

## 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 regional elections in **Spain**. Meanwhile, electoral competition is increasing in **India**, **China's** president is visiting **Hungary** and **Serbia**, senators will start scrutinizing the **Argentinian** government's reform package, and **Mozambique's** ruling party has a new leader. Our graph of the week zooms in on **Europeans' attitudes towards immigration**.

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

**Spain's** Catalonia region will hold elections on 12 May. Our Europe expert [Antonio Barroso](#) analyzes the situation.

#### What are the polls predicting?

The Socialist Party of Catalonia (PSC) is currently ahead in opinion polls but will not probably obtain enough seats to govern alone. Meanwhile, secessionist parties remain divided and might not even obtain enough MPs to form a pro-independence coalition. Therefore, government formation might take considerable time and a repeat election should not be discarded.

#### What are the implications for nationwide politics?

On the national level, what happens in Catalonia will probably have an important bearing on the stability of the government led by Pedro Sanchez. For instance, former regional prime minister Carles Puigdemont might decide to start voting against Sanchez's government in the Congress of Deputies if he is left out of power in Catalonia. The main event to watch in this regard would be the discussion of the 2025 draft budget in the fall.

### WHAT TO WATCH

#### ASIA PACIFIC

##### [China/Australia](#)

**A Chinese fighter jet conducted "unsafe" and "completely unacceptable" maneuvers near an Australian helicopter, Australia's defense ministry said on 6 May.** The helicopter was patrolling over the Yellow Sea on 4 May as part of an operation to enforce sanctions on North Korea. Australian Prime Minister Anthony Albanese added his own condemnation on 7 May, but the incident remains unlikely to derail the broader improvement of Sino-Australian relations over the last year, during which Beijing has removed most trade sanctions imposed on Australia in 2020-21.

##### [India](#)

**As the general elections are due to be concluded on 1 June, competition is intensifying.** Prime Minister Narendra Modi's Bhartiya Janta Party (BJP) is emerging as a front-runner, pushing a pro-Hindu agenda, while the Indian National Congress (INC) leading the INDIA coalition is focusing on caste-based platforms promising increased reservation quotas in

government jobs for marginalized communities. The BJP, leveraging a religious platform, has seen success since 2014 due to its well-defined ideology. However, controversies, including manipulated videos involving Modi's aides and accusations of government interference in campaigning, have marred the elections. Amidst this, on May 5, an attack in Jammu and Kashmir's Poonch district injured four Indian Air Force soldiers, echoing a similar incident during the 2019 elections in Pulwama, Kashmir that led to military escalations with Pakistan.

## EUROPE

### Hungary/Serbia

**Chinese President Xi Jinping has arrived for an official visit to Serbia on 7 May and will head to Hungary on 8-10 May.** Hungary and Serbia have the closest political ties with China in the entire CEE region and are looking to expand economic links. During Xi's visit to Budapest, the two sides are expected to sign at least 16 economic cooperation agreements, including on nuclear energy. Meanwhile, Serbia expects that the free trade agreement with China entering into force on 1 July will further boost trade and economic ties between the two countries.

### Lithuania

**The first round of the presidential elections is scheduled for 12 May.** Although incumbent Gitanas Nausėda (independent) has a significant lead in the polls, he is unlikely to secure a victory in the first round. In an anticipated runoff two weeks later, Nausėda is expected to face either Prime Minister Ingrida Šimonytė, nominated by the largest governing party Homeland Union – Lithuanian Christian Democrats (TS-LKD), or independent Ignas Vegele. If re-elected, Nausėda would likely remain active in supporting Ukraine and maintaining the country's westward-oriented foreign policy.

### Russia

**On 7 May, incumbent Vladimir Putin will be inaugurated for a fifth term in office that runs through 2030.** The inauguration will be followed by the resignation of Prime Minister Mikhail Mishustin's government, as mandated by the constitution. This formal step will be used to reshuffle the cabinet, with Mishustin widely expected to continue in his role. The new cabinet is expected to be approved by both chambers of parliament and the president within around two weeks. One immediate priority for the Mishutin 2.0 cabinet will likely be tax changes corresponding to Putin's calls for "a more equitable distribution of the tax burden towards those with higher personal and corporate incomes". Putin is expected to head to China on his first foreign trip later this month.

## LATIN AMERICA

### Argentina

**Senate committees will start scrutinizing the government's refloated package of reforms that encompasses privatizations and tax and labor measures from today, 7 May.** The idea is to have the bill passed by 9 May, which would enable a senate plenary vote next week, ahead of 25 May – the date that President Javier Milei has set for the signing of a national unity pact with as many provincial governors as he can muster to his side. However, with the governing Liberty Advances (LLA) in control of only seven out of 72 senate seats, a difficult negotiation with a checkerboard of senators is in prospect. If the senate drastically modifies the version of the bill passed by the lower house last week, it would have to return to the lower chamber for further corrections, which would weaken the effect of the 25 May event. Putting pressure on senators not to approve the bill will be unions, which will be staging a general strike on 9 May; the full participation of public transport unions means that the action is likely to have more of an impact than January's strike.

