

## E-ALERT | Public Policy &amp; Government Affairs

May 28, 2014

## EUROPEAN PARLIAMENT ELECTIONS ANALYSIS

The European Parliament (“EP”) elections, which ended on May 25, will lead to a more unstable political landscape in the EU. Companies looking to interact with EU legislators will need to adapt their advocacy strategies.

- **Balance of Power Unchanged:** Although the three main parliamentary groups all lost seats, they continue to control two thirds of the seats in the EP. The center-right European People’s Party (“EPP”) remains the largest group in the EP (with 213<sup>1</sup> seats out of 751 seats), followed by the center-left Socialists (189 seats), and the Liberals (center) (64 seats). The Greens (left) remain the fourth largest political force with 52 seats.
- **Anti-EU Parties Scored Well:** Eurosceptic and nationalist parties gained significant ground at the expense of mainstream parties. These anti-EU parties represent strongly heterogeneous anti-establishment forces, and this Parliament will therefore be more fragmented than the one that preceded it. The British Conservative-dominated ECR party is on 46 seats, the far-right EFD party is on 38, the far-left GUE on 42, non-attached on 41, and 66 MEPs - mostly populists - do not yet belong to any political group. Overall, Anti-EU parties could hold up to 25% of seats in the EP. However, their ability to play a key role is questionable, as a result of their irreconcilable internal divisions.
- **Slight Turnout Increase:** For the first time since 1979, the electoral turnout slightly increased, to 43.1%. However, strong disparities were seen across the EU. The turnout was strikingly low in Central and Eastern Europe, where far-right parties did particularly well, despite Eastern countries benefiting from significant EU funding since they joined the EU. The EU institutions will need to reflect on how to address this paradoxical situation.
- **New Groups Could Be Set:** Political negotiations concerning where the newcomers will sit and whether the anti-EU parties will be able to form an official political group are now underway, and will be finalized by June 27. Parliamentarians’ ability to form parliamentary groups is critical as it will directly condition their access to EU funding and to special influence over the legislative process. The Liberals expect significant gains for their group, although this is a process which could ultimately harm their homogeneity and effectiveness. The EFD, led by the UK Independence Party (UKIP)’s Nigel Farage, and the French far-right National Front, led by Marine Le Pen, were both more successful in these elections than more mainstream parties in their home countries. Both are now competing for the allegiance of Eurosceptic MEPs in order to ensure they reach the seven country threshold needed to maintain a group in the new EP. Nigel Farage’s impressive victory in the UK might not be enough for UKIP to keep its group if some of its current members defect to join a new far-right group to be led by Marine Le Pen.
- **A Polarized Assembly to Require ‘Grand Coalitions’:** The traditional center-right and center-left groups no longer hold an absolute majority of seats in the EP, so the Liberals will be critical to the EPP and the Socialists in passing legislation. However, the political center of gravity is expected to shift to the fringes on controversial issues on which a compromise will be impossible to reach. Decision-making on such issues could therefore be unpredictable. This coalition-finding process mirrors the current national situation in the EU, where most EU countries are themselves governed by coalition governments.

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<sup>1</sup> Provisional figures.

- **The End of a Pro-Business Climate?** The groundswell of support for anti-EU parties is in large part due to the EU's association with pro-austerity policies following the recent economic crisis. Some EU leaders are therefore likely to orientate the EU agenda towards a more 'social Europe', whilst others will be tempted to emulate the euroscepticism of those who won the elections. All, however, will be pressured to reduce Brussels' influence on the European legislative agenda. The EU economic and trade agendas, in particular those concerning US-EU transatlantic relations and TTIP, may be redefined and become less favorable to businesses. The Commission may also rethink its internal organization, potentially by reallocating tasks and policy areas between individual Commissioners.
- **Who Will Be the Commission President?** With the EP elections concluded, the next President of the European Commission (the EU's executive arm, responsible for the day-to-day running of the EU) must now be selected. The Council (which is composed of representatives of Member State governments) will shortly assign the President of the Council, Herman Van Rompuy, to kick off discussions with the EP over the nomination process. Following those discussions, the Council will formally put forward a Presidential nominee, which must be elected by at least 376 MEPs. A struggle between the Council and the EP over the nomination is expected, given the competing interests of MEPs and the Member State governments that make up the Council. The Council is not obliged to nominate a candidate backed by the EP; however, the new rules foresee a structured dialogue between the Council and Parliament on the candidate selection. To complicate matters, the EP is internally divided over which nominee it would in fact support. The center-right EPP, which holds the most seats, is backing Jean-Claude Juncker, but his mandate has been disputed by the Socialists' favorite, Martin Schulz. The EPP has a weaker majority following these elections, and many have questioned Mr. Juncker's ability to rally an absolute majority behind him. Some MEPs are now favoring a competitive process in which parliamentary candidates would need to demonstrate their ability to get an absolute, cross-party majority behind them. This would give significant influence over the process to other political groups, such as the Liberals and the Greens. Yet these internal divisions may reinforce the EP's negative image in the eyes of EU voters.
- **What Does It Mean for Brussels-based Advocacy:** The EU public policy process is likely to be volatile in the months ahead. Organizations doing business in Europe will face considerable uncertainty regarding the way the EP and Commission will develop. They will have to adapt to a shift from the current dynamics (driven by the EPP, Liberals, and the ECR) to a governing EPP / Social Democrats coalition. More than half of the MEPs are new, giving experienced MEPs an opportunity to play a dominant role. Overall, the situation is fraught with risk, but also opportunity.
- **What's Next:** The election of the President of the European Commission by the EP is set to take place on July 16. A new European Commission will be put in place during the Fall, and will take over on November 1.

