



As Europe Decides: *The Year of Change*

Around 400 million voters are invited to go to polls 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 recommend actions for companies. Set the stage now for your success over the next five years.

In a nutshell

- Fringe parties – illiberal and populist forces that have traditionally operated beyond the margins of the political mainstream – are becoming increasingly influential in European policymaking. In this election, nationalist parties primarily on the right threaten the traditional – if at times uncomfortable – coalition of Europe’s centrist parties.
- This shift has been years in the making. Fringe parties now lead major European countries as either the ruling party or as coalition partners. It has become more difficult to build majorities without them. This trend is likely to continue in the upcoming European elections.
- The “cordon sanitaire,” a post-war informal agreement among other parties not to engage with the fringe is either crumbling, or has entirely collapsed. For many companies operating in environments where such parties are in power, it means rethinking their political and regulatory affairs work. It’s worth noting that EU countries have varying histories and attitudes regarding these parties, which will be crucial to thinking about if, and how, to engage.
- Additionally, as fringe parties have become more mainstream, some have also fine-tuned their messages, including a toning down of outright Euroscepticism that has been replaced with a more nuanced and issue-driven approach.

Take action. Right now.

- **Establish principles early.** Agree on a principle-handbook when crafting an engagement strategy that can guide corporate leadership, bring clarity, and help mitigate risks when dealing with the new European Parliament.
- **Be sensitive and sensible.** All political outreach comes with risk. Some MEPs will have a different standing in Brussels compared to their home constituency. Ensure



your due diligence is done well – including towards your own stakeholders, like employees and shareholders.

- **Consider your alternatives.** Don't hesitate to move down the ladder to meet with different partners within the same department, ministry, or political organization to match your political risk appetite.
- **Stay issue-driven.** If engagement with a fringe party representative is unavoidable, address their office, their portfolio and the subject matter, and steer clear of topics or photo ops that are not business-critical.

Agenda

- **23 May** – European Broadcasting Union Presidential debate
- **6 to 9 June** – European elections
- **13 to 15 June** – G7 Summit in Fasano, Italy
- **17 to 18 June** – European Council meeting
- **End of June/early July** – Report by Mario Draghi on competitiveness
- **16 to 19 July** – First plenary session of the new European Parliament

Making waves in Maastricht

The Maastricht debate has become somewhat of a tradition, bringing together the lead candidates for the highest office at the EU's executive, the President of the European Commission. This year was no different, and in a fast-paced and somewhat chaotic debate on climate change, foreign policy, and the EU's governance, voters could have their first glimpse at the next European coalition.

On a crowded stage – where besides presidential hopefuls Ursula von der Leyen (EPP, center-right) and Nicolas Schmit (PES, center-left) six representatives of minor parties took turns to share their views – the lead candidates presented two contrasting visions of the future. One vision – supported by the progressive candidates – of far greater integration coupled with ambitious social and climate policy and the protection of sexual and reproductive health rights in the EU's treaties, and one – so far only supported by the far-right and conservative Christian lead candidates – of rolling back Europe's central firing power in favor of greater national power and a regulatory freeze on range of contentious issues.

Incumbent von der Leyen is in a tough spot. Her preferred centrist coalition will likely lack the numbers pass key legislation, and reaching out to the progressive part of the EU Parliament may cost her the backing of the conservative part of her big-tent European People's Party. Building a majority with the far right may result in scrapping her own Green Deal package and could result in gridlock, let alone make her dependent on the support from parties linked to the Kremlin. As the fiercest and most fundamental exchanges took place between the Commission President and her far-right challenger Anders Vistisen, it will be an uphill battle to build any working relationship with him and his fringe party allies, if that is even desired or necessary. With 40 days until the EU elections, even the smallest wins or losses across 27 battleground states can carry a radically different view on Europe into office.

