



EUROPEAN ELECTIONS 2019 PREPARING BUSINESS FOR A YEAR OF CHANGE

A VIEW FROM EUROPEAN BUSINESS LEADERS AND
GENERAL POPULATION IN FRANCE, GERMANY AND SPAIN

EXPERTS WITH IMPACT

THE GOOD, THE BAD AND THE UGLY

PREPARING BUSINESS FOR A YEAR OF CHANGE

2019 is going to be a year of major change for Europe with a new Commission appointed in November, but the biggest game changer is likely to be the European Parliament elections in May. The replacement of a significant number of MEPs could see the very real possibility of nationalist and populist parties holding the balance of power. The established ways of legislating and regulating could fundamentally change. Add into the mix the UK's potential exit from the EU, and we're looking at a significant shift in the rules of engagement in Brussels. Is your business ready?

George Orwell once wrote that 'in our age there is no such thing as keeping out of politics. All issues are political issues'. While companies have traditionally preferred to engage away from the limelight, the level of political uncertainty could well change this dynamic. Business may have to be prepared to take a much more public position. Orwell went on to write that 'politics itself is a mass of lies, evasions, folly, hatred and schizophrenia'. Could this be about to come true or will it be business as usual?

As campaigning gets under way, FTI Consulting has undertaken some research into public voting attitude and the thinking of business leaders in France, Germany and Spain. We have reviewed how both SMEs and large company leaders across all three countries are preparing themselves for the new reality, assessing their understanding and awareness of the issues that are important to them and influence the way they operate. We hope you enjoy the insights.

Julia Harrison, Managing Partner and Senior Managing Director FTI Consulting Brussels



RESEARCH METHODOLOGY

Research was conducted online in France, Germany and Spain from 6th to 9th of April 2019. The general population research collected just over n=1,000 respondents in each country (n=3,225 in total) and was weighted to ensure representativeness. The business leader research collected just over n=500 respondents in each country (n=1,574 in total) and is evenly divided between SME and large companies. The convention for rounding has been followed, so not all sums will total 100%. Please contact dan.healy@fticonsulting for more information

Dan Healy, Managing Director and head of research EMEA

METHOD	The research was conducted online
DATES	From Saturday 6th April to Tuesday 9th April 2019
COUNTRIES	France, Germany and Spain
AUDIENCES	General population & Business Leaders

GENERAL POPULATION	BUSINESS LEADERS (LARGE & SME)
TOTAL: n=3,225	TOTAL: n=1,574
France n=1024	France n=554
Germany n=1140	Germany n=512
Spain n=1,061	Spain n=508

A VIEW FROM FRANCE

The coming European elections will have a distinct flavour in France as they will be the first electoral test since Emmanuel Macron's election in May 2017. Macron, who wants to capitalize on this election to anchor his party in France, is facing a difficult social climate amidst the Gilets Jaunes (Yellow Jacket) movement that broke out last October.

It is likely that the pro-business policies pursued by Macron thus far, aimed at modernizing France and creating a more business friendly environment (e.g. labour reforms, lower taxation), risk being altered by the Gilets Jaunes as they call for less pro-business policies and more social measures. This could mark a turn in Macron's term towards increasingly social concerns. In this context, the vote in May risks being reduced to mainly, if not almost exclusively, national considerations.

The weakening of the main traditional parties since Macron's election creates a new deal for the European Parliament at a crucial time for the Union. As a struggle between "progressive" and "nationalist" forces is expected, with an historical breakthrough of the latter, the issue at stake in May might be the future of the European Union itself.

In this context, French Business leaders value Europe more than the general population does, and do expect EU institutions to set up the conditions for prosperity across Europe. Cost of living, quality of life, education and employment opportunities are seen as the top four priorities for the EU, but also for national government. Business leaders see the Macronist party as the most capable to achieve these priorities and they hope that it will come out ahead of the populist party "Rassemblement National".

Business leaders are seeking a fairer Europe, where the big tech companies should be taxed for example. They are also calling for a better Europe and for reforms, such as a harmonised fiscal frame between EU states, or EU competition policies that would not hinder European companies' prosperity. A majority of business leaders are concerned that if reforms are not implemented, the Eurozone as it stands would not be able to withstand another financial crisis if it were to happen again. This call for reform also applies to the decision-making process, which they think should be reviewed to make the EU more effective and return more power to national governments on issues like immigration, economic regulation, or defence.

Not surprisingly French Business leaders see France as a pillar of the EU alongside Germany. Those two countries would benefit the most from Brexit, and France's influence on the EU decision making-process would certainly be enhanced.



A VIEW FROM GERMANY

2019 is set to become a year of profound change for Germany, with elections in four states plus the European elections in May. The result of these elections may well determine the fate of Chancellor Angela Merkel who is in her last term in office and has already given up the leadership of her Christian Democratic CDU party.

But the year will also be crucial for Merkel's junior partner in the governing Grand Coalition, the Social Democratic SPD. They have continued to plummet in the polls after their historically bad results in the 2017 general elections when they reached just 20 per cent, and are now in the 15 to 17 per cent region.

In turn, the Green party which performed rather badly in 2017, are now solidly north of the SPD, in some areas reaching even the 20 per cent region.

But signs are also on the up for the populist, xenophobic AfD party which, according to recent polls, is now the strongest party in the Eastern parts of Germany where three state elections will be held this year, and none of the incumbent governments has a solid chance to be re-elected.

Germany's economic outlook for 2019 is sobering, with strong signs that the period of solid growth rates since 2010 will come to an end.

It is remarkable that German business leaders, compared to their counterparts in France and Spain, still have a much more positive view of their prospects, according to FTI's research. More than 45 per cent of business leaders in Germany are highly satisfied with their economic outlook when it comes to business opportunities, as compared to 23 per cent in France, and only 15 per cent in Spain.

It's also interesting to see how Germany's business elite has much higher regard for the EU and its institutions than their western neighbours. Almost half of all respondents in Germany 'strongly agree' that their country has benefitted from the EU overall, with over 8 in 10 generally agreeing (slightly and strongly) with the statement. In France, only 1 in 4 business leaders strongly agreed that the EU was beneficial to them, while in Spain, 29 per cent of business leaders strongly agreed with the statement.

These figures reflect that the period since 2010 has brought Germany stability and optimism, whilst neighbouring countries simultaneously had to encounter upheaval and disruption.

Amid signs of crises such as Brexit, populism and climate protests, it is again the Germans who place the greatest hopes in a strengthening of Franco-German relations, our research reveals: 76 per cent of German respondents wish for new vigour and energy between Paris and Berlin, whilst only 55 per cent of French business leaders, and only 49 per cent of Spanish business leaders would bank on this.

For Chancellor Merkel, this result may be ringing in her ears, as many think her support for French President Emmanuel Macron in his efforts to move the EU forward has been only lukewarm.

Business leaders in all three countries are in agreement that tech giants, should be subject to European taxation – a clear sign that there is cross-border concern in all three countries about the EU staying competitive in a global market.



A VIEW FROM SPAIN

The recent April general election in Spain has confirmed the pro-European stance of the Spanish electorate. The likelihood of a stable PSOE government could reinforce Spain's position in Europe – especially considering that it is poised to be the largest country with a Social Democrat government within the EU. In addition, the entry of far right party Vox into parliament has been with less electoral support than was expected. In spite of this, compared to recent polls, Spanish business leaders are expecting an even more pronounced surge of alt-right party Vox in the next EU Parliamentary elections. This is the second time that Vox is going to stand for the EU Parliament elections but the first that is poised to obtain considerable representation.

