

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 **Romania's** consequential presidential election result. Meanwhile, the **EU** and the **UK** reach a new deal, **China** imposes fresh tariff duties on the **US** and others, and the leaders of the **US** and **Russia** will speak directly. Elsewhere, **South Africa** faces a crucial week at home and abroad, **Brazil's** pensions scandal plays out in parliament, and the leaders of **Portugal** and **Ecuador** start challenging second terms.

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

GLOBAL SNAPSHOT

Following centrist Nicusor Dan's victory over right-wing candidate George Simion in Romania's 18 May presidential election, we ask our Central and Eastern Europe advisor [Andrius Tursa](#) to look ahead.

What does Dan's victory mean for Romania?

The victory by the Bucharest mayor averted what could have been a highly [disruptive scenario](#), which would have deepened the domestic political crisis and brought major shifts in the country's foreign policy. Following his inauguration, which is expected in late May, Dan's priority will be the formation of a pro-European reform-oriented government. Dan intends to start informal consultations immediately and has mentioned acting President Ilie Bolojan (National Liberal Party, PNL) as his potential nominee to lead the next government. Regardless of the coalition outcome, Dan's constitutional authority to nominate the prime minister provides a safeguard against the inclusion of anti-establishment, right-wing figures in the next government.

What challenges does the new president face?

Looking ahead, Dan will face the challenging task of addressing growing public dissatisfaction with economic inequality and perceived public mismanagement. Adding to the problem is high voter susceptibility to disinformation and social media-driven narratives, which could further fuel support for right-wing, anti-establishment parties and help position them as strong contenders in future elections. Deepening political polarization is reflective of wider trends in Central and Eastern Europe, which has negative implications for the business environment, democratic institutions, and social cohesion.

WHAT TO WATCH

ASIA-PACIFIC

China/trade

China will impose anti-dumping tariffs of up to 75% on imports of engineering plastics from the US, EU, Japan, and Taiwan, the commerce ministry announced on Sunday. The duties on POM copolymers conclude an investigation launched

in May 2024 after the [US imposed tariffs](#) on Chinese electric vehicles, semiconductors, and some other products. China's tariffs range from 4% to 75%, with the US facing the highest rate.

Japan

The first impacts of the US tariff war on Japan's economy will start to show up in economic data for April being released this week. Trade figures published on 21 May will show the initial effect on Japan's exports following the US's sharp shift towards protectionism, while the consumer price index numbers released on 23 May are expected to show accelerating price rises for food and other items. While Prime Minister Shigeru Ishiba remains cool on the idea of cutting the consumption tax rate on food, the government seems open to providing direct cash transfers to lower-income households to offset living cost pressures.

South Korea

The first votes for the 3 June presidential election will be cast this week, as expatriates in more than 100 countries vote at overseas polling stations through 25 May. In the race, progressive Democratic Party candidate Lee Jae-myung retains a strong lead in the polls, exceeding 50% in one recent poll. Meanwhile, People Power Party (PPP) candidate Kim Moon-soo is struggling to win the backing of independent conservative candidate (and former PPP leader) Lee Jun-seok.

EUROPE

EU/UK

The UK and EU announced new agreements covering food and drink, fisheries, passport controls, and defence development funds, following a highly anticipated summit in London on 19 May. However, the outcomes did not contain far-reaching improvements to the trade relationship, reflecting both sides' political red lines. The defence agreement will set the stage for more substantial talks about joint project financing over the coming months. While the EU has until now adopted a hardened stance by linking defense with fisheries issues, it could shift to a more flexible approach going forward.

US/Russia/Ukraine

A telephone call between Donald Trump and Vladimir Putin on 19 May marks the latest attempt by Washington to advance ceasefire talks between Russia and Ukraine. With the Kremlin continuing to resist demands for an unconditional ceasefire and showing little willingness to make major concessions, a key question is whether the Trump administration will try to shift Moscow's position through incentives or increased pressure, such as new sanctions. While this conversation alone is unlikely to bring a breakthrough, a key signpost will be whether the two leaders agree to an in-person meeting in the near future. Such a development could indicate progress on certain deliverables and would represent a major diplomatic win for Moscow, and for Putin personally.

Poland

Although Warsaw mayor Rafal Trzaskowski won the first round of the presidential election on 18 May, strong performances by right-wing opposition candidates points to a tight run-off. In a highly polarized political landscape, the outcome of the run-off will likely depend on each candidate's ability to mobilize their voter bases and attract undecided voters. A Trzaskowski presidency would boost the reform momentum, while a victory by opposition candidate Karol Nawrocki would weaken Prime Minister Donald Tusk's government.

Portugal

As expected, the incumbent center-right Democratic Alliance (AD) led by Prime Minister Luis Montenegro came first in the 18 May legislative election but fell short of a majority. PM Montenegro will lead his second minority government, although this time with the left-wing bloc in a weaker position, after the Socialist Party (PS) suffered their worst electoral defeat since 1987. A major winner was the far-right Chega, which outperformed the polls and is likely to become the second largest party in terms of seats. While a stable parliamentary agreement between AD and the far-right is off the table, the influence of the latter is likely to grow in the coming years.

LATIN AMERICA

Brazil

Congress will focus this week on the social security scandal involving fraudulent deductions from pension payments to low-income retirees. The House on 20 May is set to progress a bill prohibiting automatic pension deductions, while the opposition is pushing to create a parliamentary inquiry committee to investigate the fraudulent scheme. The Lula administration opposes such committees, but government allies in Congress tend to favor them to show that the scheme was initiated under the Bolsonaro administration in 2019. However, illegal deductions have grown significantly since 2023, the first year of the Lula administration.

Ecuador

On 24 May, President Daniel Noboa will be sworn in for the 2025-29 term. Noboa has outlined four priorities for his new administration: fostering economic growth, increasing inward investment and jobs, “defeating” terrorism, and boosting international trade. Economic recovery from 2024’s 2% GDP contraction should be possible, assuming the energy sector is not hit by drought again, but the other priorities will all be much more difficult to achieve. Combatting organized crime is perhaps the most challenging task and will also impact investment inflows. At the same time, political uncertainty has been reduced by Noboa’s clear election victory, his relatively strong position in the new National Assembly, and the opposition Correista movement’s current disarray. Another positive is that the administration appears to have dropped its vague idea of rewriting the constitution, which would have generated legal uncertainty and political friction.

AFRICA

South Africa

President Cyril Ramaphosa is due to meet US President Donald Trump in Washington on 21 May, the same day embattled finance minister, Enoch Godongwana presents a third draft budget. In Washington, Ramaphosa hopes to reset the fraught bilateral relationship, but the risk of a diplomatic dress-down is high given the US administration’s grievances over South Africa’s geopolitical positioning and allegations of ‘white genocide’ against South Africa’s Afrikaner minority. At home, Godongwana hopes that his third draft budget will pass parliament after two prior attempts faltered in the face of divisions within the coalition government. With unpopular VAT hikes quashed, the third budget draft should pass, but how Treasury calibrates spending cuts and debt management will test fiscal credibility.

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