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Bloomberg

Balance of Power

Welcome to Balance of Power, bringing you the latest in global politics. If you haven't yet, sign up [here](#). (We will be on a break for the holidays from Dec. 25 to Jan. 1 and return on Jan. 2.)

When your country's finances are in a mess, there's bitter disagreement on what to do about it, and the economy is coming off the rails, who do you call? France's Emmanuel Macron has opted for political big guns of the past.

The president's new cabinet returns two former prime ministers to government along with a [veteran financial operative](#) in Eric Lombard, the chief executive of a two-century-old public financial institution with investments in every corner of the economy.

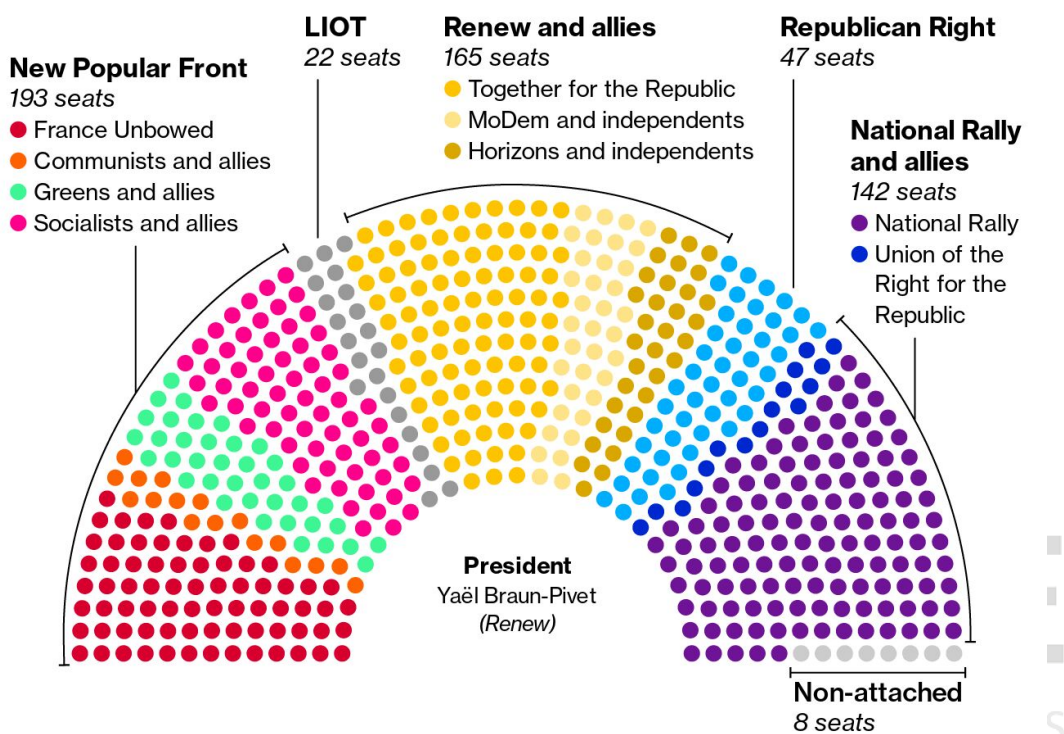
Current Prime Minister François Bayrou has described their task as Himalayan after a fractious National Assembly booted the previous government out of office when it

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tried to [rein in](#) a runaway budget deficit. The economy [is slowing](#) and investors are [losing confidence](#), driving up France's borrowing costs relative to those of peers.

France's Parliament Is Split Among Three Main Camps

Political groups in the National Assembly



Source: French National Assembly
Note: Groups as of Sept. 30.

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On paper, it's quite a coup to bring back Elisabeth Borne, who served as Macron's prime minister until early January, and Manuel Valls, a premier in the government of former Socialist President François Hollande.

Indeed, their credentials on the center left — Finance Minister Lombard also has ties there — give Bayrou a vital olive branch to offer Socialist lawmakers who are in an uncomfortable parliamentary alliance with the far left.

But the new cabinet may not last long. The Socialists and Greens have already slammed it as a near replica of the previous administration and said they will join a no-confidence motion if Bayrou shows no change of direction when he presents his policy agenda Jan. 14.

The risk for Macron and Bayrou is that — if their heavyweights fall — there will be few options left and no chance of elections until the summer due to constitutional rules.

That means that both France and neighboring Germany, where it may take weeks to agree on a new ruling coalition after February's snap election, could be hamstrung by political uncertainty for months to come. The ripple effects will be felt across the European Union and beyond. — [William Horobin](#)



WATCH: Bloomberg's Claudia Cohen looks at the key challenges facing France's new cabinet.

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Global Must Reads

Panama President José Raúl Mulino rallied support from three of the country's former heads of state in defense of its canal following threats from US President-elect Donald Trump to [reimpose US control](#) over the waterway. They signed a statement asserting the nation's independence and autonomy over the channel, while Mexican President Claudia Sheinbaum also expressed solidarity with Mulino.



A bulk carrier navigates through the Miraflores locks of the Panama Canal on Monday.
Photographer: Tarina Rodriguez/Bloomberg

South Korea's main opposition party said it will [propose the impeachment](#) of Prime Minister and Acting President Han Duck-soo today after he indicated he won't promulgate bills seeking to investigate insurrection charges against President Yoon Suk Yeol and multiple allegations against First Lady Kim Keon Hee. Yoon [declared martial law](#) on Dec. 3 to tackle what he said were "anti-state forces," but rescinded it six hours later, sparking a constitutional crisis and public outrage and leading to [his impeachment](#).