Compared to their French and German peers, a clear majority of Spanish business leaders (64%) expect voters to take a positive stand and support a particular party to win rather than vote in opposition to a particular party. The political party system in Spain is the most fragmented since the country transitioned to democracy in the 70s and there is a full spectrum of ideological options from left to right, with five parties at national level that could receive more than 10% of votes, plus the Catalan and Basque nationalists' strongholds. It is also the country where business leaders expect economic/financial reasons to weigh more in voting behaviour, which speaks to a yet incomplete recovery following the 2007-08 crash.

Interestingly, Spanish business leaders see Germany as a pillar of the EU even more than their German counterparts. France and Spain are both considered to boost European integration. Business leaders in Spain also regard these three countries as the ones that will benefit the most from Brexit.

Employment and healthcare are seen as the two top priorities for EU and national governments, followed by education and economic prosperity. In other words, Spanish business leaders think governments should focus on guaranteeing public services, while adopting measures to boost economic activity.

Overall, Spanish business leaders are the ones who would prefer to see more decision-making power in the hands of EU institutions rather than at national level. Especially on transborder issues such as immigration or defence policy, but also regarding the regulation of the economy. However, a majority of them are concerned that EU regulations can have a negative influence, holding back the prosperity of Spain and that EU competition policies are hindering European companies from becoming stronger on the global stage.

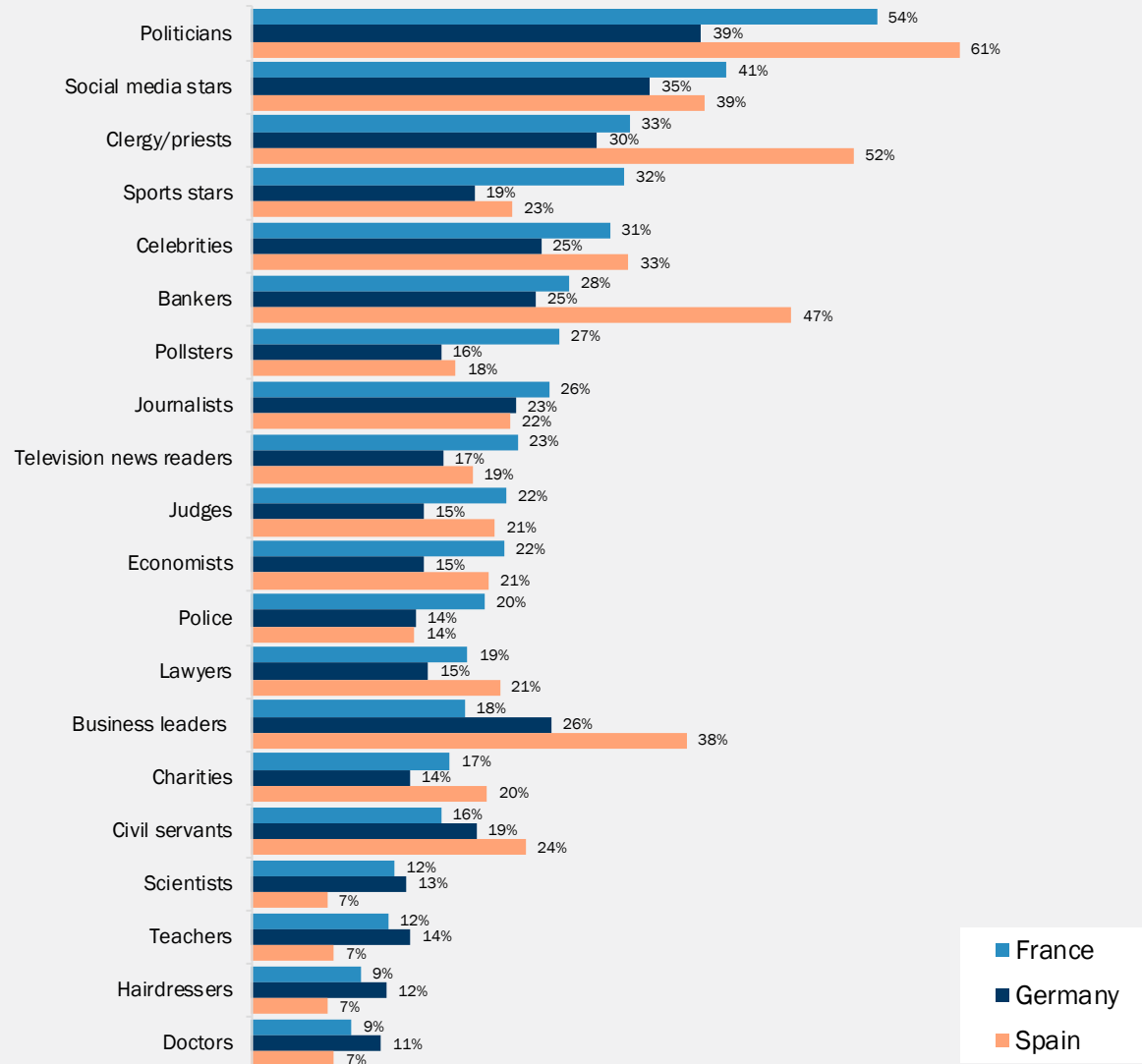
Also, it is worth noting that Spain is the country where traditional media (especially TV) has the strongest influence on business leaders' views on the upcoming EU parliamentary elections.



Q. GENERAL POPULATION: GENERALLY SPEAKING, WHICH OF THE FOLLOWING BEST DESCRIBES YOUR ATTITUDE TO THE FOLLOWING GROUPS?

SUM: DISTRUST + HATE

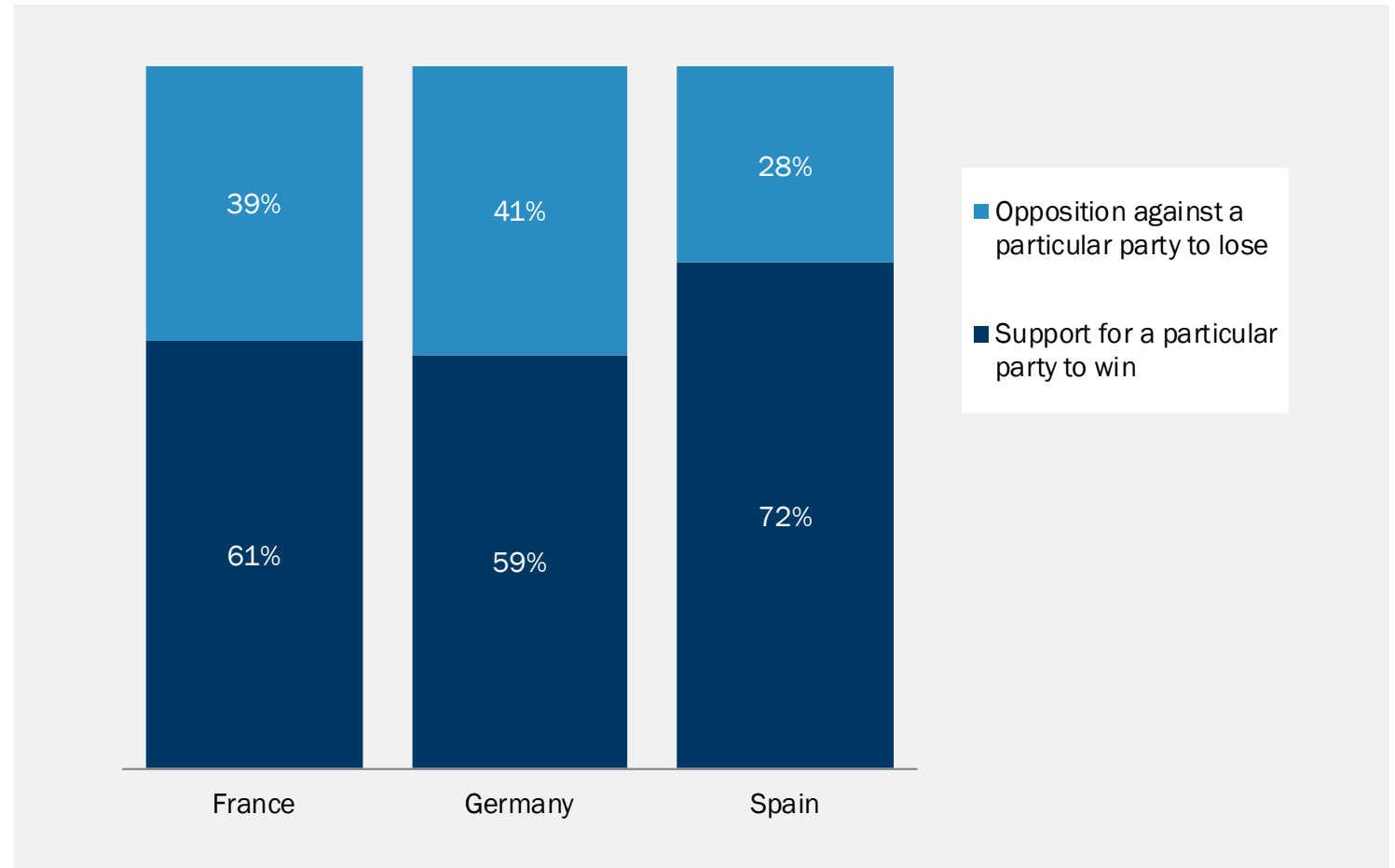
SUMMARY: To help understand how voters in each country will behave, we set-out to establish the overall positioning of politicians in their societies and compared them to others. The results are stark. Politicians are the most distrusted or hated figures in society of those we tested, particularly so in Spain by 61% and 54% in France. Even bankers, the most maligned group post financial crises, have a comparatively better reputation than them.



