

As Europe Decides: *The Year of Change*

With almost 200 million voters turning out to the polls last month, Europeans have made their choice on the course of the European Union until the end of this decade.

FGS Global will continue to help you unpack the fallout of the elections and recommend actions for companies. Set the stage now for your success over the next five years.

In a nutshell

- **The puzzle has been laid – now hope nobody flips the table.** A comprehensive package on the European top jobs has been agreed by European leaders and is now forwarded to the European Parliament. Expect intense coalition-building over the next weeks.
- **EPP is key to any viable coalition.** The pro-European conservatives hold the initiative to build a new majority for their lead candidate, incumbent Commission President Ursula von der Leyen. First outreach has been done to fellow centrists, more talks to follow in coming days and weeks.
- **France’s snap elections can throw a spanner in the works,** with President Macron holding center stage in a high-risk play for power in Paris. If he fails in his wager for a parliamentary majority back home, the ripples may disrupt whatever timeline is pursued in Brussels.

Agenda

- **16 to 19 July** – First plenary session of the new European Parliament
- **17 or 18 July** – Election of new European Commission President
- **September through October** – Commissioners-designate hearings
- **November** – State of the Union speech by Commission President
- **1 December** – Antonio Costa to succeed Charles Michel as Council President
- **December** – new College of Commissioners takes office, resumption of legislative business

Top jobs and tripwires

Amid a scramble to reach a deal before the French parliamentary elections, European heads of state and government have come to a preliminary agreement on Brussels' top jobs for the next years. In the agreement reached between conservatives, socialists and liberals – with tacit support by Italian prime minister **Georgia Meloni** – the lead positions at the EU's key institutions will be shared between the main political families.

European Commission President Ursula von der Leyen (EPP, Germany) will be nominated for another term. She remains committed to her key policy, Europe's Green Deal, but will look to implement it in a more industry-friendly way, while continuing to mobilize resources for the defense and reconstruction of Ukraine.

Portuguese former prime minister **Antonio Costa** (S&D) will succeed Charles Michel as **President of the European Council** for a 30-month term on the first of December, with a possibility to be reappointed for another term at the start of 2027. Costa, who served three consecutive terms as the helm of Portugal's government, has played an important role at restoring its economy after the Euro-crisis and will act as the center-left point man in the European institutions.

For the first time in history, a politician from the Baltic states will hold one of the most prominent European roles on the global stage. Estonia's prime minister **Kaja Kallas** (Liberal) is slated to become the EU's next top diplomat, also known as **High Representative for Foreign Policy and Vice-President of the European Commission (HRVP)**. Having served in the European Parliament before becoming prime minister in 2021, she can count on support by her Nordic and Eastern European peers, having positioned herself as a Russia hawk and a staunch defender of the interests of small member states.

In a separate but interlinked agreement, **Roberta Metsola** (EPP, Malta) is assured of a majority for another 30-month term as **President of the European Parliament** and will be succeeded by a yet-to-be named Socialist at the start of 2027. Having served as the youngest ever president of the European Parliament and being a close ally to both Commission President von der Leyen and her party leader Manfred Weber, she is tipped for either a high position in Malta or as a future European Commissioner.

In parallel, an agreement on the new **NATO Secretary-General** has been reached between the European allies, with hold-outs Budapest and Bratislava supporting outgoing Dutch prime minister **Mark Rutte** as **Jens Stoltenberg's** replacement, and Bucharest retracting their own candidate, incumbent president Klaus Iohannis. Rutte will take over as Secretary-General by early October, weeks before the US elections, which are guaranteed to leave their mark on the alliance's future.

However – **nothing is agreed until everything is agreed**. The nomination of Commission President von der Leyen now moves to the European Parliament, which will vote on her candidacy in a secret ballot (more on that below). Similarly, the role of Kallas as chief diplomat will be part of a vote on the full composition of the new European Commission in December in the European Parliament, which may delay or withhold its consent if the political course of the new Commission insufficiently represents its priorities or may be subject to delays by chaos agents from the ranks of heads of state or government up to the last minute, to extract concessions during the allocation of Commissioner portfolios.

Make Europe Great, Again?

Budapest's stint at the helm of the Council of the EU – the rotating six-month Presidency in which every member state gets to both symbolically and politically set the European agenda roughly once every 14 years – is gearing up to be rather bread-and-butter affairs. While Trumpian in style and language, with “**Make Europe Great Again**” as its motto, the policy priorities laid out by Viktor Orbán's cabinet are down-to-earth and align closely with exactly those themes a new Commission will need to direct its attention to.

