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EU election: Major changes unlikely

From 6 to 9 June, the EU will elect a new parliament. Dramatic changes in power are not expected. According to the polls, the right-wing populist camp will make gains, but the unofficial coalition of the conservative EPP, the Social Democrats and the Liberals is likely to retain a majority in the EU Parliament. With the EPP likely to remain the largest party, Ursula von der Leyen, the EPP's top candidate, has good chances winning a second term at the head of the European Commission. This means that the basic direction of economic, financial and climate policy is unlikely to change much.

The European Parliament is the only EU institution directly elected by the people. Its main role is to help shape EU legislation. Although only the EU Commission can propose legislation, it must be approved by both the EU Parliament and the Council of Ministers. The Parliament also approves the EU budget and checks how the money is spent. It also elects the President and members of the EU Commission, who are accountable to it. As a result, the outcome of the European elections will have a major impact on EU policy for the next five years.

EPP remains strongest parliamentary group – significant losses for Liberals and Greens

According to the election polls, the conservative EPP will also be the strongest group in the new parliament. It can expect around 173 seats, a decrease of 5 seats (Chart 1). The social democratic S&P will remain the second strongest group. Significant losses are expected for the Liberals and the Greens in particular.

Right-wing fringe gets stronger

However, the focus of attention is likely to be on the emerging significant gains of right-wing populist parties. The parties previously grouped in the European Conservatives and Reformists (ECR) and Identity and Democracy (ID) groups are likely to gain around 33 seats, bringing their total to just under 170. Hungary's governing Fidesz party, which wants to join the ECR, is likely to add another 10 MEPs.

It is not yet clear how these parties will organize themselves or join forces in the European Parliament in the future. The AfD, for example, has just been excluded from the ID. At the same time, the French party Rassemblement National (RN), led by Marine Le Pen, which was previously part of the ID group, appears to be seeking closer cooperation with Italian Prime Minister Giorgia Meloni, who leads the ECR, and her party 'Brothers of Italy'. It is therefore quite possible that there will be a larger far-right group after

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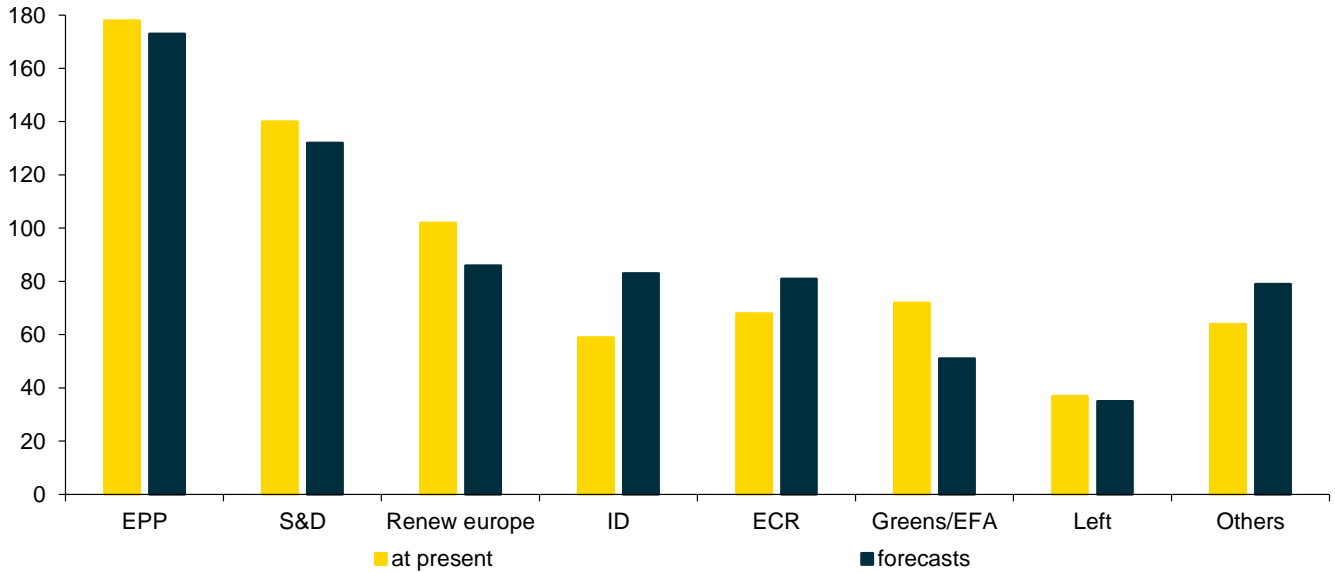
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the elections, although not all right-wing or far-right parties will belong to it. Le Pen is unlikely to include the AfD in such a larger group.