Base (General Population): France n=1024, Germany n=1140, Spain n=1,061

Q. GENERAL POPULATION: HOW WOULD YOU BALANCE BETWEEN THE FOLLOWING ON HOW YOU EXPECT TO VOTE FOR THE EUROPEAN PARLIAMENTARY ELECTIONS?

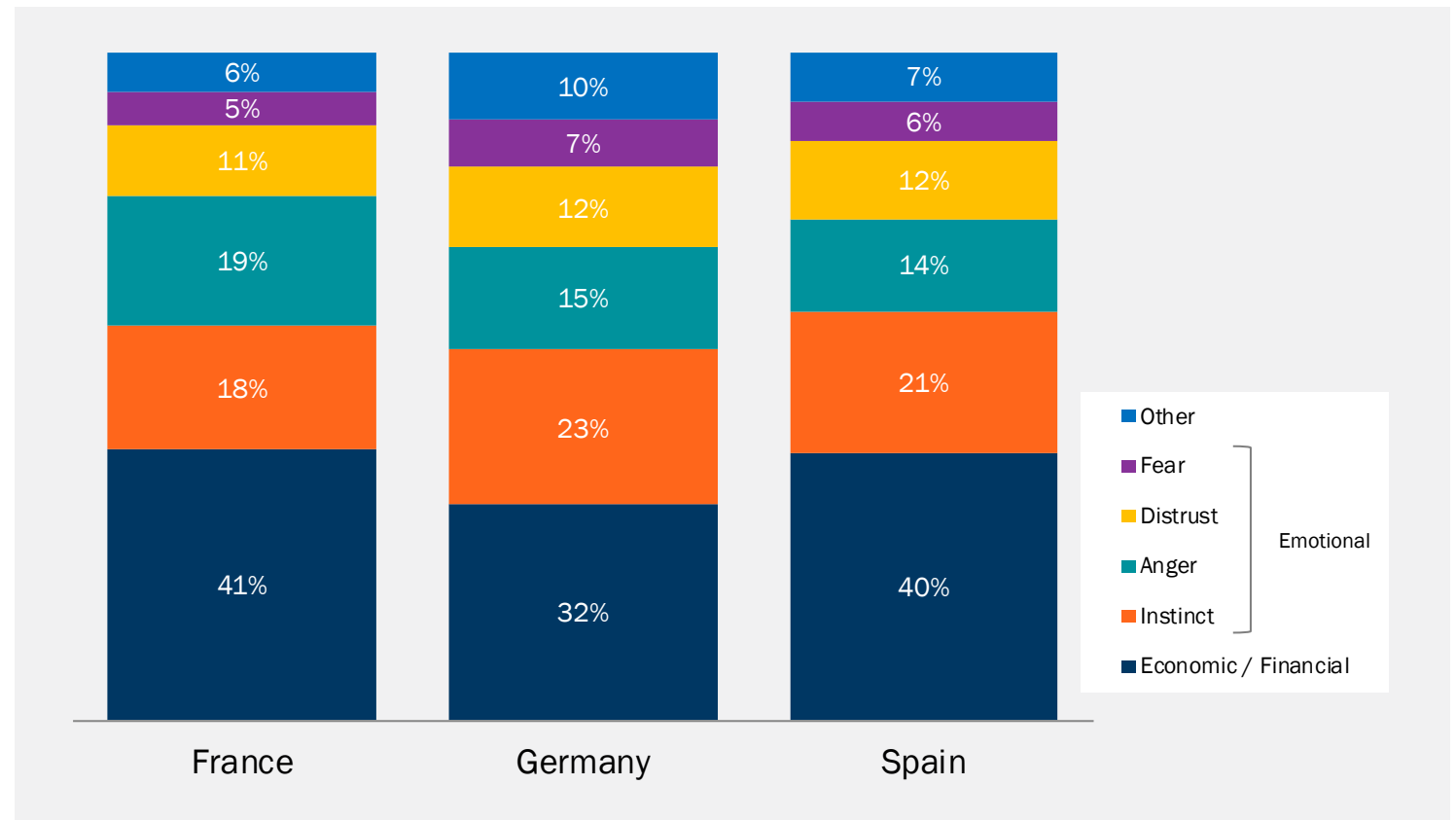
SUMMARY: We are seeing a sizeable proportion being motivated by spite against a party. This is highest with German voters where it carries a 41% weight on their voting decision overall. An implication of this is that candidates might be victorious based on the vilification of their opposition and not for their policies.



Base (General Population): France n=1024,
Germany n=1140, Spain n=1,061

Q. GENERAL POPULATION: HOW WOULD YOU DIVIDE THE REASONS FOR YOUR EXPECTED VOTING BEHAVIOUR IN THE 2019 EUROPEAN PARLIAMENTARY ELECTIONS?