### Brazil

**Massive floods in the southern state of Rio Grande do Sul have drawn the attention of both the nation and the government.** The death toll has reached 83, with 850,000 people affected in 345 municipalities (70% of the state), including the capital Porto Alegre (population 1.3 million). President Lula da Silva sent a Legislative Decree to Congress (PDL) to release resources for the state, authorizing the Union not to compute the necessary spending within fiscal targets. The decree recognizes a state of public calamity in Rio Grande do Sul until 31 December 2024. This comes at a time when Lula remains in difficult negotiations with Senate Chairman Rodrigo Pacheco over the extension of payroll benefits to 17 economic sectors after taking

the matter to the Supreme Court (STF) to revert the extension approved in Congress. The tragedy in that sense allows for a truce between the government and Congress as the president and the leaders of both chambers pose as a united front to provide assistance. Lula has already been to the state twice over the last few days and may benefit from the exposure to prevent further dips in his popularity ratings.

## MIDDLE EAST AND AFRICA

### Mozambique

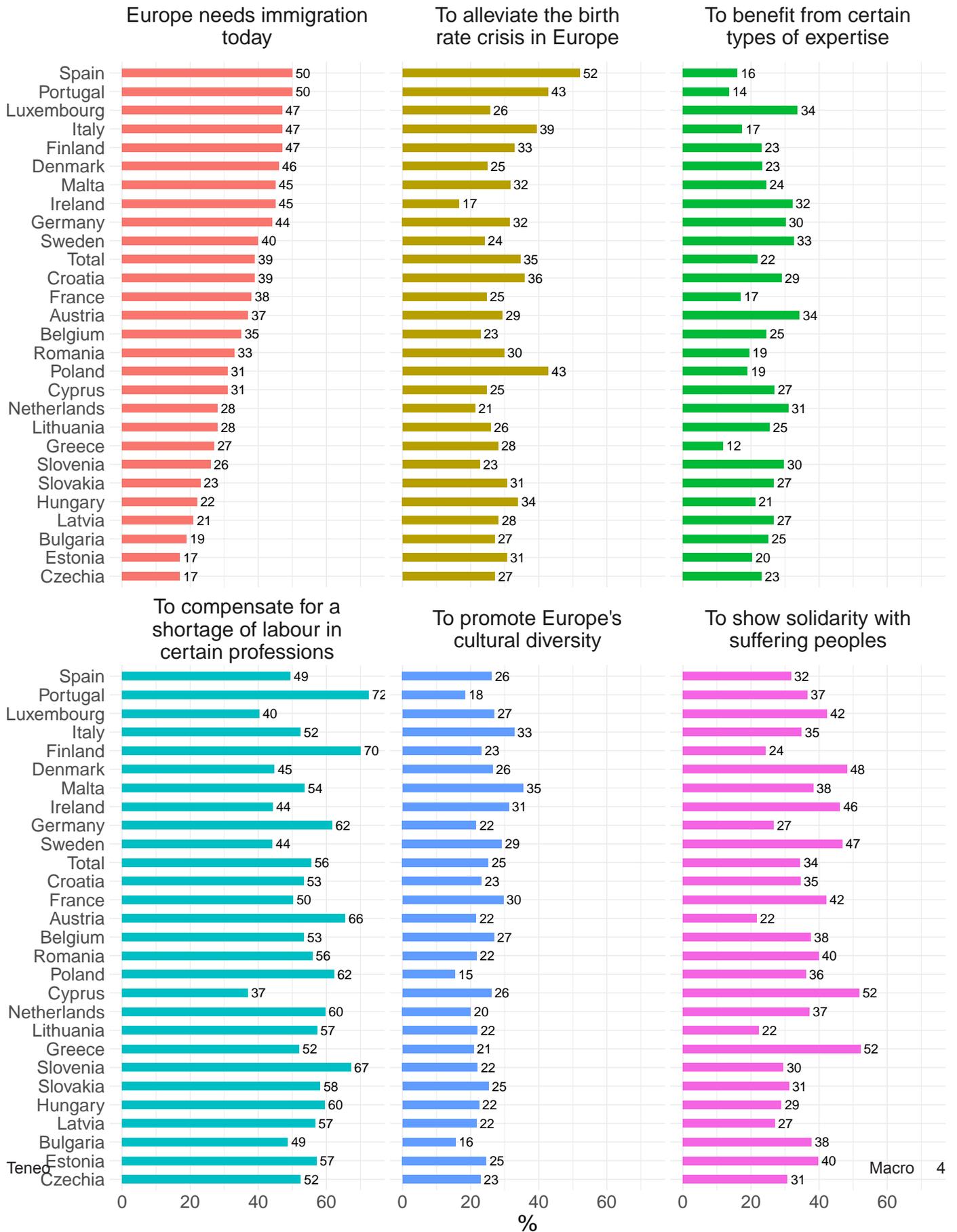
**Over the weekend, ruling party Frelimo selected its new leader and presidential candidate for the 2024 elections.** In a delayed congress, Frelimo's Central Committee settled on a surprise candidate, Daniel Chapo. The governor of Inhambane province, who is a former administrator of Palma district (the hub for Mozambique's LNG projects), has never previously served in a national government role. He was likely a compromise candidate because neither President Filipe Nyusi's preferred successors nor his internal Frelimo's rivals reportedly made the shortlist. At the helm of Frelimo, Chapo is almost certain to win the elections scheduled for 9 October.

## GRAPH OF THE WEEK

# Reasons to be in favor of immigration

You said that Europe needs immigration today.

What do you think are the main reasons? (%)



Source: BVA Xsight (March 27th–April 9th 2024)

indicates that many citizens also still see a need for immigration (around 40% of Europeans agree), although attitudes vary significantly across countries. The motivations behind this sentiment are diverse. Most commonly, people cite the need to address labor shortages and to bolster declining birth rates. However, humanitarian motivations also remain relatively widespread.

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