

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 local and regional elections in **Spain**. Meanwhile, **Japan's** successful G7 summit is sparking fresh snap election talk, a mass rally will be held in **Serbia's** capital, national infrastructure projects continue to create political contestation in **Mexico**, and the world's largest single-train refinery will be commissioned in **Nigeria**.

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

In **Spain**, 12 Autonomous Communities (i.e., regions) and more than 8,000 municipalities will go to the polls on 28 May. Our Deputy Director of Research answers three key questions.

Why are this Sunday's elections important?

Power is highly decentralized in Spain, which means that the regional votes are particularly consequential for policy issues ranging from healthcare to education. Moreover, while regional and local factors tend to influence voter behavior in these elections, the results might still impact national electoral trends ahead of the legislative polls at the end of the year.

What will the outcome tell us about national politics?

The 28 May polls should indicate the relative strength of the different parties ahead of the legislative election in December. However, whoever wins the legislative election in December might not necessarily get to govern the country, given the fragmentation of the party system. What will really matter is whether the right-wing or the left-wing bloc has enough parliamentary support to govern.

What are the signposts for the left and the right?

There are two signposts: the relationship between the center-right People's Party (PP) and far-right party Vox and the coalitional dynamics within the left. The PP is expected to do well in the elections but forming regional coalition governments with Vox might pull the party away from the center. Regarding the left, the main issue is whether the results enable far-left parties to form a coalition that might make a defeat of the left-wing bloc less certain in December.

WHAT TO WATCH

ASIA PACIFIC

US/China

China's cybersecurity regulator announced on 21 May that US memory chip producer Micron had failed the regulator's and that operators of "critical information infrastructure" must not procure from the company. It is unclear if Micron chips will still be allowed in China for non-critical functions, but the ban is likely to prohibit their use in

finance, transportation, and other sectors. The probe of Micron was widely viewed as [Beijing's retaliation](#) for US technology sanctions against Chinese companies.

Japan

Prime Minister Fumio Kishida had a successful G7 summit in his own Hiroshima constituency, with both foreign policy and domestic implications. Key summit outcomes included strengthened rhetoric on maintaining the international order, an anti-economic coercion strategy directed at China, initiatives on food security and infrastructure investment to boost ties with the so-called 'Global South,' and plans to jointly develop regulations for generative AI. The first opinion poll after the summit showed the Kishida cabinet's approval rating jumping 9 percentage points on the month to 56% (+23% net), setting off fresh speculation about a snap general election. Kishida again denied having plans "as of now" to call an early poll, and such an outcome still seems relatively unlikely at least before the fall.

EUROPE

Bulgaria

Today, 22 May, the largest parliamentary party Citizens for the European Development of Bulgaria (GERB) returned the mandate to form a government to President Rumen Radev (independent). However, reports about progress in the negotiations between GERB and the pro-European alliance We Continue the Change and Democratic Bulgaria (PP-DB) on forming a coalition government with a rotating prime minister — an approach currently used in Romania — point to a new potential way out of the protracted political crisis. Negotiations will continue this week as Radev is constitutionally obliged to nominate a prime minister-designate from the second-largest parliamentary group (PP-DB).

Greece

The overwhelming victory of Prime Minister Kyriakos Mitsotakis' New Democracy in the 21 May elections has left the country stunned. It remains unclear whether Greeks will return to vote on 25 June or 2 July. As things stand, parliament must be sworn in on 1 June and then disbanded by 3 June, which would not allow elections to take place before 2 July. However, it remains to be seen whether this could be moved forward if all [political leaders pass back the mandate](#) to the president before the end of today, 22 May.

Romania

The start of the teachers' general strike this week has thrown into uncertainty the long-planned rotation of responsibilities between the National Liberal Party (PNL) and the Social Democratic Party (PSD). According to the initial plan, Prime Minister Nicolae Ciuca (PNL) was expected to resign on 26 May, for the new PSD-nominated Marcel Ciolacu's cabinet to be appointed by a vote in parliament on 1 June. However, the timing of the rotation now depends largely on the outcome of negotiations between the government and the education unions as well as talks between the two governing parties (PNL and PSD).