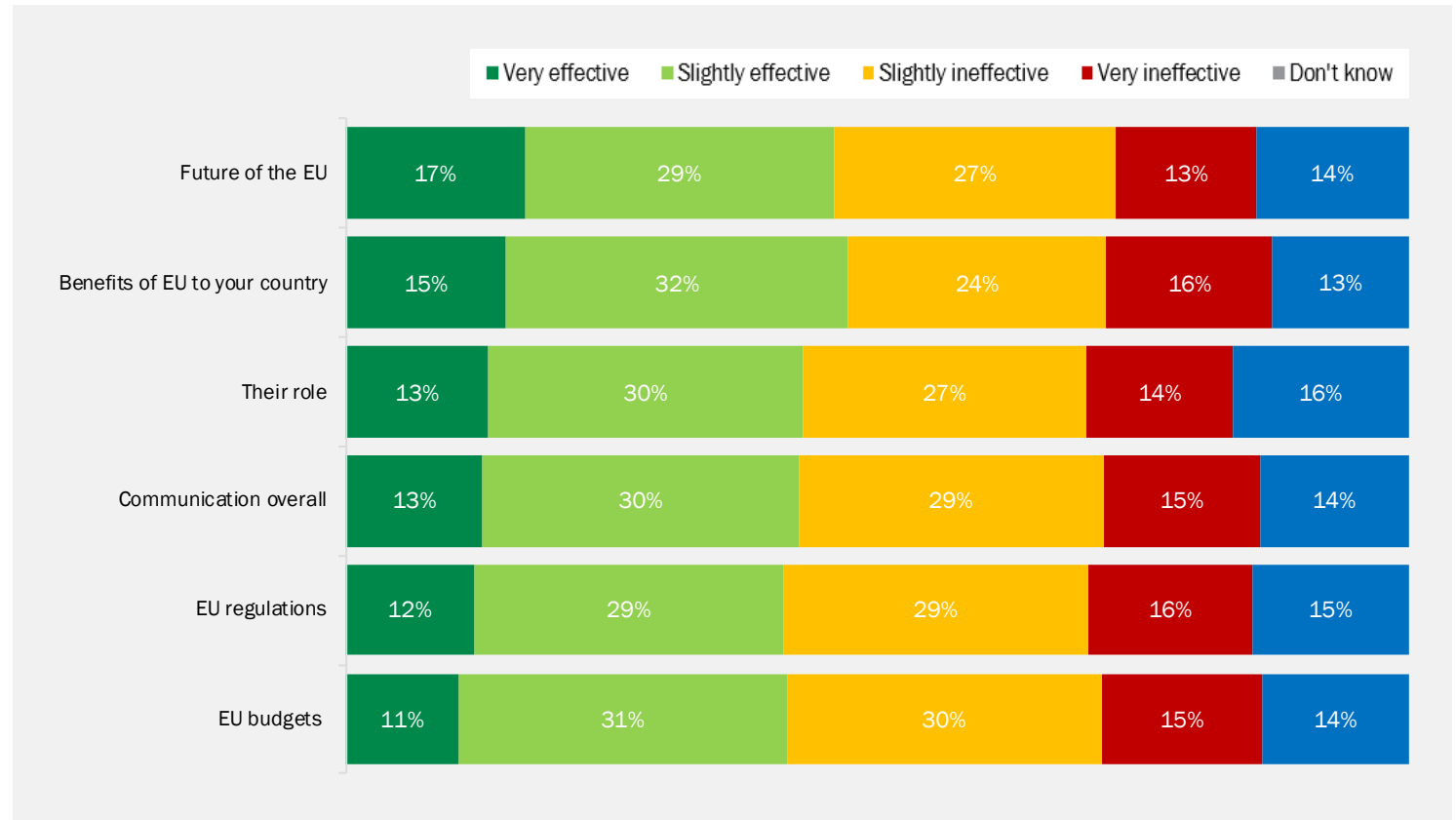
SUMMARY: “It’s the economy, stupid” has often driven thinking at key moments in a voting process. Our polling shows this may now be a soundbite from a more innocent political age. Emotions are now tipping the scale away from economic / financial reasons with more than 50% of voters in each country listing emotional reasons for their behaviour. This is highest in Germany with a sum of 57%.



Base (General Population): France n=1024, Germany n=1140, Spain n=1,061

Q. GENERAL POPULATION: HOW WELL WOULD YOU GENERALLY RATE THE EFFECTIVENESS OF YOUR MEPS' COMMUNICATION ON THE FOLLOWING OVER THE LAST 12 MONTHS?

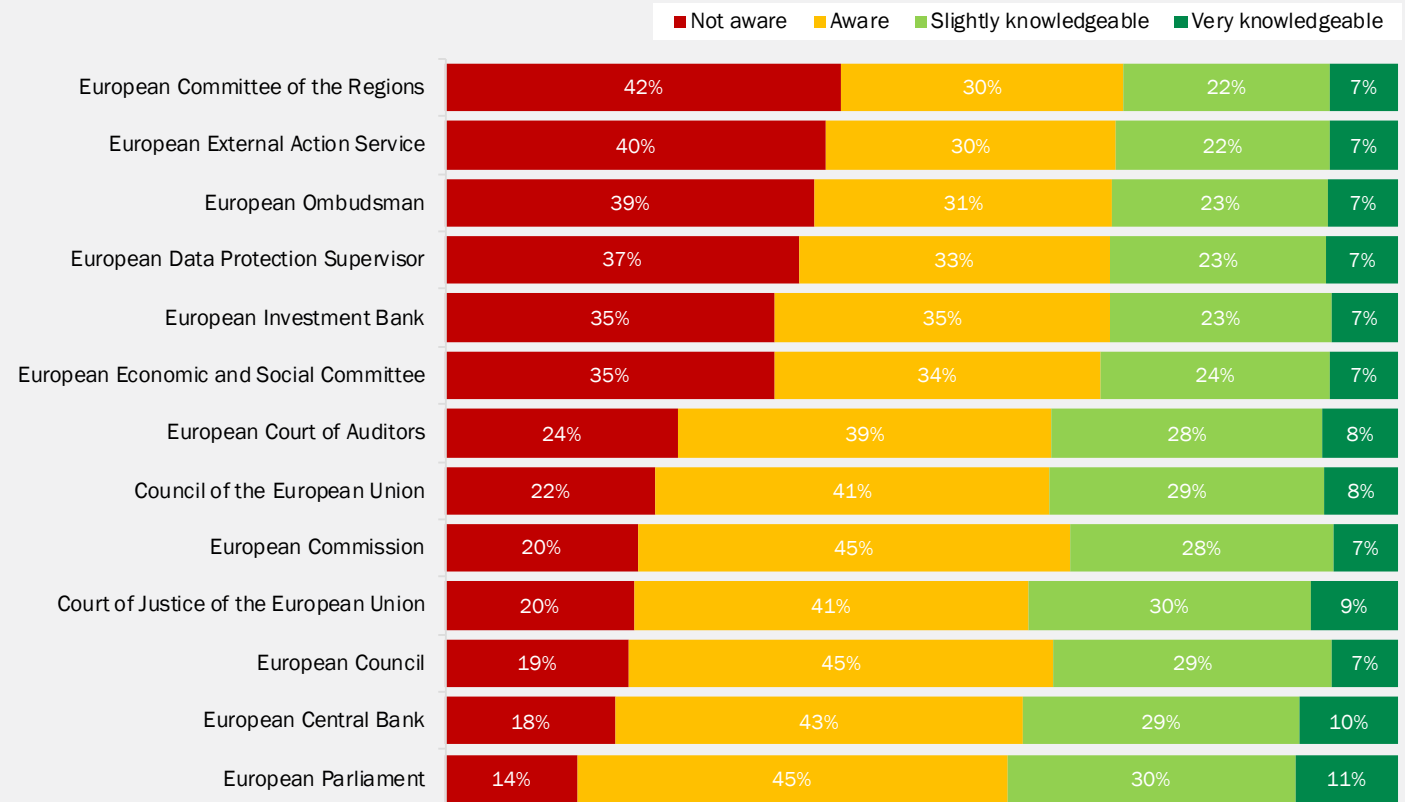
SUMMARY: Overall, communication from MEPs across the 3 countries leaves substantial room for improvement. With 43% claiming their communication overall is effective, 44% claim it has been ineffective and the remainder just don't know. This is a similar proportion for all the other elements, from the future of the EU through to even communicating their own roles.