China named General Chen Hui as a new political commissar for the People's Liberation Army ground forces, an [unexpected move](#) that signals President Xi Jinping is tightening discipline. The world's biggest military by the number of active personnel has been mired in [corruption scandals](#) and the US Defense Department [has said](#) that probes into suspected graft could hinder PLA modernization goals.



People's Liberation Army Air Force J-10 fighter jets fly in formation during an aerial display in Zhuhai, China, on Nov. 12. *Photographer: Qilai Shen/Bloomberg*

House investigators found “substantial evidence” former Representative Matt Gaetz paid several women — including a 17-year-old girl — for sex and bought and used illegal drugs while in Congress, according to a [bipartisan committee report](#) released yesterday. Gaetz, who Trump initially nominated to be his attorney general, had asked a court to prevent the report's release, but his paperwork was filed incorrectly.

Taiwan's lawmakers blocked all of President Lai Ching-te's nominees for the Constitutional Court, widening the opposition's [efforts to derail his agenda](#). Legislators from the opposition Kuomintang voted against law professor and human rights expert Chang Wen-chen, who had been nominated as president of the Judicial Yuan, and six other nominees.

Ecuadorian President Daniel Noboa lost his [bid to sideline](#) Vice President Veronica Abad ahead of a deadline to transfer power to his No. 2 as legally required for him to begin his reelection campaign.

Bill Clinton entered a Washington hospital yesterday after [developing a fever](#), according to an aide for the former US president.

A US national-security panel has deadlocked on its [review of the sale](#) of United States Steel to Nippon Steel, a procedural development that opens the door for President Joe Biden to block the transaction.

Mozambique's top electoral court declared the ruling party's Daniel Chapo as [president-elect](#) in [disputed Oct. 9 elections](#), triggering fresh protests after weeks of deadly unrest that have rocked the southeast African nation.



Protesters throw stones while clashing with Mozambican riot police in Maputo on Nov. 27.
Photographer: Alfredo Zuniga/AFP/Getty Images

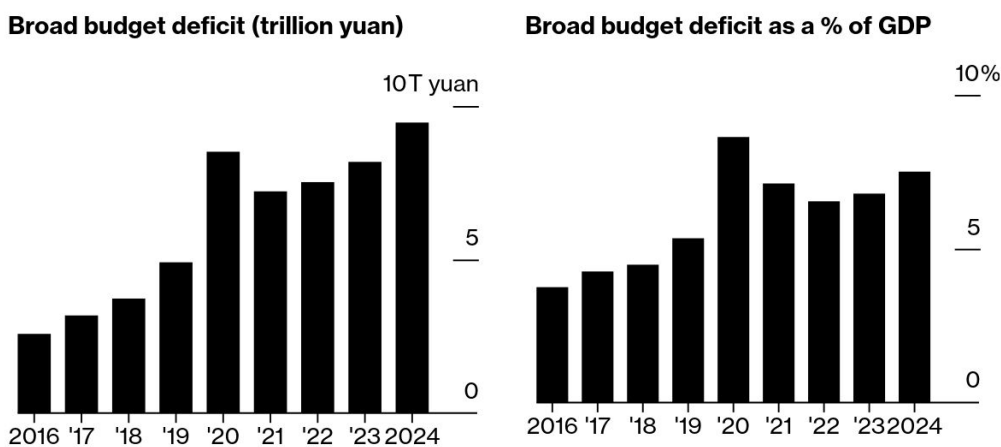
German President Frank-Walter Steinmeier used his traditional Christmas address to urge citizens to focus on what unites the nation rather than be consumed by grief and horror over [Friday's fatal attack](#) in Magdeburg.

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Chart of the Day

China's Fiscal Stimulus Has Been Conservative In Recent Years

Broad deficit includes headline deficit and other official bonds not covered



Source: Government releases, Bloomberg

Note: Broad budget deficit includes the official budget deficit, the quota for new additional local government special bonds and new additional special treasury bonds. The percentage is calculated by dividing the deficit by the nominal GDP of the previous year. In 2023, 1T yuan of special treasury bonds were issued but half of them were reserved for 2024 and counted toward that year.

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China plans to sell a record 3 trillion yuan (\$411 billion) of special treasury bonds next year, [according to Reuters](#), part of a government effort to boost the slowing economy. The funds will be used for consumption subsidies and business equipment upgrades as well as investments in key technology and advanced manufacturing sectors and large state banks, the news agency reported. Greater fiscal stimulus would help the world's second-largest economy buffer against expected headwinds from the incoming Trump administration, which has [threatened to impose](#) steep tariffs on Chinese imports.

And Finally

Trump has again expressed an interest in buying Greenland, the world's biggest island and a [self-ruling territory](#) of Denmark. He put forward the idea previously in 2019 during his first term as president, presenting it as “a large real estate deal” that could ease Denmark's state finances. This time, he called it an “absolute necessity” for [US national security](#) in a social-media posting. Each time, the response from the other side has been a resounding “no,” and it's unclear whether such a deal is even feasible.



Upernavik, Greenland. *Photographer: Mario Tama/Getty Images*

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