April.

EU member states will likely continue to have diverging views on how forcefully the bloc should push back. This reflects both different levels of national exposure to trade with the US and also the wider geopolitical backdrop, including the war in Ukraine and the looming NATO summit in June. Even formal hardliners among member states remain susceptible to US pressure. For instance, Trump's response to the EU's proposed rebalancing measures—where he threatened 200% tariffs on EU wines and spirits—has apparently led to French attempts to convince the Commission not to target US spirits.

WHAT TO WATCH

ASIA-PACIFIC

[US/China/Philippines](#)

China's military deployed two long range bombers near the Scarborough Shoal in the South China Sea last week, an apparent response to US Secretary of Defense's visit to the Philippines, Reuters has reported. During his visit, Hegseth [announced](#) that the US will deploy new advanced military equipment to the Philippines next month, including the Navy-Marine Expeditionary Ship Interdiction System (NMESIS), a land-based anti-ship weapons system.

South Korea

Seoul remains on tenterhooks as the Constitutional Court continues to set a record for the length of time taken to decide on whether to uphold a presidential impeachment motion. The constitution gives the court up to 180 days to pass judgement on a presidential impeachment, meaning that in theory the decision on Yoon Suk-yeol could come as late as June. But with the terms of the chief justice and another judge set to end later in April, expectations remain high that a decision will come this week or next week at the latest.

Japan

A seamless transition for government expenditure in the new fiscal year has been ensured after both houses of the Diet voted to pass the JPY 115tn (USD 765bn) FY2025 ordinary budget on 31 March. Prime Minister Shigeru Ishiba had created an unprecedented situation by deciding to amend the original draft to remove a hike in medical fee copayments after it had already been passed by the Lower House. However, the government was able to amend, return, and pass the bill in time to prevent disruption. Ishiba caused further controversy on 25 March when he hinted at the possibility of the government introducing a supplementary budget as soon as Q2 to fund a fresh round of counter-inflation measures, which opposition parties perceived as an attempt to influence the upcoming Upper House elections scheduled for July. However, the PM subsequently reversed course on his remarks in parliament.

EUROPE

France

Marine Le Pen, the figurehead of the far-right National Rally (RN), has been banned from running for office for five years, undermining her chances at a fourth presidential bid in 2027. In the short term, the verdict by the Paris criminal court raises the risk that the RN fields a censure motion to test the weakening support for Prime Minister François Bayrou's government. If President Emmanuel Macron were to call parliamentary elections this summer, Le Pen could not currently run to defend her seat in the National Assembly. Convicted for the embezzlement of EU funds during her time as a member of the European Parliament, Le Pen has also been sentenced to four years in jail, two of which must be served in prison. While these latter provisions will only apply after the likely appeal case, the ban from running for office applies immediately.

Turkey

The main opposition Republican People's Party (CHP) will hold an extraordinary congress on 6 April to avert a potential government-appointed trustee amid an ongoing legal crackdown. The move follows an investigation into allegations of irregularities at the party's 2023 congress and the recent detention of former Istanbul Mayor Ekrem İmamoğlu. CHP leader Özgür Özel is expected to be confirmed in his post. Following a massive rally in Istanbul on 29 March, the CHP launched a campaign to demand İmamoğlu's release and call for early elections.

LATIN AMERICA

Venezuela

The US will impose so-called "secondary tariffs" on imports from countries that buy Venezuelan crude from 2 April, with the tariffs being supplemental to any other duties. The US has implicitly acknowledged that tracing may be difficult given the regime's experience in the use of opaque trading intermediaries and so-called "shadow fleet" tankers. However, obscuring the origin of Venezuelan crude would mean selling at a discount, which would still have significant effects on the local economy. The local currency has weakened amid concerns over the impact of these secondary tariffs, while the Trump administration has also announced that it will revoke various sanctions waivers that have allowed oil companies to operate in Venezuela, including several European firms. The impact of these different measures will depend on how long tariffs remain in place, how strictly the US

enforces them, whether exemptions are negotiated, and whether the regime can do anything to change Trump's mind, such as on migration. Venezuelan oil exports to the US will remain tariff-free under the arrangement as it currently stands.

Brazil

House Speaker Hugo Motta agreed to examine a draft bill on amnesty for those involved in events around 8 January 2023, involving supporters of former President Jair Bolsonaro in Brasilia following the inauguration of Lula da Silva. The amnesty could apply to the former president as well, thus freeing him from ineligibility (declared by the electoral court in June 2023). However, it would not provide immunity from the criminal proceedings initiated last week when the first panel of the Supreme Court (STF) accepted charges against him and a close group of aides relating to the plotting of a coup d'état. If Motta approves an expedited process for the bill, it will bypass committee stages and go directly to a plenary vote. The bill has the support of roughly one-third of House members (174) but can pass with a majority of representatives present at the voting session, subject to a quorum of half plus one of the total 513 (257). Even if Congress approves the bill and overrides a presidential veto on it, the STF would still most likely declare it unconstitutional.

AFRICA

South Africa

On 2 April, the National Assembly will consider the 2025/26 fiscal framework, with the budget's passage uncertain for the first time ever in post-apartheid South Africa. The government of national unity (GNU) remains divided over Finance Minister Enoch Godongwana's fiscal plans, with the Democratic Alliance (DA) fiercely opposed to proposing VAT increases. While DA leader John Steenhuisen seems optimistic for a resolution, divisions remain, including over a DA demand for joint control over economic policy. Budgets are usually passed after the start of the financial year, but until now this has been a question of timing rather than securing parliamentary majorities. Beyond the budget, coalition divisions are increasing over how to salvage diplomatic and trade relations with the US.

West Africa

The Alliance of Sahel States (AES) has announced a new 0.5% tariff on imported goods other than humanitarian aid into the bloc, which is comprised of Mali, Burkina Faso, and Niger. The levy is expected to take effect immediately. The move is the latest measure taken by the three countries which broke away from the larger West African bloc, ECOWAS, and could result in economic disruptions in ECOWAS, whose members had previously enjoyed tariff-free trade through its Common External Tariff (CET) regime.

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