Base (General Population): n=3,225 across France, Germany & Spain

Q. GENERAL POPULATION: HOW KNOWLEDGEABLE OR AWARE ARE YOU OF THE FOLLOWING EU INSTITUTIONS?

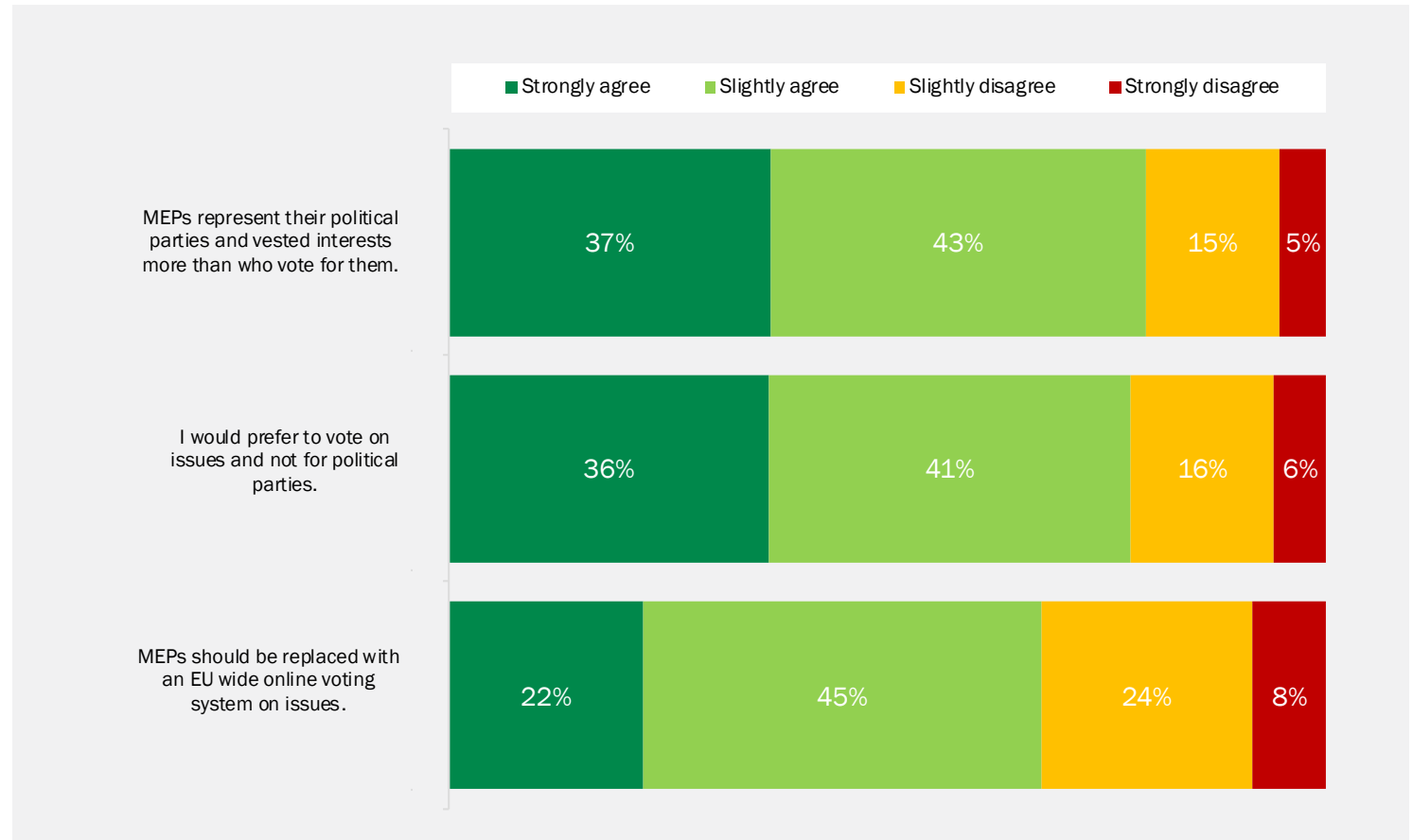
SUMMARY: The knowledge gaps emanating from ineffective communication has wider implication on voters understanding what a wide variety of EU institutions are there for, let alone the funding and role they play. A staggering 62% claim to have limited knowledge of the European Central Bank.



Base (General Population): n=3,225 across France, Germany & Spain

Q. GENERAL POPULATION: HOW STRONGLY DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS?

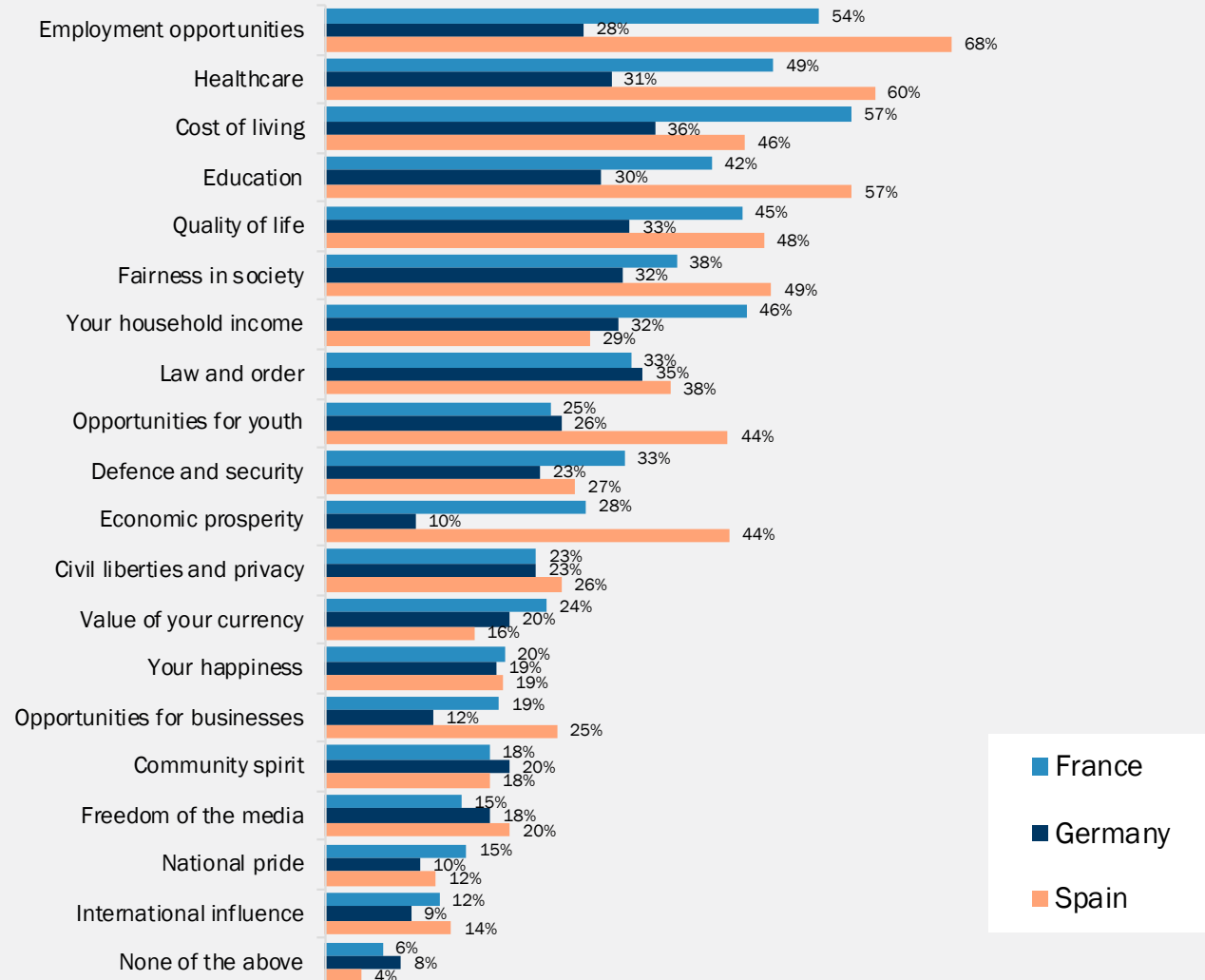
SUMMARY: Reflecting the contempt for politicians, there is a strong perception that MEPs represent their parties and vested interests more than those who vote for them. Luckily for MEPs, a system hasn't been implemented whereby they are replaced with an online voting system on issues, given 67% of voters agree with such an approach.



