

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 **India's** election results. Meanwhile, **China** and the **UAE** aim to strengthen defense ties, more than 400mn **EU** citizens will be called to the polls, Claudia Sheinbaum has won **Mexico's** presidential vote, and **South Africa's** ruling party suffered its worst losses in post-apartheid history. Our graph of the week zooms in on **taxation as an electoral issue in the UK**.

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

Results for **India's** general election will be out on 4 June. Our India expert [Arpit Chaturvedi](#) analyzes the situation.

What are the central scenarios?

Initially, the incumbent Bharatiya Janata Party (BJP) government looked confident in gaining a comfortable majority. However, lower-than-expected turnout and anti-incumbency feelings in some regional pockets have led to parallel anticipations of various alternative scenarios. These include a comfortable or a weakened BJP majority and a hung parliament. The latter could lead to an expanded coalition led by the Indian National Congress (INC).

What would be the impact on policy?

Each of these scenarios are likely to impact policy directions, however, some policy areas such as defense, agriculture, foreign policy, and trade are likely to remain immune to electoral outcomes. Historical precedent suggests that despite policy inconsistencies in coalition governments, the assumption of policy paralysis may not hold true.

WHAT TO WATCH

ASIA PACIFIC

China/Gulf States

China and the UAE aim to further strengthen defense ties, China's foreign ministry said on Sunday. This came three days after a meeting in Beijing between Chinese President Xi Jinping and UAE President Sheikh Mohammed bin Zayed Al Nahyan that yielded a wide-ranging [joint statement](#). Xi and Sheikh Mohamed agreed to strengthen their countries'

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+44 20 7186 8894

Macro@teneo.com

"comprehensive strategic partnership," while Xi and Bahrain's King Hamad bin Isa Al Khalifa, who met on Friday, agreed to establish such a partnership. Both leaders were in Beijing to attend the China-Arab States Cooperation Forum.

US/Indo-Pacific

The 14 members of the Indo-Pacific Economic Framework will hold a ministerial in Singapore on 5-6 June, the first in-person IPEF meeting since November 2023. Besides discussions of implementation progress in the supply chain, clean economy, and 'fair economy' pillars of the framework, the members will also host a 'clean economy investor forum' for businesses. The unresolved trade pillar has almost zero chance of being concluded before the November 2024 US presidential elections. Donald Trump has promised to withdraw the US from the framework if he wins that election, although the terms of the deal mean that the US could not formally exit core elements until three years after IPEF entered into force in February 2024.

EUROPE

Bulgaria

The center-right Citizens for European Development of Bulgaria (GERB) is set to win the snap parliamentary election scheduled alongside the European Parliament (EP) vote on 9 June. However, the general vote will likely result in another fragmented parliament, making government formation challenging. A protracted political crisis could delay Bulgaria's eurozone accession, still targeted for the start of 2025, and stall other reforms.

EU

More than 400mn voters will be called to the polls in the European Parliament elections between 6 and 9 June. The next legislature is likely to be more conservative, with the center-right People's Party (EPP) strengthened relative to its center-left and liberal partners in the traditional centrist coalition, and with the far right gaining seats. The ensuing task of creating a new line-up of leaders for the European institutions – including the influential Commission presidency – could take some time again. Meanwhile, the Commission's decision regarding tariffs on Chinese EVs is due by 4 July but has been delayed until after the elections, reflecting political contestation around the issue.

Turkey

Inflation accelerated more than forecast in May, reaching 75.45%. A year after the (timid) turn to economic orthodoxy, the authorities are still struggling to control inflation. This reading will likely be the worst, but the disinflation process will be long and painful. The current financial tailwinds are largely based on expectations and wishful thinking while the disinflation process faces multiple challenges. The base case remains a failed disinflation process and a likely more authoritarian system of governance.

