

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 **India-Pakistan** ceasefire. Meanwhile, the **US** and **China** announce plans to reduce tariffs, the presidents of **Russia** and **Ukraine** could meet in person, and the **Philippines** takes stock of a consequential election. Elsewhere, the PKK's end could help **Turkey's** president; electoral races shape up in **South Korea**, **Poland** and **Romania**; the expanded National Assembly in **Ecuador** gets to work; and **Nigeria** is set to overhaul its tax regime.

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

GLOBAL SNAPSHOT

Following India and Pakistan's ceasefire announcement on 10 May, we ask our South Asia team (asia@teneo.com) to look ahead.

What happened in the last few days?

The ceasefire is set to end the dangerous escalation that had unfolded following April's deadly terrorist attack against civilians in Indian-administered Kashmir. Starting late last week, India and Pakistan launched their respective retaliatory military operations on hard targets that extended beyond disputed Kashmir and into Pakistani and Indian territory, but with civilians on both sides of the Line of Control (LoC) suffering most. Both countries also engaged in extensive disinformation campaigns during the conflict, seeking to control domestic narratives and discredit the other side. These efforts inflamed tensions and created parallel realities, with de-escalation resulting in both sides claiming victories.

The conflict had raised global concerns over the potential for nuclear escalation between the two sides. The US played a pivotal role in mediating the ceasefire, but there is discomfort in some quarters over the optics of a US-brokered peace, especially among political hardliners.

What is the near-term outlook?

At the time of publication, there were positive signs that both sides reaffirmed their commitment to the ceasefire. Modi is expected to make a national address at 8pm local time. Politically, India's ruling coalition may frame the outcome as a show of strength ahead of state elections, while simmering religious tensions could boil over in some instances. Pakistan's military establishment, which had grown deeply unpopular after its May 2023 arrest of Imran Khan and violent crackdown on his supporters, is now likely to cash in on its new image as national heroes.

Moving forward, in addition to being able to maintain the uneasy pause in kinetic action, another key sticking point will be the future of the Indus Waters Treaty. India's holding the treaty in abeyance has sparked concerns in Pakistan about water supply, raising the risk of water becoming a future flashpoint. Furthermore, Pakistan on 10 May indicated that any further aggression from India would be met with a decisive and forceful response on 'economic targets.'

WHAT TO WATCH

ASIA-PACIFIC

US/China

In a [joint statement](#) following two days of negotiations in Geneva, the US and China announced an agreement to reduce trade war tariffs for 90 days pending further talks. Under the deal, the US will reduce its 145% tariff on China to 30%, while China will reduce its 125% tariff on the US to 10%. China also committed to “suspend or remove the non-tariff countermeasures” adopted since 2 April, apparently referring to export controls on critical minerals.

Philippines

Early returns from the midterms indicate a possible third force emerging from the senatorial race — a centrist vote with loyalties to neither the Marcos nor Duterte families. The results so far indicate that the forces that aligned around former Vice-President Leonor Robredo in 2022 are roughly still consolidated in their support for alternatives to the two leading politicians. Senatorial elections are highly popularity driven, but several known names, including former senator and boxer Manny Pacquiao, appear to be losing. This trend slightly improves the political outlook, as it signals that any future contender for the presidency must consider this middle force. It also reduces the probability of Vice-President Sara Duterte being found guilty in a possible impeachment trial. Lower house and local government elections were also held, but the results of these tend to be driven by local patronage and networks and will not be seen as reflecting national sentiment.

South Korea

The official campaign period for the 3 June presidential election kicked off on 12 May, with progressive Democratic Party leader Lee Jae-myung the clear leader in a seven-candidate field. In the conservative lane, hard-right former labor minister Kim Moon-soo will run as the People Power Party's nominee, having narrowly survived an eleventh-hour effort by party leaders to replace him with the more moderate former prime minister Han Duck-soo. But with another progressive stepping aside and the High Court postponing its ruling on Lee's electoral fraud case until after the election, frontrunner Lee's pathway towards victory currently looks clear.

EUROPE

Russia/Ukraine

The mooted in-person meeting between Vladimir Putin and Volodymyr Zelensky on 15 May in Istanbul is unlikely to produce a lasting ceasefire or a comprehensive resolution to the conflict. Beyond the deep personal animosity between the two leaders—compounded by Putin's refusal to recognize Zelensky as Ukraine's legitimate president—their proposals for ending the war remain at odds. Despite the limited prospects for an agreement, both leaders would use the meeting as a platform to portray the other side as the primary obstacle to peace, particularly in the eyes of the Trump administration, which holds leverage over both sides. Additional US and European sanctions on Russia will become more likely if Putin continues to resist a 30-day ceasefire and engagement in further talks.

Poland

Ruling Civic Coalition (KO) candidate Rafal Trzaskowski is the clear front-runner to win the first round of the presidential election on 18 May, with the run-off being held two weeks later. While Karol Nawrocki, the nominee of the conservative Law and Justice (PiS) party, is still expected to become Trzaskowski's rival in the second-round vote, the real estate scandal that has engulfed Nawrocki's campaign during the past week could benefit another right-wing contender, Slawomir Mentzen, backed by the far-right Confederation alliance. The outcome of the election will affect Prime Minister Donald Tusk government's ability to implement reforms and test the appeal of right-wing Euroskeptic politicians in Poland.

Romania

Right-wing opposition candidate George Simion maintains a modest advantage over centrist Bucharest mayor Nicusor Dan in the 18 May presidential election runoff. However, Dan appears to be closing the gap following strong debate performances, support messages from various public figures, and a large pro-Europe demonstration in the capital Bucharest on 11 May, which is part of voter mobilization efforts. As previously noted, Simion's presidency would raise domestic political tensions and heighten uncertainty about the country's future economic policies and geopolitical orientation.

Turkey

The end of the PKK could pave the way for President Tayyip Erdogan's constitutional ambitions. The outlawed Kurdish group PKK, which has led a 40-year insurgency against Turkey, announced on 12 May that it would lay down arms and disband. While hailed by Ankara under the banner of a "terror-free Turkey," the path ahead remains uncertain, with many questions surrounding the group's future. Erdogan's renewed push for peace is widely viewed as a strategic move to fracture the opposition and court support from the pro-Kurdish DEM party. This backing could be crucial for Erdogan's ambition to amend the constitution, and potentially allow him to run for a third term in 2028.

LATIN AMERICA

Ecuador

The newly expanded National Assembly holds its inaugural session of the 2025-29 period on 14 May to select a chamber president and committees. The governing National Democratic Action (ADN) party won 66 out of 151 seats in the February elections but has since announced an agreement with the nine-strong Pachakutik (PK) indigenous bloc and added a defector from the ranks of the main opposition Citizen Revolution (RC) bloc, which is left with 66 seats. The PK's staying power and internal cohesion is far from assured, though with the support of smaller groups and independents, ADN should have enough votes to secure the presidency of the National Assembly—possibly for Annabella Azin, the mother of President Daniel Noboa. Whether ADN can ensure it retains a 77-seat majority over time is uncertain. Noboa's re-inauguration takes place on 24 May.

AFRICA

Nigeria

Following the Senate's approval of four pivotal tax reform bills on 9 May aimed at overhauling Nigeria's tax regime, the legislative process is currently in the harmonization stage. A conference committee from both the Senate and the House of Representatives (which approved the bill in March) is reconciling differences between the respective versions of the bills. Once this process is complete, the finalized bills will be presented to President Tinubu for assent.

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