Base (General Population): n=3,225 across France, Germany & Spain

Q. GENERAL POPULATION: AND WHICH OF THE FOLLOWING DO YOU THINK SHOULD BE PRIORITIES FOR YOUR GOVERNMENT AND THE EU IN THE NEXT 12 MONTHS?

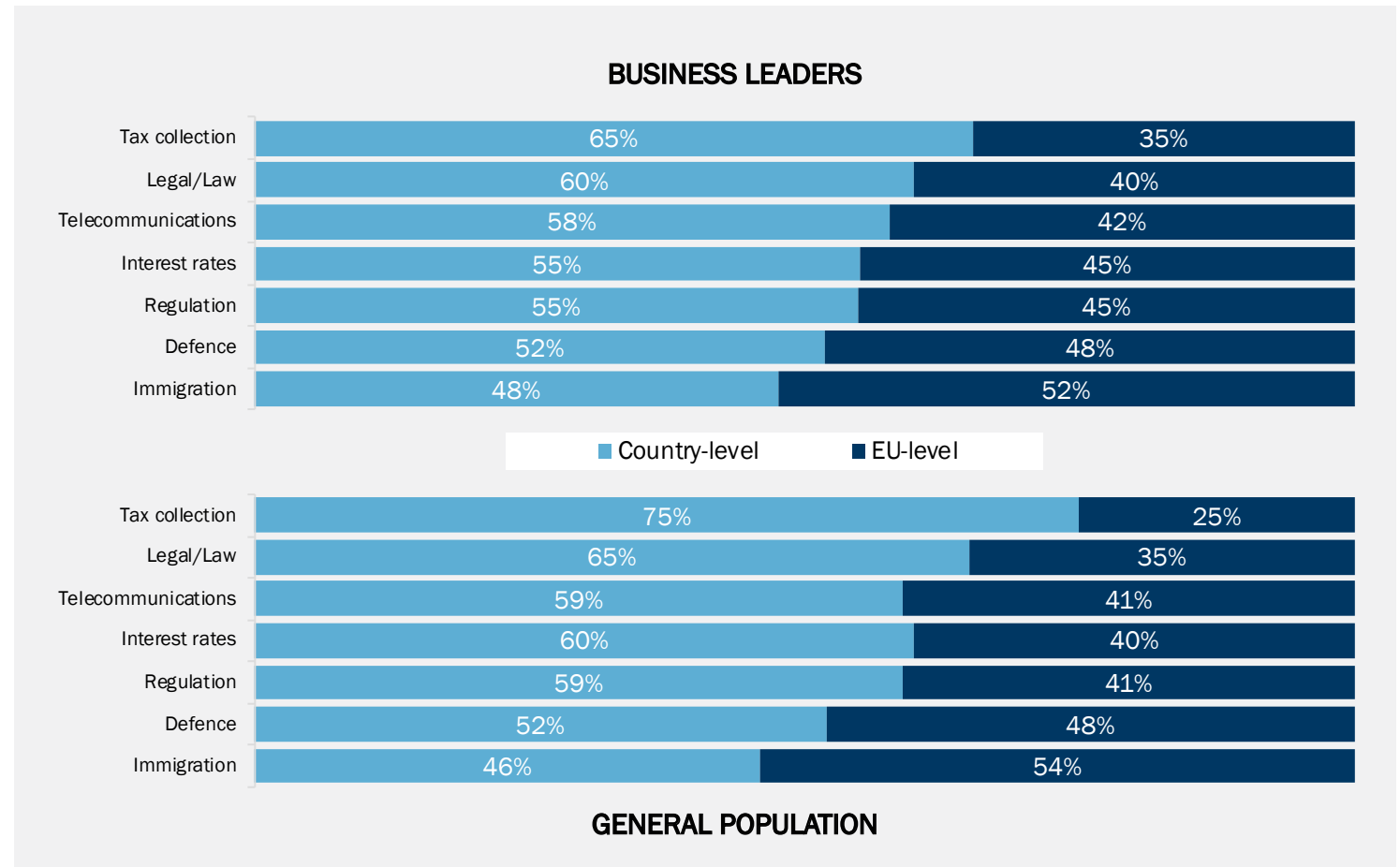
SUMMARY: Priorities vary quite prominently by country, especially in Spain where there is an emphatic message to improve employment opportunities with 68% of voters, compared to just 28% in Germany. In many ways, voters in Spain and France share similar views, while those in Germany appear less focused on their views on priorities.



Base (General Population): France n=1024, Germany n=1140, Spain n=1,061

Q. GENERAL POPULATION & BUSINESS LEADERS: IN YOUR OPINION, HOW SHOULD THE FOLLOWING BE MANAGED?

SUMMARY: Overall, both the general population and business leaders are relatively more supportive of immigration and defence to be managed at an EU level, while tax collection and legal / law are managed at a county level (and emphatically more so from the view of the general population).

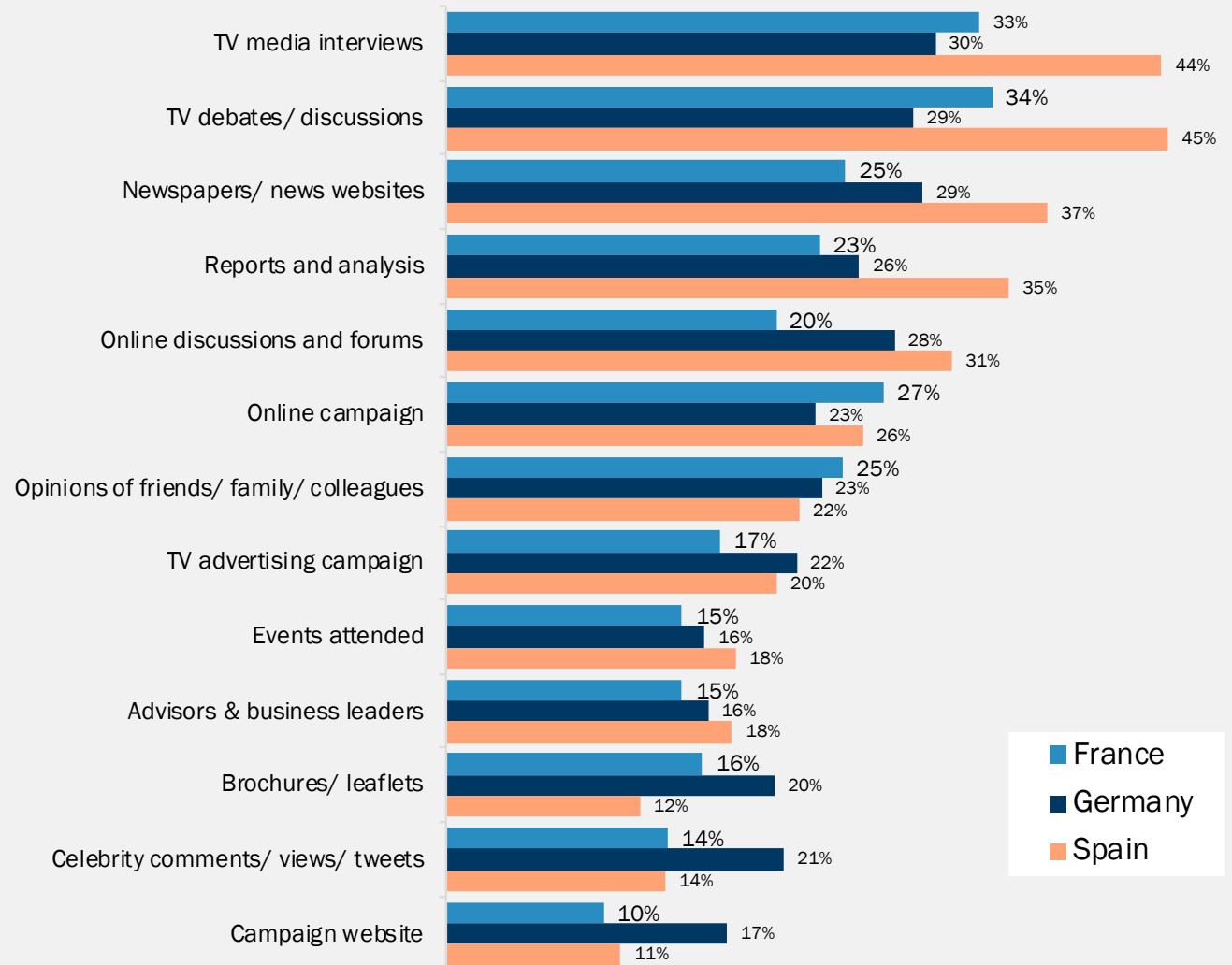


Base (Business leaders, Large & SME): France n=554, Germany n=512, Spain 508

Base (General Population): n=3,225 across France, Germany & Spain

Q. BUSINESS LEADERS: WHICH OF THE FOLLOWING SOURCES HAVE HELPED TO INFLUENCE YOUR VIEWS ON THE EUROPEAN PARLIAMENTARY ELECTIONS?