Starting this week, we expect **increased attention to Europe's industrial policy, its defense policy, and the close interconnection between the two**. With Hungary's growing importance as a manufacturing hub for both European and Chinese car manufacturers and its increased role in Europe's military value chain, most vividly with the production of light armored vehicles in Zalaegerszeg and the participation of Hungary's government in the development of Rheinmetall's newest main battle tank. Other priorities, like **laying the groundworks for an improved European cohesion policy** and moving forward with **reforming European Common Agricultural Policy**, can help test the waters with fellow actors on the willingness to support change and the openness to political reforms in the next years.

The elephant in the room however remains the **Hungarian foreign policy** – both facing Moscow and Beijing. Being the last holdout among the EU27 which does not underwrite efforts to support Ukraine and oftentimes the only dissenting voice on sanctions towards Russia, Budapest has singled itself out to criticism from its peers. Increasingly, its uneasy relationship with China is proving to be a problem. As the only EU-country in the Belt and Road Initiative, Hungary has been a prime destination for Chinese direct investment and has grown close ties to the political leadership. It is telling that – immediately after briefing fellow EU leaders on Hungary's priorities for the EU Presidency – the foreign minister spoke at length with his Chinese counterpart to discuss Hungary's political ambitions for the remainder of the year.

For corporate decision-makers, **Hungary will remain an awkward partner**. With its political elite consciously placing itself outside of the European mainstream and its economy both being aligned with key European manufacturing industries and Chinese strategic sectors, one



would do well to maintain a polite but distant posture. As lawmaking is taking a back seat, with a lame duck Commission and a Parliament only slowly coming back up to speed, most stakeholders would do well to focus on the Polish and Danish presidencies instead, who will take over in 2025.

Coalition calculus in Strasbourg

This month's plenary session, starting on the 16th of July, will prove to be **the first test of the revamped von der Leyen coalition** – a broad church of pro-European conservatives, socialists and liberals. This coalition proved essential in passing key legislation and ensuring majorities for most of the Commission President's flagship programs – from the EU Climate Law and landmark industrial policies to support to Ukraine and a new migration policy almost ten years in the making. However, this time around this coalition is facing the dual challenge of electoral pressure externally and a lack of cohesion internally. With liberals losing almost a third of their seats, a strengthened bloc of right-wing parties and independents, and several centrist national delegations withholding their support for the Commission President, the narrow path to a majority depends on both moderate Greens and several nationalist groups.

In particular, the attention is drawn to a handful of moderate gatekeepers, holding sway over key national blocs. Apart from Italy's prime minister **Georgia Meloni**, commanding 24 Members of the European Parliament, the coalition is looking to Czech prime minister **Petr Fiala** with three pro-European conservative members in the hemicycle and considerable goodwill within the ECR group, and Greens co-chair Bas Eickhout, who may be able to bring about half of his group into the fold. These gains – possibly in exchange for promises on specific policies along the way – may be enough to offset the losses the coalition is faced with. The question remains whether this will be enough. The vote on the nomination of Commission President von der Leyen will be a secret ballot. Anything can happen in the days and hours leading up to the vote, where **an absolute majority out of 720 MEPs need to vote in favor**. 361 is the number to watch out for. And we will watch closely.

Dutch digest

As a final note, your Dutch digest. Today the new government, led by the independent former head of the intelligence services **Dick Schoof** will be sworn in by the King. After fourteen years of liberal leadership by outgoing prime minister **Mark Rutte**, the country braces for a radically new way of doing business. With none of the four coalition party leaders joining the government – instead all opting to lead their parliamentary groups – and most government ministers having little to no executive experience, the optics alone present a true break with Dutch tradition. In terms of policy, the country is still facing a host of challenges, such as a



looming budget shortfall, a rapidly increasing shortage of skilled workers, and an acute housing crisis across the entire country.

How the Netherlands will position itself on the European stage is unclear. For the last decade the Dutch have punched above their weight, leveraging the goodwill created by shrewd coalition-builders like **Mark Rutte, Sigrid Kaag, Frans Timmermans**, and **Wopke Hoekstra**. Whether their successors can carry forward this tradition is to be seen. Still, one can't exclude The Hague from one's political outreach. Being a clear hub on Europe's power map, with innovative global champions like ASML, a successful stock exchange in Amsterdam and Europe's largest port in Rotterdam, engagement with the new Dutch political stage should be on each European public affairs professional's mind. With a young and ambitious Parliament and a range of experienced senior civil servants both in the national ministries and in Brussels, there remains sufficient fertile ground for good ideas. And as always, FGS is there to support you.

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.

Biancastella de Angelis – Partner, Brussels

Ayrton Thevissen – Partner, Brussels

Reinhard Hoenighaus – Managing Director, Berlin

Francesca Micheletti – Director, Brussels

Susan Schneider – Director, Brussels

Jimmy Bastings – Associate Director, Berlin

Eve Davies-Tsagkadakis – Associate Director, Brussels