

## WEEKLY POLITICAL COMPASS

Welcome to this edition of the Weekly Political Compass from Teneo's political risk advisory team.

This week, we take a closer look at the outlook for the returning government in **Australia**. Meanwhile, **India/Pakistan** tensions remain high, **China's** Xi Jinping will attend **Russia's** Victory Day celebrations, and **South Korea's** presidential election race is firming up. Elsewhere, **Brazil's** president reacts slowly to a pensions scandal, **Turkey** takes further steps to prop up the Lira, and **Argentina**, the **Philippines** and **Romania** gear up for elections.

As always, we welcome your questions or comments at [Macro@teneo.com](mailto:Macro@teneo.com).

### GLOBAL SNAPSHOT

*Following the Labor government winning a second term in Australia's 4 May federal election, we ask Teneo Australia's government and public policy practice lead [Mike Hertel](#) to look ahead.*

What are the party-political implications of PM Anthony Albanese's large victory?

Labor will govern with an outright majority in the House of Representatives with at least 85 seats in the 150-seat parliament. Labor has also achieved an improved position in the Senate, which could sideline independent senators, allowing Labor to pass legislation with the support of either the Greens or the Coalition. Meanwhile, the Liberal-National Coalition faces a major rebuild with only 39 seats, while coalition leader Peter Dutton lost his own parliamentary seat.

What is the domestic policy outlook for the new government?

Domestically, the economy will be at the forefront of Labor's second-term agenda, with the party aiming to lift productivity growth from its recent six-decade low. Whether this can be achieved through the Albanese government's center-left economic agenda — which has seen greater government intervention in the economy, increased industrial relations protections, upwards pressure on wages, and a heavy reliance on renewable energy for future energy needs — will be a key metric of success.

And what about foreign policy?

Australia's relationship with the US will remain high on the foreign policy agenda. Prime Minister Albanese's election campaign benefited significantly from differentiating Labor from Trump-style politics, but Albanese will now need to manage this relationship across several critical issues, including trade, national security, and the trilateral AUKUS partnership that also included the UK. The prime minister will likely look to work more closely with other center-left governments, like the UK and Canada, to manage current global challenges.

### WHAT TO WATCH

#### ASIA-PACIFIC

## India

**India has halted the flow of water through a key dam on the Chenab River, days after suspending the Indus Water Treaty with Pakistan.** New Delhi has also begun working to restrict other water access points on the Indus, though the projects could take years to implement. China, as the upper riparian on rivers like the Brahmaputra (Yarlung Tsangpo) and the Indus, could intervene to support Pakistan, though no signs of this have yet emerged. India's suspension of the treaty follows the 22 April terror attack that killed 26 people. Firing between Indian and Pakistani forces continued for an eleventh day along the Line of Actual Control. Despite public pressure, Prime Minister Narendra Modi has delayed further action so far, while stating he has given the military a "free hand." Modi, known for surprise moves, has announced the first nationwide civil defense drill in over forty years on 7 May, while Pakistan has warned its citizens of imminent Indian aggression.

## South Korea

**The presidential race will firm up this week, with the two main conservative candidates expected to meet and discuss electoral cooperation ahead of the 3 June vote.** Former labor minister Kim Moon-soo won the People Power Party (PPP)'s nomination on 3 May, but former prime minister and acting president Han Duck-soo continues to poll better in head-to-heads against progressive Democratic Party nominee and race leader Lee Jae-myung. One suggestion is that Han would run on a platform of a transitional presidency, pursuing constitutional reform before stepping down three years into a five-year term. PPP leaders appear to be pressuring Kim to step aside for Han before the deadline for candidate registration on 11 May.

## Philippines

**Midterm elections covering half of the 24-seat senate, all lower house seats and all local government positions will be held on 12 May.** The midterms are likely to produce a mild rebuke to the administration of President Ferdinand Marcos Jr., with an aide of former president Rodrigo Duterte leading the senate race, and some Duterte allies having made gains in the past few weeks — even if they don't win. Local elections are less important to national perceptions. Soon after the midterms, the focus will turn to the possible impeachment trial of Vice-President Sara Duterte.

## **EUROPE**

### Russia

**Russia will commemorate the 80th anniversary of the defeat of Nazi Germany in World War II, known as the Victory Day, on 9 May.** Moscow will reportedly host more than a dozen heads of state, including China's Xi Jinping and Brazil's Lula da Silva. Western leaders will watch Xi's visit for signs that [he is pressuring](#) Putin to agree to a peace deal in Ukraine. Putin also has announced plans for a ceasefire in his war against Ukraine from 8 to 10 May. Russian officials pledged harsh retaliation against any attempts to disrupt this highly symbolic and politically important event, which coincides with the anniversary of Putin's 25-year presidency.

### Romania

**A strong presidential election first round performance on 4 May elections will give right-wing opposition candidate George Simion the advantage in the runoff against centrist Nicusor Dan.** A Simion presidency would raise domestic political tensions and heighten uncertainty about the country's future economic policies and geopolitical orientation. Meanwhile, a failure by government-backed candidate Crin Antonescu to reach the runoff has prompted the resignation of Prime Minister Marcel Ciolacu's (PSD) government. Former Deputy PM and Minister of Interior Affairs Catalin Predoiu (National Liberal Party, PNL) will serve as acting Prime Minister while coalition parties negotiate a new cabinet, which is likely to come after the presidential runoff. Internal power struggle within PSD, the largest parliamentary party, raises uncertainty about the continuity of a three-party governing coalition. The presidential run-off will be held on 18 May.

### Turkey

**Moral suasion is coming next after the measures announced on 3 May, with authorities expected to target private banks and corporate clients placing USD-buying orders.** This follows the increase in FX surrender requirements to 35%, higher reserve ratios, and a boost in FX-to-Lira conversion incentives. The Turkish Lira has depreciated nearly 7% since mid-March, even

as an estimated USD 55–60bn in reserves was used to support it. Unable to deliver structural reforms, Finance Minister Mehmet Simsek has turned to measures with a sense of déjà-vu as the limits of his stabilization program are becoming increasingly evident.

## LATIN AMERICA

### Brazil

**A social security scandal over BRL 6bn (USD 1bn) of fraudulent deductions from pension payments to low-income retirees is creating perceptions of President Lula reacting slowly and shunning ministerial reform.** The president of the National Social Security Institute (INSS) was dismissed on 23 April for his unhurried response, but President Lula himself is perceived to have taken too long to act in relation to the case and a related cabinet reshuffle. Lula needs support from centrists in Congress but has maintained the left-leaning ideological imprint of his government in the few changes he has made to his cabinet so far. The opposition is seeking to create an inquiry committee (CPI) to examine the case. The scale of political damage will also hinge on whether and how fast the government will ensure that affected pensioners get their money back.

### Argentina

**Partial elections for provincial assemblies and municipal councilors take place in four provinces on 11 May.** The votes will provide a snapshot of public opinion less than six months from the parliamentary mid-term elections. A similar vote for half the seats on the Buenos Aires city assembly on 18 May will be more consequential, as President Javier Milei's Liberty Advances (LLA) party takes on former president Mauricio Macri's center-right Republican Proposal (PRO) party in its longstanding electoral stronghold. The battle for hegemony on the Right offers an opening for the Peronist movement in the capital. The Peronists are themselves divided, though those divisions are mainly playing out in Buenos Aires province, which will hold its own partial state assembly elections in September. The real electoral battle will be the parliamentary mid-terms on 26 October.

[Client Portal >>](#)

---

### Geopolitical Research

+44 20 7186 8894

Macro@teneo.com

© 2025 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo. To unsubscribe click [here](#).