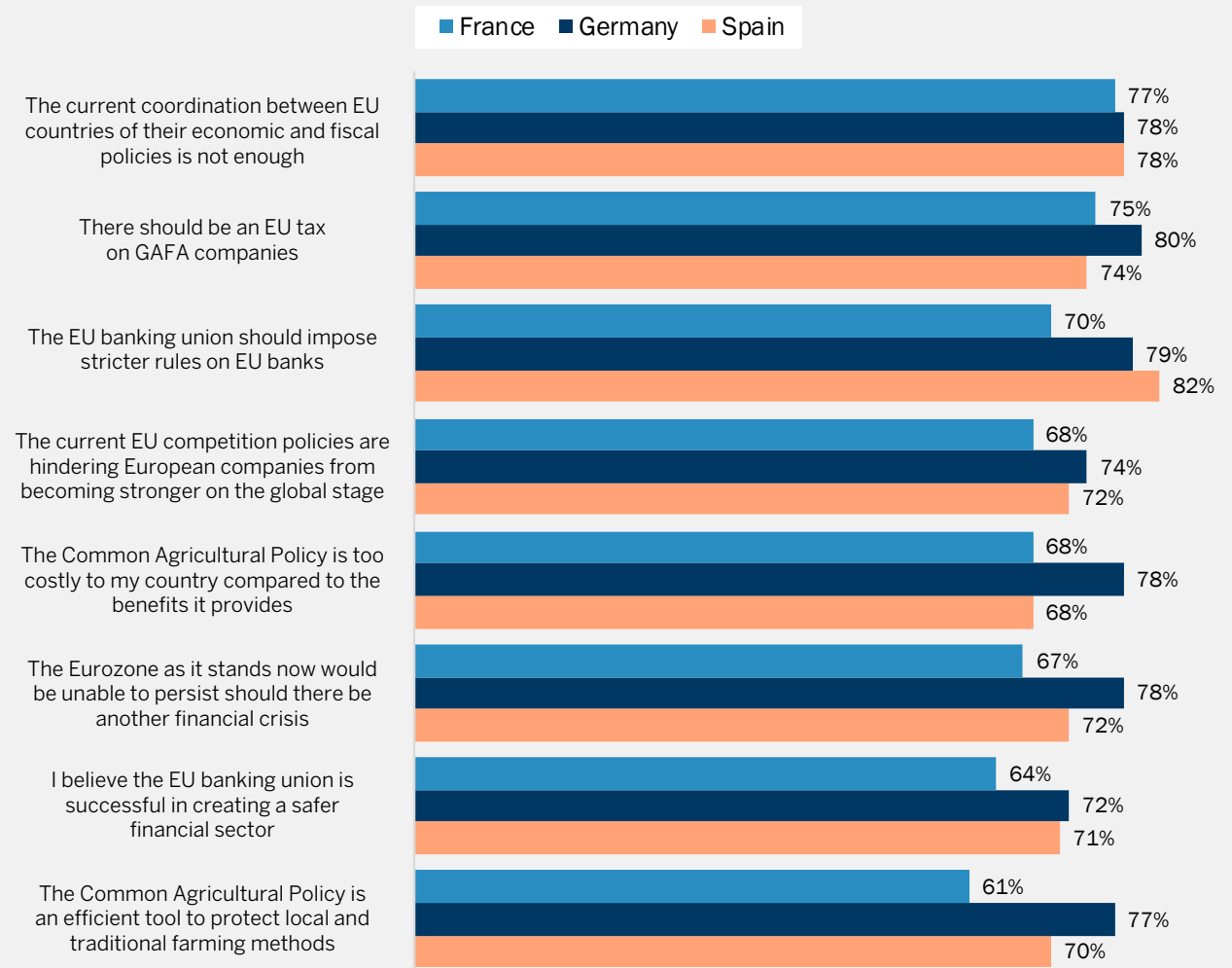
SUMMARY: From a business leader's perspective and perhaps surprisingly in our digitally infused lives, their views on the European parliamentary elections is influenced very much by TV interviews and debates, especially in Spain.



Base (Business leaders, Large & SME):
France n=554, Germany n=512, Spain 508

Q. BUSINESS LEADERS: HOW STRONGLY DO YOU AGREE OR DISAGREE ON THE FOLLOWING STATEMENTS? SUM: 'AGREE'

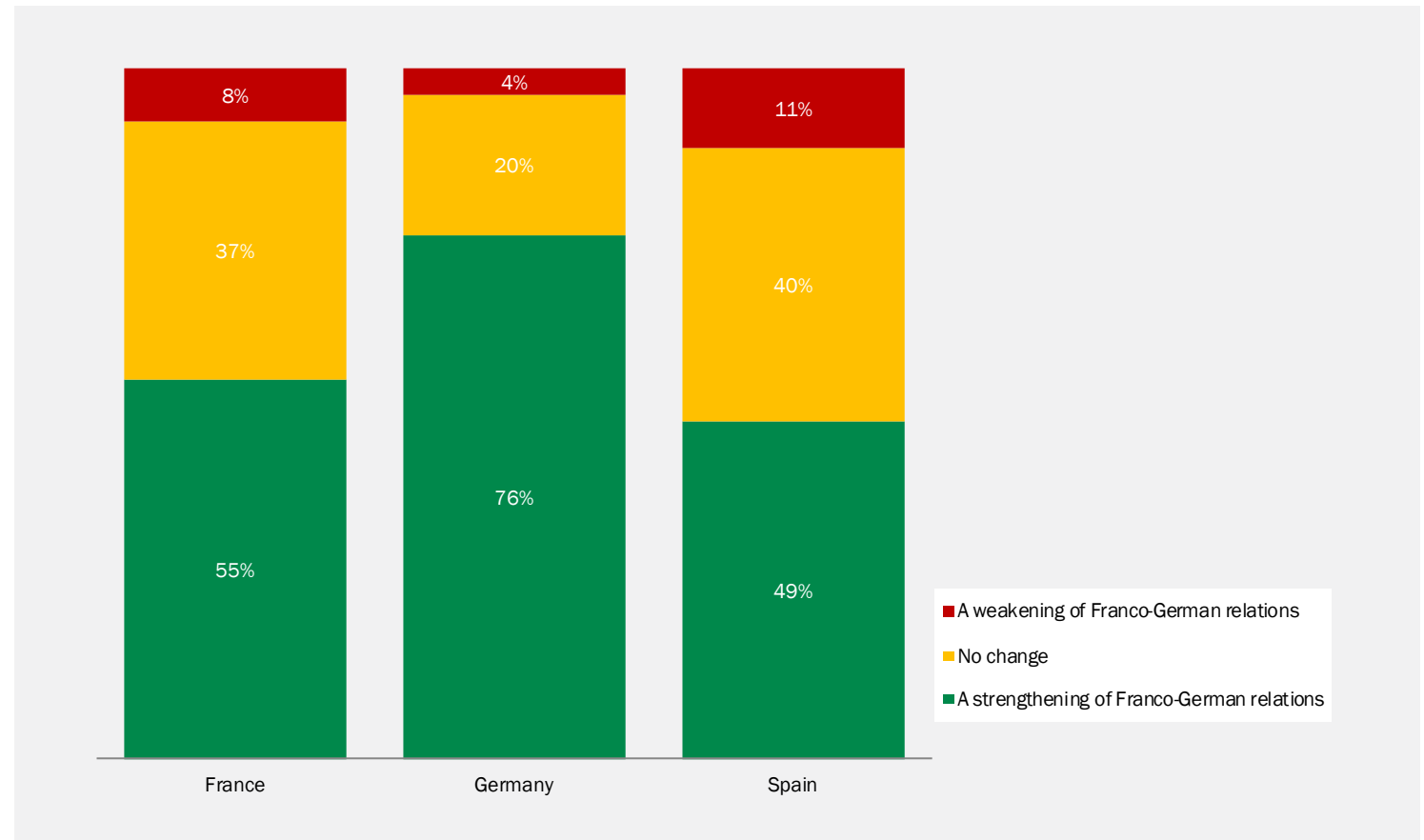
SUMMARY: Business leaders appear to want the EU to help ensure a competitive playing field for them, but also be aware their competition policies are hindering them from being stronger on the global stage. There's also a pragmatic opinion that while they appreciate the Common Agricultural Policy is effective, it is also considered too costly compared to its benefits.