LATIN AMERICA

Brazil

Brazil will host the Russian Seasons 2024, a cultural event promoted by President Vladimir Putin since 2017 to spread Russian culture around the world. The event, which will start on 17 June in Rio de Janeiro, was to have the presence of the Cultural Ministers of both countries – Margaret Menezes and Olga Lyubimova who was included in the list of sanctions by the US, the EU, and the UK. Menezes has since declined her participation. The event will take place amid a worsening of relations between Brazil and the Ukraine. Volodymyr Zelensky's criticized Brazil's perceived prioritization of "an alliance with an aggressor" at a press conference with Latin American journalists in Kiev last week. Brazil has not confirmed its presence in the "Summit on Peace in Ukraine" on 15-16 June, having instead formalized a joint proposal with China for a meeting with equal participation between Russia and Ukraine.

Mexico

According to the official quick count following the 2 June elections, Claudia Sheinbaum of the governing National Regeneration Movement (Morena) won between 58.3% and 60.7% of the presidential vote. The main challenger, Xochitl

Galvez, who has already conceded defeat, won between 26.6% and 28.6%, while Jorge Alvarez Maynez of the Citizen Movement (MC) obtained between 9.9% and 10.8%. The same quick count, which is based on a statistical sample of ballots, suggests that Morena and its allies have won a two-thirds majority in the lower house but may have fallen narrowly short of the same super-majority in the senate. The new legislature will be in action from September, while Sheinbaum takes office on 1 October; the four-month transition should provide plenty of signals on future policy and government personnel.

MIDDLE EAST AND AFRICA

Ghana

The judiciary will open the High Court today, 3 June, for live media coverage of proceedings related to the recently voted anti-LGBTQ bill. The legislation, which seeks crackdown on individuals who identify as LGBTQ and organizations which support their rights, was unanimously passed by parliament in February. However, President Nana Akufo-Addo has delayed signing it, citing several legal challenges at various court levels against the bill. Today's proceedings will be one of two challenges filed in the High Court, with another two pending in the Supreme Court. The judicial service has granted access for live media coverage for all proceedings related to the bill.