Chart 1 - EU parliamentary elections: EPP remains strongest party

Seats in the EU Parliament



Source: Foederalist, Commerzbank Research

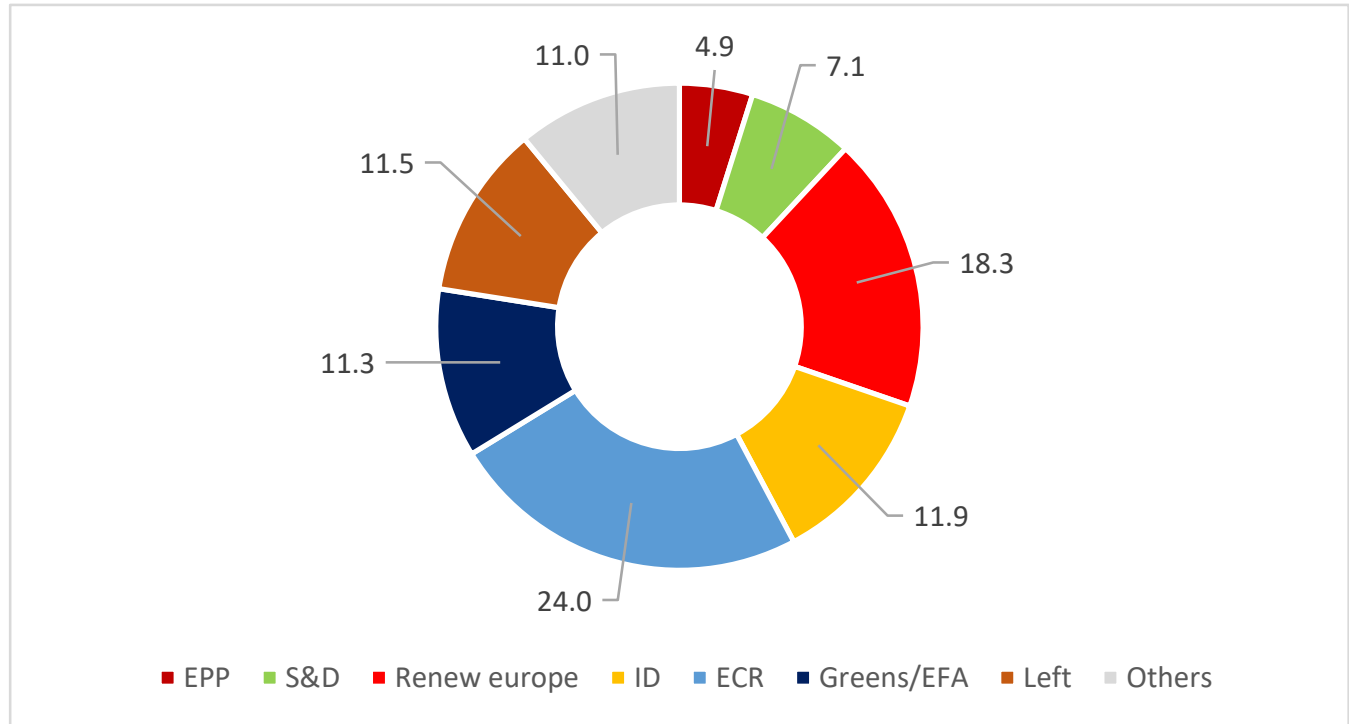
Coalition of the center determines the political course

However, even if, as currently expected, the right-wing parties win around a quarter of the seats in the Parliament, their influence on policy in the EU Parliament is likely to be limited (chart 2). This is because the 'center-right coalition of EPP and S&D', together with the Liberals or the Greens, is likely to form another comfortable majority. Nor is there likely to be any real alternative. A center-left coalition of Social Democrats, Liberals, Greens and Left Alternative is unlikely to have a majority in the new parliament. The same would apply to a combination of EPP and ECR, which Commission President Ursula von der Leyen at least did not categorically rule out.