Base (Business leaders, Large & SME):
n=1,574 across France, Germany & Spain

Q. BUSINESS LEADERS: HOW DO YOU EXPECT FRANCO-GERMAN RELATIONS TO CHANGE AMIDST THE CURRENT EUROPEAN CONTEXT OF BREXIT, RISE OF POPULIST MOVEMENTS AND CLIMATE PROTESTS?

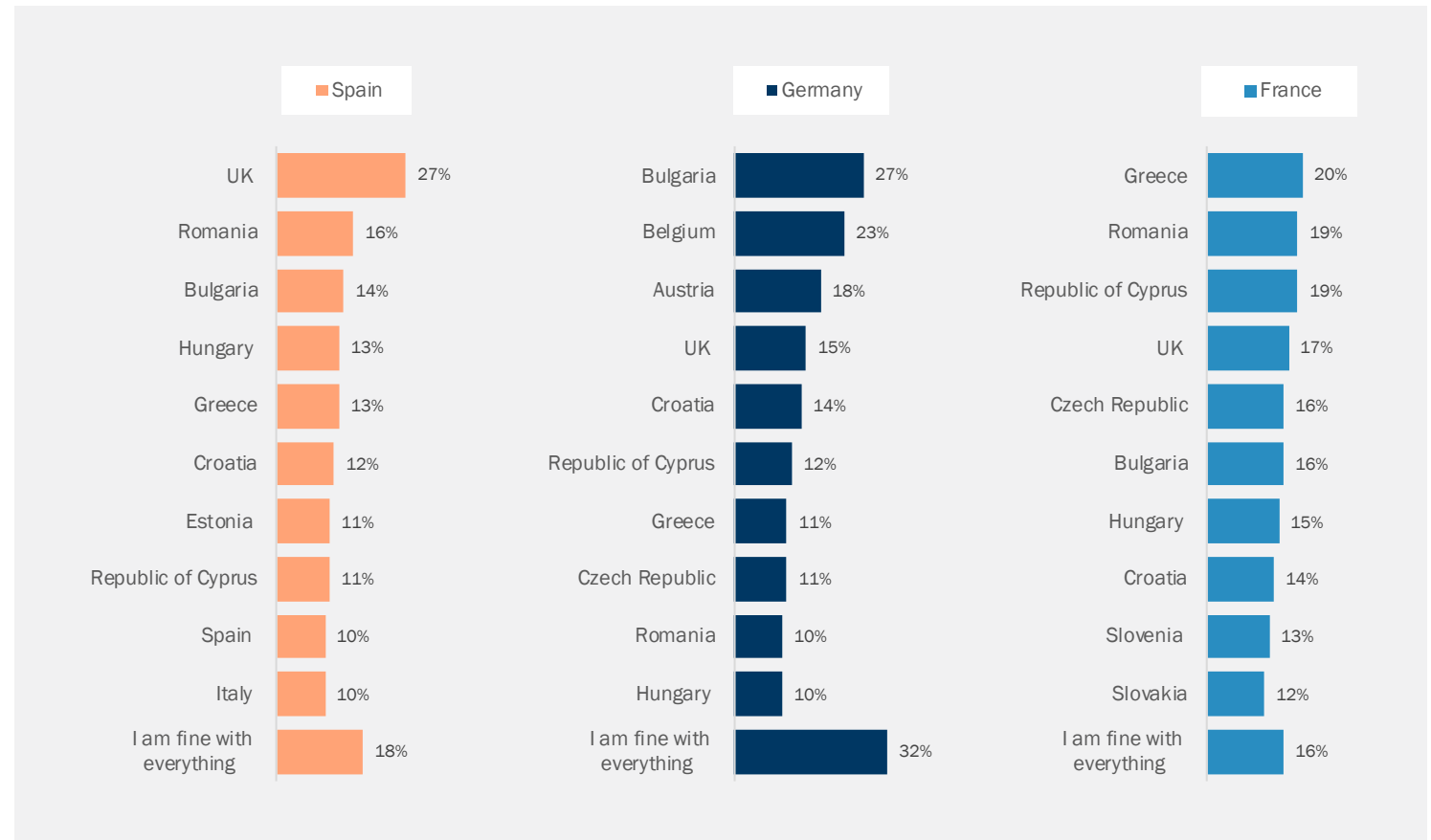
SUMMARY: In the aftermath of a conclusive Brexit, German business leaders are emphatically stronger in their belief that there will be a strengthening of Franco-German relations (76%), compared to their French counterparts who are 21% less optimistic.



Base (Business leaders, Large & SME):
France n=554, Germany n=512, Spain n=508

Q. BUSINESS LEADERS: WHICH OF THE FOLLOWING NATIONALITIES WOULD YOU NOT WANT FOR THE NEXT PRESIDENT OF THE EU COMMISSION?

SUMMARY: Business leaders have very different perspectives on who they don't want as the next President of the EU Commission. While Spain flags up they definitely don't want the UK (obviously they're making a few assumptions with this), German leaders equally don't want anyone from Bulgaria, followed by Belgium. France is most opposed to anyone from Greece, which is a significantly higher concern than those in Spain and Germany.



Base (Business leaders, Large & SME):
France n=554, Germany n=512, Spain n=508

WHAT COULD THIS MEAN?

While 'expect the unexpected' seems to be the mantra to describe what will unfold in the upcoming EU parliamentary elections in May 2019, our research with the general population and business leaders helps to understand why this might not actually be so unexpected.

Replicating our research findings leading up to Trump's election and the UK's referendum on EU membership, we're witnessing similar states of mind towards politicians. Voters are expected to channel this through their voting behaviour, becoming so emotional in their voting that it now dominates how they vote more so than any economic or financial arguments.

Many will also use their vote to spite a candidate or party as opposed to voting for someone they support based on their policies. Those political parties positioning themselves as the vessels for these emotions are expected to perform well in the election, breaking conventional voting paradigms.

Business leaders are looking towards the EU to help ensure a competitive playing field for them, but are also concerned that their competition policies are hindering them from being stronger on the global stage. Time will tell whether a more populist European Parliament will listen to their concerns and how they act upon them.

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EXPERTS WITH IMPACT

About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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