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If you have any questions concerning the material discussed in this client alert, please contact the following members of our European public policy & government affairs practice group:

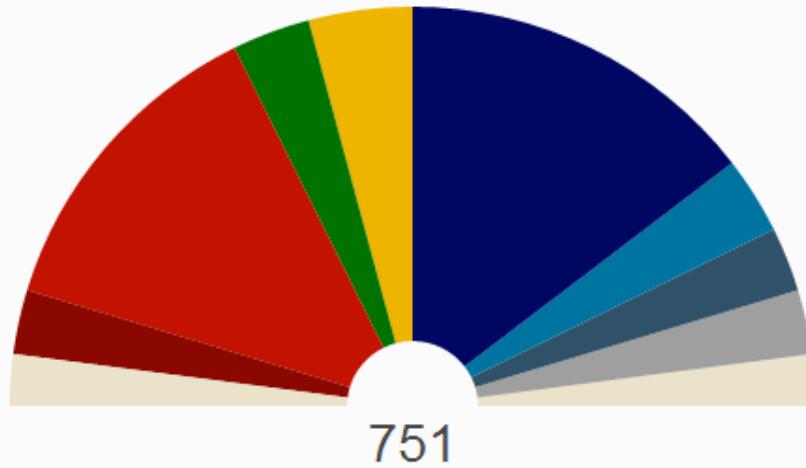
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**List of political groups and abbreviations:**

- **EPP:** European People's Party (Christian Democrats, center-right)
- **S&D:** Progressive Alliance of Socialists and Democrats (center-left)
- **ALDE:** Alliance of Liberals and Democrats for Europe (center)
- **Greens/EFA:** The Greens/European Free Alliance (left)
- **ECR:** European Conservatives and Reformists (Eurosceptics, right)
- **GUE/NGL:** European United Left/Nordic Green Left (far-left)
- **NI:** Non-attached Members (Members not belonging to any political group)
- **EFD:** Europe of Freedom and Democracy (Europhobes, far-right)
- **Others:** Newly elected Members not allied to any of the political groups set up in the outgoing Parliament

## Provisional results

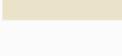
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### Turnout

**43.09%**

Estimation 25/05/2014 23:58 CEST

		<b>EPP</b> Group of the European People's Party (Christian Democrats)	213 	28.36 %
		<b>S&amp;D</b> Group of the Progressive Alliance of Socialists and Democrats in the European Parliament	191 	25.43 %
		<b>ALDE</b> Alliance of Liberals and Democrats for Europe	64 	8.52 %
		<b>Greens/EFA</b> The Greens/European Free Alliance	52 	6.92 %
		<b>ECR</b> European Conservatives and Reformists	46 	6.13 %
		<b>GUE/NGL</b> European United Left/Nordic Green Left	42 	5.59 %
		<b>NI</b> Non-attached Members – Members not belonging to any political group	41 	5.46 %
		<b>EFD</b> Europe of freedom and democracy Group	38 	5.06 %
		<b>Others</b> Newly elected Members not allied to any of the political groups set up in the outgoing Parliament	64 	8.52 %

Every political group must be made up of 25 MEPs from at least 7 Member States.

*Without prejudice to the composition of the EP at the opening session on 1 July 2014*

Source: TNS/ScytI in cooperation with the European Parliament  
<http://www.results-elections2014.eu/en/election-results-2014.html>

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