Chart 2 - EU parliamentary elections: Probably no more centre-left majority

Share of seats in the new EU Parliament in %, forecast



Source: Foederalist, Commerzbank Research

Second term in office for von der Leyen?

If the EPP does indeed become the largest party again, this would also strengthen the position of the current Commission President and EPP top candidate Ursula von der Leyen, who is seeking a second term in office. But this is not a foregone conclusion.

For example, the European liberals have been targeting von der Leyen during the election campaign, so von der Leyen cannot count on their votes. Her greater openness to the ECR should also be seen in this light, although this has already earned her criticism from social democrats - especially in Germany.

On the other hand, a strong argument for her re-election is that many MEPs want to enforce the principle that the top candidate of the election winner - i.e. the largest group in the new Parliament - should in principle be elected President of the European Commission. If von der Leyen is not re-elected, they would make it easier for the European Council to ignore the Spitzenkandidaten procedure, as it will do in 2019, and present another candidate. However, the S&D, Liberals and Greens are likely to demand a price for their agreement, for example in the form of a coalition agreement that sets the legislative course and limits agreements with right-wing groups.

The EPP and S&D are therefore likely to continue to dominate the Parliament. At first glance, their manifestos for the European elections appear to have a lot in common, especially on issues related to climate, economic and financial policy. Beneath the surface, however, there are significant differences.

Softening of the ‘Green Deal’?

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especially on issues related to climate, economic and financial policy. Beneath the surface, however, there are significant differences.

This applies in particular to the so-called "Green Deal", the central project of von der Leyen's first term in office. It aims to make the EU climate neutral by the middle of the century. Both major political groups have committed themselves to this goal in their manifestos. However, the way to achieve this is becoming increasingly controversial. France and Poland are relying on nuclear power to fight climate change, while Germany and Austria are against it. France and Belgium are also calling for a pause in environmental regulation. Even laws already passed with the votes of the EPP, Social Democrats, Greens, Liberals and the Left could be watered down. Manfred Weber, leader of the EPP group, wants to reverse the ban on the registration of new cars with internal combustion engines from 2035.

Strengthening competitiveness, but how?

On the face of it, there is also broad agreement between the two blocs on economic policy. There is agreement that the European economy should become more competitive. However, ideas on how to balance the goals of competitiveness and climate protection differ widely when these two goals come into conflict.

There are calls for less red tape and more digitalization. Investment in future technologies should also be encouraged. Access to finance should be facilitated, especially for SMEs.

EU companies should also be better protected against unfair trade practices by third countries, in particular China and the US. The word "tariffs" is avoided in the EPP and S&D manifestos. But that is what it is likely to come down to. The EU is likely to impose tariffs on Chinese electric cars, which are currently flooding the European market. Brussels suspects that Beijing is paying excessive subsidies to its carmakers, giving them a competitive advantage.

There is also agreement that the EU should become more economically independent. Both EPP and S&D call for a 'Made in Europe' strategy to reduce dependence on countries such as China. In addition, critical infrastructure such as ports, telecommunications and energy systems, as well as innovative companies, should be protected from being taken over by third countries.

More redistribution between countries?

In its manifesto, S&P explicitly opposes a unilateral austerity policy. This presumably means that the scope for national fiscal policy should be (even) less restricted by EU requirements such as the Stability and Growth Pact. Member states should be allowed to invest 'in a green and social future'. Second, S&P calls for an "ambitious" European budget, i.e. more resources at the European level. It proposes a permanent 'EU investment capacity' to support such investments. Another proposal is the introduction of unemployment reinsurance, which would provide member states with subsidies for their national unemployment insurance systems in the event of a sharp rise in unemployment.

Conclusion: No radical change of course after the EU parliamentary elections

The radical change in policy after the EU elections that some people are painting on the wall is unlikely to materialize. There is much to be said for a continuation of current policy, i.e. state-controlled industrial policy and increasing protectionism. However, climate policy is likely to slip down the list of priorities. Instead, there is likely to be a



greater focus on 'strengthening competitiveness', which is not primarily understood as less regulation or a lower tax burden, but rather the promotion of certain investments.

1) [EPP Manifesto](#), [S&D Manifesto](#) ([back to text](#))



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