Campaign season kick-off

With less than six weeks to go, the election campaign has finally kicked off. Commission President Ursula von der Leyen is meeting fellow center-right stalwarts like Greek PM Mitsotakis and Polish PM Tusk, and is expected to meet with national party leaders and the center-right EPP's European Parliament candidates across the Union. Meanwhile, her center-left rival Nicolas Schmit is drumming up support for the Social Democrats in Budapest, Rome, Vienna, and Paris. The other parties' lead candidates are performing similar whistlestop campaigns along national capitals, putting their local teams in the spotlight and hoping to influence the outcome of an election in which every country can be a battleground state. Von der Leyen knows this, since her legitimacy and support will depend on the votes her EPP candidates receive.

The Meloni Playbook

Italian politics has often been a bellwether for broader European trends, with its political shifts presaging developments at the EU level. The rise of Giorgia Meloni and her – formerly fringe - party Fratelli d'Italia, an offshoot of the country's post-war neo-fascist party, is illustrative of this trend.

Meloni becoming prime minister of one of the EU's six founding Member States was not accompanied by the economic collapse or outright authoritarian turn that some had feared. Instead, Meloni has crafted a leadership style that combines traditional right-wing law and order rhetoric with a strong Atlanticist stance in foreign policy and a moderate approach to economic issues – albeit with a penchant for social conservatism and government control, as demonstrated by her push to restrict access to abortion and change Italy's media landscape. This strategy has resulted in a nuanced and multifaceted relationship with Brussels, characterized by a nationalist but not overtly adversarial tone. Italy's support for EU-wide borrowing to mitigate national debt and advocacy for a robust industrial policy, albeit with



limited green initiatives, showcase a pragmatic approach to governance with a desire to balance environmental ambitions with the competitiveness of industries.

The political realignment in Rome is having an impact on Brussels. Traditionally, larger political groups such as the European People's Party (EPP) and the Progressive Alliance of Socialists and Democrats (S&D) would align with smaller junior partners to build a centrist coalition – guaranteeing a high degree of “business as usual”. Meloni has subverted this trend, propelling her party to a major political force, now vying to become the second-largest national delegation in the European Parliament after Germany's CDU. This shift is catalyzing significant changes within the center-right to right-wing blocs. As Fratelli d'Italia gains influence, it could become a kingmaker in the European Parliament, enabling Italian nationalists to shape the legislative agenda and influence key policy decisions.

For companies active in, or looking to enter, Italy, understanding Meloni's strategy is crucial. Meloni's government has introduced new domestic policies, including replacing the citizenship income with a social support scheme and scaling back the "Superbonus" tax credit. Beyond Italy, she offers unwavering support to Ukraine. These initiatives, along with proposed constitutional reforms and investments in AI and the automotive sector, underscore her administration's priorities. Cultivating contacts within Meloni's administration will be key – but consider your own red lines, as Meloni's government is propped up by lawmakers less measured in their approach to politics, who do not hesitate to spread misinformation, espouse racist rhetoric and sympathize with autocrats. Engaging with fringe parties, even if they are governing, comes with risks, so ensure your due diligence and balance necessary stakeholder engagement with the protection of your firm's interests and reputation.

Parisian perils

In France, economic and social anxiety will likely play a significant role in the European election. This year, the stakes are higher since what happens in the European elections could impact the next French government itself.

With current polls predicting another victory for the far-right Rassemblement National (RN) – it won the most seats in 2019 –, the gap between it and President Emmanuel Macron's centrist “Ensemble” list, led by Valerie Hayer, will likely grow wider, to more than 10 percent. Marine Le Pen's party has never been so powerful. Following the last election, RN has become the largest opposition in Parliament, captured several municipal councils and entered the French Senate. But its strength also stems from Le Pen's attempts to normalize her party over the last decade. Her party's ascent has been mirrored by the collapse of France's traditional center-right and -left parties.

A win in June will set her up for another attempt at the presidency in 2027, having been runner-up in a closer-than-expected race in 2022. A win in the European election will present a challenge for all businesses engaging with Parisian powerbrokers. So far, there isn't a

consensus on whether, how and when to engage with her party, but it may soon become indispensable to investors, service providers and companies looking at France. Lawmakers seeking to make a name for themselves may take aim at foreign corporates. Be prepared.