South Africa

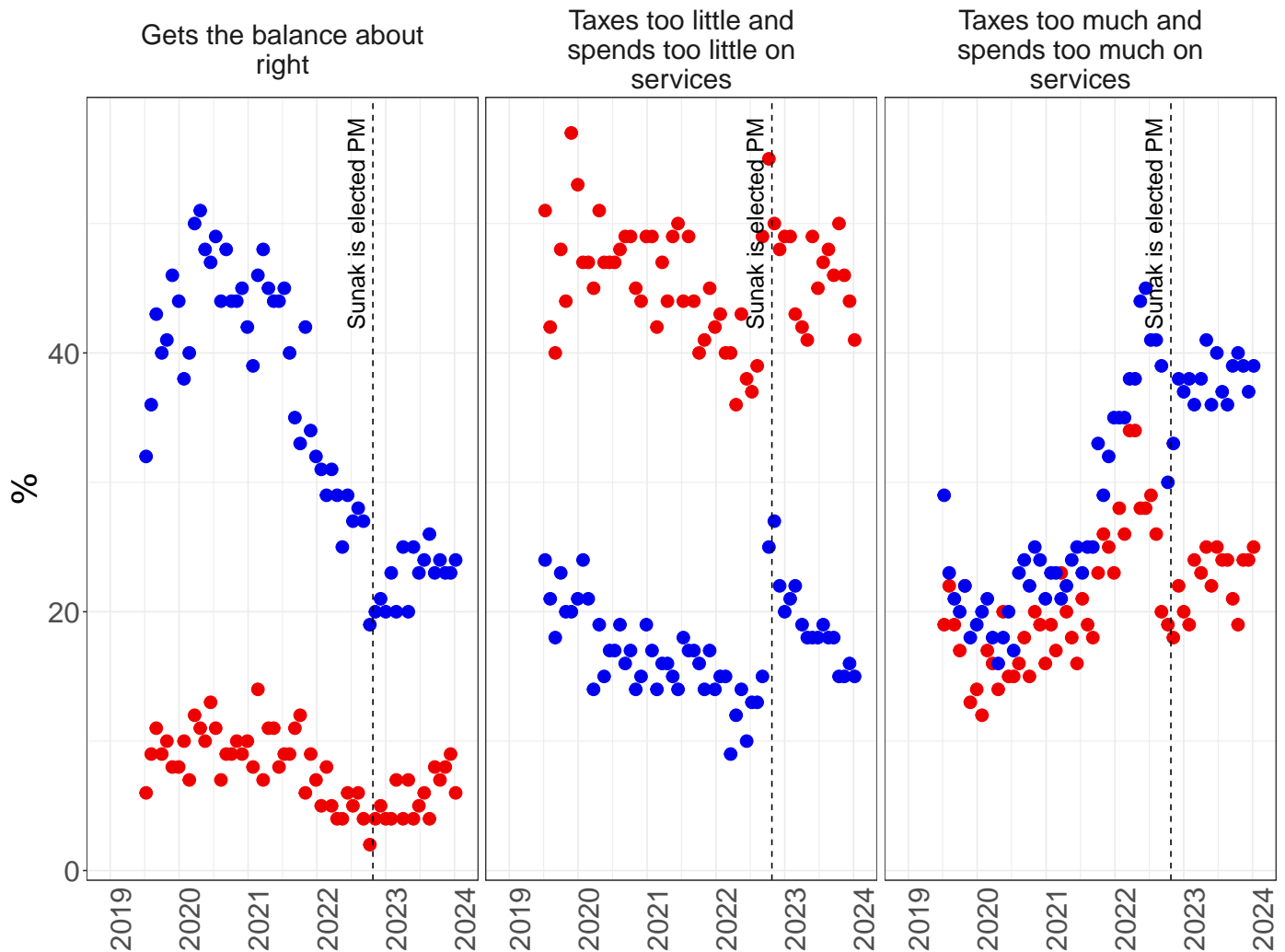
On 2 June, the IEC electoral commission officially announced the results of the 29 May parliamentary and provincial elections. The ANC suffered its worst losses in post-apartheid history, with its national vote share dropping from 57.5% in 2019 to 40.18% in 2024. While the Democratic Alliance (DA) remains the second-largest party (with 21.81%), the standout winner of the election is ex-president Jacob Zuma's recently formed uMkhonto weSizwe (MK) breakaway party, which won 14.58% of the national vote share. By law, the first sitting of parliament must take place within 14 days of the results announcement and elect the speaker of parliament and, crucially, the president. Frantic horse-trading is under way among political parties. Possibilities range from a minority government to multiple coalition agreements. The DA, with some smaller parties, is under pressure to do whatever it takes to secure a coalition agreement – even if only in the form of a confidence and supply arrangement – that could be billed as a unity government. This would be to avert a scenario of any populist deal between the ANC and MK and/or the Economic Freedom Fighters (EFF). The ANC National Executive Committee (NEC) will meet on 4 June. While some NEC members may favor a deal with liberal partners, it cannot be ruled out that key leaders like Gwede Mantashe might favor a deal with MK and/or the EFF.

GRAPH OF THE WEEK

Both Conservative and Labour voters are critical of the current fiscal approach

Do you think the government taxes too much and spends too much on services, taxes too little and spends too little on services, or gets the balance about right?

● Conservative ● Labour



Source: YouGov

Taxation is as a key issue in the lead-up to July's **UK general election**. Survey data show that Conservative voters have grown highly critical of the government's tax-spending mix, with around 40% believing that taxes and spending on public services are too high, while only 23% support the status quo. This may also suggest some compositional changes in the Conservatives' electorate, as polls show Labour winning back voters in the 2019 "red wall" seats, which were more strongly in favour of expanding public services. Meanwhile, around half of Labour's electorate, even more dissatisfied with the government's fiscal approach, believe that taxation levels and public spending are not high enough, leaving some uncertainty about how the other half of Labour's electorate might react to future tax rises.

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+44 20 7186 8894

Macro@teneo.com

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