



# EU set for frequent deadlock after establishment parties suffer losses

Established parties' control weakened, curbing hopes for progress on key issues from institutional reform to trade and Brexit



## Bottom line

In the European elections of 23–26 May, establishment parties have suffered considerable losses, while nationalist, eurosceptic parties have made major gains, leaving the European Parliament more fragmented than ever. The parliament's potential to fulfil its long-held role as a key driver of further integration has suffered greatly. This will reduce the EU's ability to pursue major reform, pass legislation or speak with a unified voice, creating serious obstacles to institutional preparation for the next global recession. The resulting uncertainty means that markets are unlikely to pick up in the medium term.

## What next?

Contrary to sensationalist headlines, the EU does not face imminent collapse. Rather, the next five years will see frequent deadlock, as parliamentary divisions hamper decision-making. The EU can be expected to generally act sluggishly and frequently become embroiled in internal disagreements. The divergent interests of the various forces in parliament are likely to dilute any legislation passed. Britain's results signal that a managed Brexit is unlikely to be achieved before the current 31 October deadline. There is a good chance of a further extension, but a no-deal exit is also looking more likely than ever.



# ANALYSIS

The long-term balance of power within the European Parliament has been upset. The two traditionally dominant forces – the European People's Party (EPP) and the Progressive Alliance of Socialists and Democrats (S&D) – have both suffered significant losses. For the first time ever, their combined totals account for less than half of seats. The biggest increase has been enjoyed by the Alliance of Liberals and Democrats for Europe (ALDE), while the Greens have also enjoyed large gains.

As anticipated, this election has seen significant gains for nationalist and eurosceptic anti-establishment parties. In total, these parties now have almost a third of MEPs. Were they to unify into a single group, they would be the largest in parliament. However, they remain divided between different blocs, a fact that partly reflects disagreement over policy issues such as Russia and trade.

Despite the anti-establishment parties' divisions, their large numbers mean that it will no longer be possible to exclude them from the European Parliament's cross-party consensus-building processes. The new grouping led by Italian interior

## Nationalist gains spell disruption and deadlock

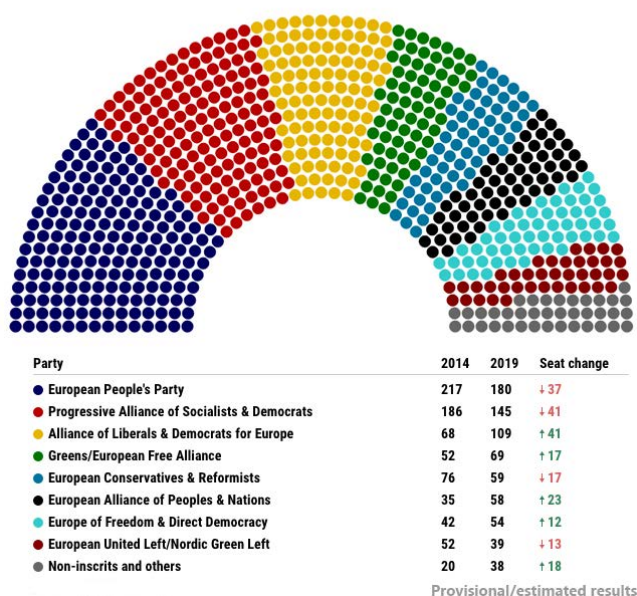
Predictions that this result may herald the EU's demise are misplaced. Popular support for the EU is the highest it has been since the 1980s, with some two thirds of citizens viewing the Union positively. An EU-wide increase in turnout bolsters the legitimacy of parliament and of the EU project more broadly.

As nationalist parties have gained popularity, they have softened their euroscepticism. The vast majority of nationalists no longer favour leaving the Union or even dropping the euro.

However, their desire to lessen the EU's role in governance will manifest itself in attempts to reduce the overall volume of EU legislation. They will block mainstream parties' initiatives where they can, stalling reform efforts, international agreements and the EU's general day-to-day functioning.

- Nationalists may be able to hamper the election of the presidents of the European Parliament and the European Commission, as well as the formation of the Commission itself. Other important appointments due this year, such as the president of the European Council, the president of the European Central Bank and the high representative for foreign affairs may also be delayed.
- EU trade may be disrupted, as many nationalist parties – as well as some left-wing parties – will seek to block free-trade deals. This opposition may extend to a possible deal with post-Brexit Britain.
- Nationalists will obstruct attempts to regulate social media or combat "fake news", fearing that such measures might curtail their own campaigning. Parliament is unlikely to adopt any new legislation similar to its recent Copyright Directive, which requires websites to take greater responsibility for copyrighted material published on their platforms. Nationalist opposition will hinder the digital single market project.
- Nationalists will oppose any consolidation of EU foreign policy. Although they are divided over foreign policy issues, they are united in their opposition to the EU emerging as a major foreign-policy actor.