View from Berlin

Berlin will also be the stage for fringe parties come election time. The nativist Alternative für Deutschland (AfD) has gained momentum after winning a series of regional elections winning a solid block of seats in the federal parliament and in nearly all state parliaments. Notwithstanding its inflammatory rhetoric against immigrants, unrestrained radical agenda (the AfD denies climate change, wants Germany to leave the European Union and return to the Deutschmark), the party enjoys high poll ratings, not only in its eastern strongholds like Saxony and Thuringia, where it is projected to win the state elections in September with more than 30% of the votes. Despite its growing voter base, the AfD has faced a strict “cordon sanitaire”, as mainstream parties have largely ruled out cooperation with it. So far, the conservative CDU, its main opponent in the upcoming elections, unequivocally dismisses any notion of a coalition with the AfD. It remains to be seen if this “firewall” against the far-right will hold.

There are other fringe parties to watch, too. The newly launched Bündnis Sahra Wagenknecht (BSW) adopts a syncretic nationalist and socialist stance, campaigning on social issues while adopting a hardline immigration policy and charting an unapologetically pro-Russian course. The party could secure up to 10% of the vote in upcoming regional elections. There is also the ultraconservative Werteunion (WU), led by far-right firebrand Hans-Georg Maaßen, a former head of an intelligence agency. The WU is wedging itself between the CDU and the AfD, courting voters to the right of the Christian Democrats who are hesitant to vote for the AfD.

So far, the mainstream has ruled out working with all three. Engagement with these parties bears significant reputational risk. German businesses, traditionally apolitical, exercise caution towards these parties. Nonetheless, some executives have recently made headlines by coming out against the far right: Reinhold Würth, owner of the Würth Group, received praise after he cautioned his employees against supporting AfD, while dairy tycoon Müller received widespread criticism for his disclosed ties to senior AfD officials.

In Germany, we advise clients to minimize contact with fringe parties, align corporate engagement strictly with company values, and steer clear of political endorsements on perceived short-term business grounds. With the risk of reputational costs bigger than any potential gain from actively engaging with fringe parties, there is little added value to putting yourself – or your executives – out there.

A look at the Low Countries

The Netherlands demonstrates what a sharp pull to the right could mean – especially in a small country. The victory of far-right leader Geert Wilder’s party has endangered a political tradition whereby parties rule in coalitions. So far, the populists, nationalists and conservatives continue to blow past deadlines and have not yet agreed on a governing program. If they are unable to form a coalition, former European Commissioner Frans Timmermans, who leads the center-left Labor Party, is keen to present himself as the voice of reason and might become the head of a minority government of national unity. Since it’s unclear if current coalition talks will succeed, any number of parties could be forming the government. As the ongoing six months of political uncertainty can still end in failure and the political risk of ignoring a potential stakeholder is greater than the cost of talking to the fringe parties, public affairs experts need to hedge their bets and keep all options open: talk to everyone. Nobody knows what’s next.

The Pulse: conversations in the capitals

Movers and shakers

With the final deadlines for electoral lists looming, we can slowly fill in the last blanks on who will fill key positions in Brussels for the next five years. Spain's **Ecological Transition Minister Teresa Ribera** will run as the Spanish socialists’ top candidate, setting her up to either lead the European social democratic group or become the next Spanish Commissioner. The Austrian government – facing tough national elections after the summer – is set to nominate European **Affairs Minister Karoline Edtstadler** for higher office in Brussels. Finally, following the victory of the Slovak socialists in both the Presidential and Parliament elections, Maroš Šefčovič is set to serve an unprecedented fourth consecutive term as the Slovakian Commissioner.

Meanwhile, in a surprising move the European social-democratic spokesperson on Agriculture, **Clara Aguilera**, announced she will not return to the Parliament – after having been caught making questionable remarks about animal welfare. This will open the door on who will hold the pen on the EU’s agriculture policy revision, set to take place halfway through the next EP term. Expect both Germany’s **Maria Noichl** and Austria’s **Günther Sidl** to leverage their incumbency in the AGRI committee and set themselves up for this key position.



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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