

DATA SNAP

ECONOMIC RESEARCH

26 May 2014

European Elections: no surprise, don't panic!

Key points: As we pointed out in a former publication earlier this month (see [Special Report N°56 - More Eurosceptics in Strasbourg: Watch out for national repercussions](#)), the question surrounding the European elections was not whether the election would give rise to a Eurosceptic surge in Strasbourg, but whether this rise could lead to a situation where the proper functioning of the Parliament and the European legislative process are hampered. We reiterate our position: the answer is no.

- **Yes, the Eurosceptics will definitely have unprecedented firepower in the European Parliament: total Eurosceptics have won 228 seats, i.e. 30% of the hemicycle and 70 seats more than in 2009.** For the "soft" Eurosceptics, it is only the GUE/NGL group (far-left) that will enjoy an increase, as it will gain up to 8 seats, while the ECR group will lose as many as 12 seats - a poor performance that must be related to the losses for the Tories against Labour and UKIP in the United Kingdom. The "hard" Eurosceptics increase the number of their seats from a little more than 60 in 2009 to 141 following the election (groups of "non-attached" and "others"). Most radicals, which until now have been underrepresented, will form a new group to the right of EFD, on the basis of the alliance between, inter alia, the National Front, the PVV, the FPÖ and the Lega Nord. It will include 38 seats among the "non-attached", most of them from the National Front.
- **But, even so, we don't expect any deadlock in the Parliament.** It should be recalled that Euroscepticism covers very different ideologies, often radically opposed to each other. It is therefore unlikely that we will see the GUE/NGL group - which brings together leftist tendencies from socialism to radical anti-capitalism - form a block with representatives from the PVV, the UKIP or the National Front. At the right, the "soft" Eurosceptics in the ECR find it difficult to agree with the "hard" in the EFD, as the parties they represent are often opponents on the national political arenas (e.g. Tories vs. UKIP or PdL vs. Lega Nord). Furthermore, no alliance should be expected between the new far-right entity and the EFD and the ECR: while the Italian Lega Nord (currently attached to the EFD) has planned to share seats with the National Front and its peers, the UKIP and the Polish nationalists (also members of the EFD) have already ruled out any alliance with the National Front. **By way of comparison, we need to bear in mind that the "europhile" camp will still have, 523 deputies (according to the projections) which will join forces if need be.**

Chart 1
European elections: Projection in terms of seats as of 25/05/2014 (EP)

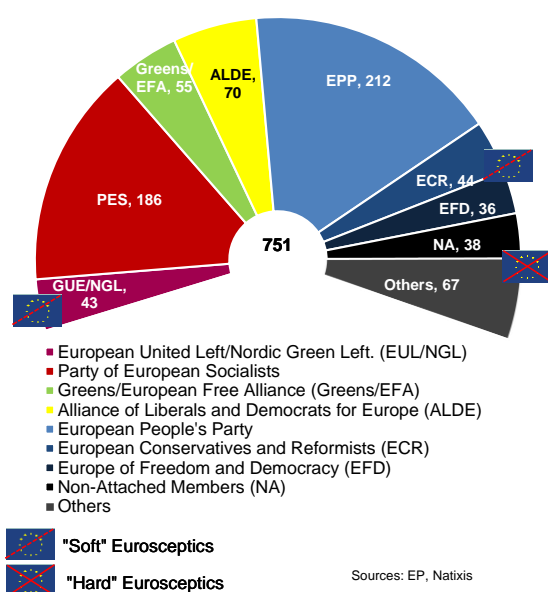
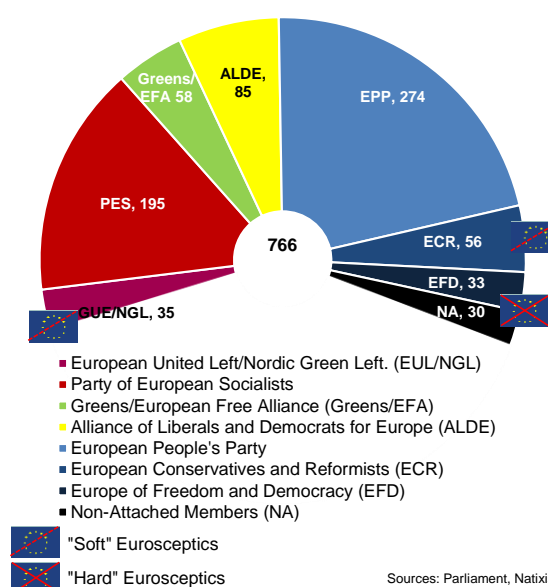


Chart 2
Parliamentary groups in the European Parliament (2009-2014)



Outlook: All in all, although the number of Eurosceptics has increased and they are better represented than before, they will not make up a force that is large, united and committed enough to seriously threaten the European legislative process. However, this unprecedented surge will not be without repercussions. Structurally, traditionally "europhile" groups (or at least part of them) will definitely be forced to form a large coalition to get the legislative work done. In practice, this would not be a first: experience from recent economic and financial issues have shown that the MEPs primarily tend to defend a common political line vis-à-vis the Ecofin rather than their respective party lines. In the shorter term, besides the temporary, bearish impact that the Eurosceptic surge undoubtedly will have on European markets, it is at the national level that the repercussions of the election could prove to be the strongest. In particular, we have Greece in mind, where Antonis Samaras' coalition seems to be in a tricky situation after opposition party SYRIZA won 26% of the votes (for more details, please see [Special Report N°64 May 25, 2014: will the ballot box speak out or not?](#)).

Alan Lemangnen – Europe Economist - +33.1.58.55.61.63 – alan.lemangnen@natixis.com