European Parliament elections, 2019



minister Matteo Salvini will play a particularly important role in co-ordinating some of Europe's most important nationalist parties.

## Major EU reform likely to be discussed, but not begun

Plagued by anti-government protests and low approval ratings at home, French President Emmanuel Macron sought to regain legitimacy by actively involving himself in the campaign for the European Parliament election. With his coalition in France winning fewer votes and seats than the nationalist National Rally, that effort has largely failed.

Macron has been promoting an ambitious vision of EU reform, including such measures as an EU-wide asylum agency, co-ordinated minimum wages, a new tax on technology giants, major changes to the Common Agricultural Policy and giving the eurozone its own finance minister, budget and parliament.

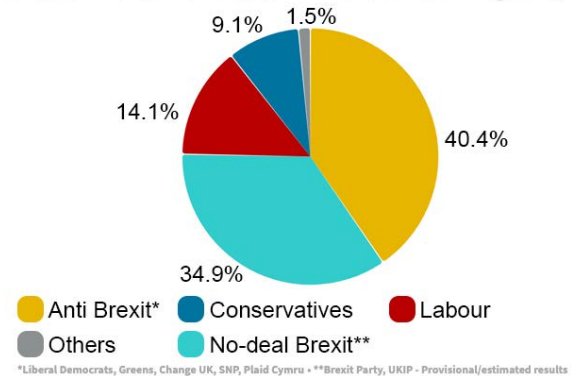
His weakened position leaves Macron unlikely to spearhead these reforms. And while ALDE's success means that significant parliamentary forces will back Macron's reform agenda, other potential drivers lack the stature to build support in a divided parliament and a partly hostile Council. Macron's ideas are diametrically opposed to nationalist parties' preferences and only have patchy support within the EPP and S&D. Vitally, Macron's initiatives lack the German government's backing.

The anticipated lack of major reform will leave the EU institutionally unprepared for future crises. A new global recession or a large influx of asylum seekers may once again find the EU without the capacity to mitigate political and economic consequences.

## No progress in sight on Brexit

Although Nigel Farage's Brexit Party has won the most seats from the UK, the election's outcome does not signify any increase in support for leaving the EU. Instead, the results reflect a heightened polarization of views. In what many treated as a second referendum on Brexit, 40 per cent of votes went to parties that clearly stand for remaining in the EU, while 35 per cent went to parties advocating a no-deal exit. Votes for the Conservative and Labour Parties are likely to have come from voters who do not closely follow politics, rather than from supporters of Prime Minister Theresa May's deal, rejected four times by the UK parliament, or Labour's proposed customs union membership and alignment with the single market.

## European Parliament election in the United Kingdom, 2019



Before results had even been announced, May announced her resignation, triggering a leadership contest within the governing Conservative Party. As the Conservatives overwhelmingly lost voters to the Brexit Party, it is expected that Britain's next prime minister will be an outspoken eurosceptic such as Boris Johnson, Dominic Raab or Andrea Leadsom. However, parliamentary arithmetic ensures that such a leader, unwilling to make compromises that might win support from europhile MPs, will be even less able to make progress than May has been. An early general election appears the only viable solution to break the current impasse.

The bottom line is that Britain is no closer to resolving its Brexit conundrum. A managed departure before 31 October is now extremely unlikely, meaning that Britain will have to either secure another extension from the European Council, or crash out of the Union without a deal. As such, uncertainty about Britain's future will persist at least until October, having a deleterious effect on markets.



by James Drayton-Losotov  
Senior Analyst, Political Risk & Policy  
james.drayton-losotov@sastreconsulting.eu

### European Parliament

SEATS	751
LENGTH OF TERM	5 years
COMMITTEES	22
PRESIDENT	Antonio Tajani, EPP (2014-2019)
VICE-PRESIDENTS	14
LARGEST POLITICAL GROUP	EPP
2nd LARGEST POLITICAL GROUP	S&D
GROUPS IN THE COMMISSION	EPP S&D (2014-2019)
GROUPS IN THE OPPOSITION	ALDE, ECR, Greens, GUE-NGL, EFDD, ENF, Non-Inscrits (2014-2019)
VOTING SYSTEM	Party list, single transferable vote, rst-past-the-post
LAST ELECTION	23-26 May 2019
HEADQUARTERS	Strasbourg, Brussels

COVER PHOTO:  
The European Parliament's headquarters in Strasbourg.  
Source: pixabay.com