

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 security situation between **India** and **Pakistan**. Meanwhile, **China's** Politburo declined to unveil new stimulus policies, **Russia's** ceasefire announcement is intended to signal openness to **US**-led ceasefire negotiations, **Colombia's president** wants a referendum on his labor reforms, and **South Africa's** high court suspended a controversial VAT increase.

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

GLOBAL SNAPSHOT

On 22 April terrorists attacked tourists in Pahalgam, Kashmir, killing 26 and injuring at least 17. We ask our South Asia advisor [Arpit Chaturvedi](#) to look ahead.

How has India responded?

This marks the deadliest civilian assault in the region since 2019. Even though Resistance Front (TRF), allegedly linked to Lashkar-e-Taiba, claimed responsibility, New Delhi sees these attacks as sponsored by Pakistan. Prime Minister Narendra Modi and other ministers have vowed revenge and have suspended the Indus Waters Treaty, likely to be a major blow to Pakistan's economy.

What are the implications for regional security?

Both sides have been exchanging fire along the border in limited sectors over the past four days. Scenarios range from surgical strikes to limited skirmishes, and even all-out war. With the opposition and civil society rallying for swift and decisive action, combined with Modi's past record and stated policy of retaliating against terrorist attacks, the prospects for brinkmanship and conflict between the two nuclear-armed nations have sharply increased.

WHAT TO WATCH

ASIA-PACIFIC

Japan

The Bank of Japan is expected to keep short-term interest rates unchanged at 0.5% at its monetary policy committee meeting ending on 1 May (local time). In the quarterly Outlook Report published the same day, the BOJ is set to trim Japan's median economic growth forecast from 1.1% in FY2025 and 1.0% in FY2026, amid global tariff turmoil.

China

The Politburo declined to unveil new stimulus policies at its quarterly meeting on the economy on 25 April, implying top leaders feel confident that economic support measures announced at last month's [annual parliament](#)

[session](#) are enough for now, despite US tariffs. China's GDP grew by 5.4% year-on-year in the first quarter, ahead of expectations and above the government's full year target of "around 5%."

EUROPE

Ukraine/Russia/US

Russia's announcement on 28 April that it will halt military actions in Ukraine from 8–10 May is a political move to signal openness to US-led ceasefire negotiations while shifting attention away from Kyiv's calls for an unconditional 30-day ceasefire. In the meantime, intensive US-led diplomatic efforts to secure a lasting ceasefire between Russia and Ukraine are expected to continue this week as the Trump administration nears its symbolic 100-day mark in office. Despite optimistic rhetoric from Washington, significant differences between Russian and Ukrainian positions on ending the war limit prospects for a durable agreement in the near term.

Spain/Portugal

On 28 April, Spain and Portugal experienced a widespread power outage that disrupted critical infrastructure across both countries, excluding their islands. The blackout has affected communications, train stations, airports, and business activity. Mobile voice calls are down, though data-based services like WhatsApp remain operational. In Spain, hospitals have switched to emergency generators and remain functional, while in Portugal, some hospitals have reportedly cancelled all surgeries scheduled for today. Spanish Prime Minister Pedro Sánchez and Portuguese Prime Minister Luís Montenegro have called emergency meetings. While the exact cause is still under investigation, authorities in both countries are exploring the possibility of a large-scale cyberattack.

Greece

After announcing EUR 1.1 billion in measures for renters and pensioners, the government is expected to roll out additional voter-friendly initiatives to boost its support. Athens is working on a plan to reduce income tax rates, which Prime Minister Kyriakos Mitsotakis aims to present at the Thessaloniki International Festival in September.

Romania

George Simion, the leader of the right-wing Alliance for the Union of Romanians (AUR), is the favorite to win the first round of the repeat presidential election on 4 May. A tight battle for the second place, and a place in the runoff on 18 May, is expected primarily between the governing coalition's candidate, Crin Antonescu, and Bucharest mayor Nicusor Dan, although former prime minister Victor Ponta also holds chances of advancing to the second round. Several events in the final week before the vote could influence voter preferences, including multiple presidential debates, comments from Donald Trump Jr. currently visiting Romania, and a potential endorsement message from Calin Georgescu, the winner of the annulled first-round vote in December.

LATIN AMERICA

Brazil

Fernando Collor de Mello, Brazil's first president elected by direct popular vote, will serve jail time following a corruption conviction. Collor de Mello took office as president in 1990 following the end of a twenty-year military dictatorship in 1985, but faced an impeachment process and left the government in 1992. He was acquitted from a first corruption case during his mandate as president in 1994 and was elected and served as senator for sixteen years (2007-2023). The current conviction refers to receiving BRL 20mn (USD 3.5mn) in bribes from BR Distribuidora, a state-run Petrobras subsidiary, during the government of Lula da Silva's successor Dilma Rousseff (2010-2013). Collor de Mello will be the second former president to face imprisonment following current president Lula da Silva (2018-2019). It comes at a time when the trial of a third former president since re-democratization in 1985, Jair Bolsonaro, is expected to result in his conviction on several charges, including the plotting of a coup d'état following Lula's victory at the ballots in October 2022. Bolsonaro's trial is currently going through the evidence-gathering phase and should occur before the end of this year.

Colombia

President Gustavo Petro is holding a rally on 1 May – Workers’ Day – to coincide with the delivery of a proposed questions for public referendum to the senate. Petro wants a referendum on his labor reforms after they were blocked by a senate committee last month. However, the senate plenary needs to greenlight any referendum. If the upper chamber rejects the referendum, then it would allow Petro to repeat his claim that he is the victim of stonewalling by a political establishment that he says is determined to block him at every turn. The political risks arising from the situation are not so much about the implications of the labor initiative per se because if the referendum goes ahead, it would have a minimal chance of success. Instead, the risk is that Petro intensifies his victimization rhetoric and doubles down on rabble-rousing populism as his presidency unravels under the weight of internal cabinet feuds and successive missteps. Last week, Petro suffered another blow after his former foreign minister Alvaro Leyva accused him of being a drug addict.

AFRICA

South Africa

On 27 April, a high court suspended the controversial 0.5pp VAT increase scheduled to come into force on 1 May. This follows Finance Minister Enoch Godongwana’s abrupt U-turn on 24 April, when he announced the reversal of the hike. However, parliamentary changes would not have come in time, so the court ruling clarifies the messy VAT situation. Yet politically, trust within the government of national unity (GNU) has dropped to an all-time low. Moreover, budget uncertainty remains unresolved, Godongwana has lost credibility, and key budget bills (appropriation and division of revenue) will have to be re-tabled “within the next few weeks.”

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