

As Europe Decides: *The Year of Change*

Your strategy to the European Parliament elections and beyond

Around 400 million voters will take part in the European elections in June 2024, setting the direction of the European Union until the end of this decade.

Each month, FGS Global will help you unpack the core themes of the election campaign and turn them into action. Set the stage now for your success in the next five years.

In a nutshell

- 60% MEPs are expected to be new
- Slim majority for incumbent centrist coalition
- Fringe parties could hold the key to majorities
- Center-right parties do not necessarily mean pro-business
- Ursula von der Leyen in prime position to continue in Commission top job with little risk from main contender Nicolas Schmit
- Ad hoc alliances to carry the day on hot topics – e.g. agriculture, carbon emissions targets and Europe's industrial policy

Take action. Right now.

- Map your main counterparts' electoral future
- Focus the next 8 weeks on engaging with pending legislation
- Define your political priorities and draft your outreach strategy

Agenda

- **7 February** – Final trilogues, no legislative deal expected afterwards
- **1 to 3 March** – Party conference: PES (centre-left) in Rome
- **6 & 7 March** – Party conference EPP (centre-right) in Bucharest
- **20 & 21 March** – Party conference: ALDE (liberal) in Brussels
- **22 to 25 April** – Final plenary of European Parliament mandate



A new map for the European Parliament

The expected turnover among members of the European Parliament is relatively high, with up to 60% of the chamber being new and with several prominent members retiring or facing stiff opposition in their constituency.

New players – both in Brussels and in national capitals – will act as kingmakers. In the European Parliament, increasingly dominant fringe parties hold the key to electoral majorities. The growing role of extremist parties play in national coalitions amplifies their voice in the European Council. With political parties realigning according to new fault lines, and with interests being represented in more fragmented ways, the definition of the European project is at stake.

The traditional centrist coalition of the main three groups EPP, S&D and Renew may hold a slim majority after the elections. However, seeing ongoing internal debates, it is questionable whether the groups are sufficiently cohesive to guarantee a winning majority on contentious issues, such as environmental rules, social rights, or migration.

By contrast, a motley coalition of conservative, reactionary and populist forces on the right might be able to push through their views during key votes – assuming they can convince enough extreme right independents to join their ranks. Ad hoc alliances will carry the day, especially in areas such as agriculture, carbon emissions targets and Europe's industrial policy.

Rising uncertainty

Uncertainty is the theme of the day. As new ideas become part of the conversation, established values on civil liberties, human rights, and the freedom to do business on the single market are coming under threat.

At the societal level, we see a shift towards more polarization, and populist movements are growing across key EU member states. Gatekeepers in powerful positions are willing to disrupt 'business as usual' for short-term political gain. State aid decisions from Brussels on certain publicly funded projects have become more prominent.

Taking ostensibly conflicting positions, we can no longer assume right of centre parties are pro-business, or pro-NATO for that matter.



Vastly different political traditions and positions towards Russia and European neighboring states shape complex conversations within the European right and far-right political forces. Nativist reflexes highlight the ideological flexibility by right-wing governments in the face of elections. This is shown by the staunchly pro-Ukrainian Polish government over Ukrainian produce crossing its borders. Meanwhile, pandering to the pro-Putin extreme right on support for Ukraine is an established plank in the manifesto of the Dutch PVV, the French RN, or the German AfD.

Industrial policy in the spotlight

In the European political space, government interventions into the business world are on the rise. European industrial policy is a powerful emerging theme in national conversations. Pitched by the current Belgian government as an essential counterpart to the European Green Deal, it is gaining vocal support beyond France and Germany, for example in Italy, where Confindustria's Carlo Bonomi recently brought it up in a parliamentary hearing.

The topic alludes to deep fears, by voters and industry alike, of a comparative weakening of the European single market and of a loss of competitiveness on the global playing field.

Two upcoming and much anticipated reports will shape the future of Europe's industrial policy. Former Italian prime minister Enrico Letta will present his report on the future of the Single Market to the European Council before the elections, in March, with recommendations on strategic autonomy and balancing the four freedoms underpinning the EU's single market. Former ECB chief Mario Draghi meanwhile plans to share his recommendations for restoring competitiveness and revitalizing the EU's economy to the European Commission after the European elections, in June or July.

In smaller member states and those with limited fiscal power, concerns about the distortive impact of French and German subsidy packages are increasingly becoming a part of the conversation. These concerns also extend to emerging signs of the European Commission's relaxing state aid approach. Expect more political and media attention on the role of public funding, European sectoral aid packages, and renewed focus on completing the capital markets union and unlocking private capital.

The Pulse: conversations in the capitals

European elections are a second-tier event in national media conversations, behind upcoming national or regional elections. Opposition parties across the Union increasingly treat it as a referendum on the popularity of incumbent governments, steering the debate towards national and regional bread-and-butter topics and away from policy debates on the internal market, climate policy, or the future of Europe.

Turnout is unlikely to beat 50 percent as polls report limited enthusiasm among voters. This puts additional power in the hands of those voters who are most likely to show up – either older voters who show up no matter what, or highly motivated protest votes who use the ballot box to voice their discontent.

The year of change will see many new faces appear in Brussels. Long-time federalists and key negotiators on ground-breaking treaties and legislation, like Guy Verhofstadt, Othmar Karas and Heidi Hautala, will stand down. New independent parties such as Germany's left-conservative BSW are looking to make a splash and shape the European conversation when it comes to both social and foreign policy.

Some established parties are looking at this year's elections in a different way – such as former Spanish minister Irene Montero leading the far-left Podemos list, the German liberal FDP opting for defence expert Marie-Agnes Strack-Zimmermann as prominent *Spitzenkandidatin*, or the Austrian Greens nominating 23-year-old climate activist Lena Schilling as their lead candidate. Meanwhile, Belgian health minister Frank Vandenbroucke is top of the list to replace outgoing Commissioner Didier Reynders, as part of a Belgian balancing act.

Some continuity is anticipated at the top of the European Commission. Commission President von der Leyen remains the front runner for the top job, and her main contender Nicolas Schmit served as European Commissioner and as a minister in Luxembourg for ten years before that.

As Europe decides, your focus should be on preparedness. You need to be ready to act the moment the new cohort of MEPs returns to Parliament and a new Commission takes shape. If you are a global actor, you should factor in Brussels' impact on your business far beyond European borders.



Our team

Experts at FGS Global bring together decades of government and consulting experience, combining geopolitical and regulatory expertise with a corporate and capital markets perspective.

Our team spanning across Europe can provide unique insights into stakeholder perception and reputation to help companies engage stakeholders effectively – especially in a year of change.

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