Serbia

President and head of the governing Serbian Progressive Party (SNS) Aleksandar Vucic is calling for a mass rally on 26 May in the capital Belgrade, where he is expected to deliver an address. Vucic is set to announce his resignation as the leader of SNS, a move that he has been signaling for months. He is also expected to present more details about the possibility of holding early parliamentary elections amid large-scale public protests against the violence following two mass shootings that shook the country in early May. Even if called, a snap vote would be unlikely to unseat SNS from power; instead, Vucic might use the electoral campaign to placate public tensions and keep the ruling party's voter base mobilized. Going forward, one signpost to watch is the evolution of the People's Movement for the State (NPZD), a new "supra-party" organization initiated by Vucic in March.

Turkey

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President Tayyip Erdogan has been in power for more than 20 years and he is favourite to win five more, having narrowly missed out on a first-round victory. Voters will return to the polls on 28 May to cast their ballot in the presidential runoff between Erdogan and opposition candidate Kemal Kilicdaroglu. Buoyed by his strong performance in the first round, Erdogan is aiming to secure around 54-55% of the vote. As disillusioned opposition voters may decide not to turn out, Erdogan may even secure a larger share of the vote.

LATIN AMERICA

Brazil

Congress will vote on the new fiscal framework at the plenary this week. The framework will replace the existing spending cap establishing that expenditures will always grow less than revenues (within 70% of total revenues), with real growth between 0.6% and 2.5% per year above inflation depending on the economic cycle. Congress modified the original proposal from the Finance Ministry to include automatic cuts for non-compliance with spending rules and stricter reporting obligations, while maintaining the notion of reaching a surplus on the public accounts by 2025. The bill should pass without difficulty and thus solidify the position of Congress in general, and House Speaker Arthur Lira particular, as leaders in driving forward the economic reform agenda. On another front, a joint parliamentary committee to investigate the 8 January ransacking of public buildings in Brasilia should be installed on Thursday, 25 May.

Mexico

Events of late last week will bring further fallout over the coming days. President Andres Manuel Lopez Obrador (AMLO) on 19 May ordered the expropriation of 120km of railway lines in Veracruz state operated by the transport division of the Grupo Mexico conglomerate controlled by German Larrea and its transfer to a military entity. AMLO is pushing for faster progress in the construction of an interoceanic rail corridor across the Isthmus of Tehuantepec as his presidency heads into its final phase. The surprise expropriation follows a Supreme Court (SCJN) ruling the day before that invalidates the government's 2021 move to elevate various government infrastructure projects to "public interest" and "national security" status; the 2021 directive was seen as an attempt to bypass normal regulatory hurdles and reduce transparency, particularly as it pertains to the military, now a major government contractor. AMLO's defiant reaction to the SCJN ruling was to issue a new decree bestowing the same national security status on specific projects including the Mayan Train (Tren Maya) project and the interoceanic rail corridor.

MIDDLE EAST AND AFRICA

Nigeria

The government will be commissioning the country's first privately-owned and the world's largest single-train refinery on 22 May. With a capacity to refine about 650,000 barrels per day of crude oil, the development is expected to be a game-changing moment for Nigeria's historically mismanaged hydrocarbon's industry. Despite being Africa's largest crude oil producer, Nigeria imports about 90% its refined petroleum products – part of which is subsidized and therefore costs the government billions of dollars in crucial foreign exchange annually. The operationalization of the latest refinery - which is not expected until Q3 or Q4 of 2023 will not only meet all of Nigeria's domestic fuel needs, but provide opportunities for export, with a potentially positive impact for the country's balance of payments.

South Africa

The South African Reserve Bank (SARB)'s monetary policy committee (MPC) will announce its next rate decision on Thursday, 25 May. The MPC is widely expected to hike rates yet again. It is taking an increasingly hawkish stance on inflation, notwithstanding a deteriorating economic outlook. The MPC views the plummeting rand and load-shedding as key risks. Ahead of winter (June-August), power utility Eskom is planning for even higher levels of load-shedding. The

government's foreign policy spat with the US is also starting to be viewed as an additional downside risk to South Africa's trade and economy.

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Geopolitical Research

+44 20 7186 8894

Macro@teneo.com

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