

Key Points

- Europe is not recovering as well as other regions from recent crises, whilst at the same time, facing a worsening geopolitical and economic landscape.

- In the European elections, parties to the right of the EPP will gain; their influence will in part depend upon their ability to overcome fragmentation. Although shrinking in seats, Greens and RE may maintain political weight as part of an overall weakened informal centrist left parliamentary coalition.

- Whilst the real turning point for the climate agenda may prove to be the 2029 elections, pressure on green deal implementation will mount already with expected outcome of this election, further driven by lasting political shifts in France, Italy and Spain.

When French President Macron speaks, you should probably listen. Not because his political visions (such as his attempted rapprochement with Putin) always come to fruition but rather because Europe's *thinker-in-chief* often is the most lucid analyst of the global and domestic predicaments facing Europe. So it is with Macron's recent Sorbonne speech, coming seven years after he for the first time laid out his vision for Europe from the same spot. In his speech at the end of April (which he followed up with a wide-ranging interview for the [Economist](#)), he painted a far bleaker picture for the continent – one besieged by geopolitical aggressiveness (chiefly from Russia), geoeconomic challenges (from China and the United States) and a domestic surge of right-wing populist sentiment.

The French president's speech equally served as an indication for Europe's political agenda ahead of the European parliament election set to take place from June 6 – 9. Apart from campaign posters loitering on Berlin's already dirty streets, the European parliament elections have so far garnered little public attention. Europe's political leaders seem rather content with this state of affairs. When Commission President Ursula von der Leyen launched her reelection campaign in Athens in early April, she didn't even bother to inform or invite the press.

Below we provide our look ahead at the economic and geopolitical challenges facing Europe and the likely winners and losers of the European Parliament elections. A detailed overview of candidates and core issues of the German parties and European Party-Families can be found in the annex.

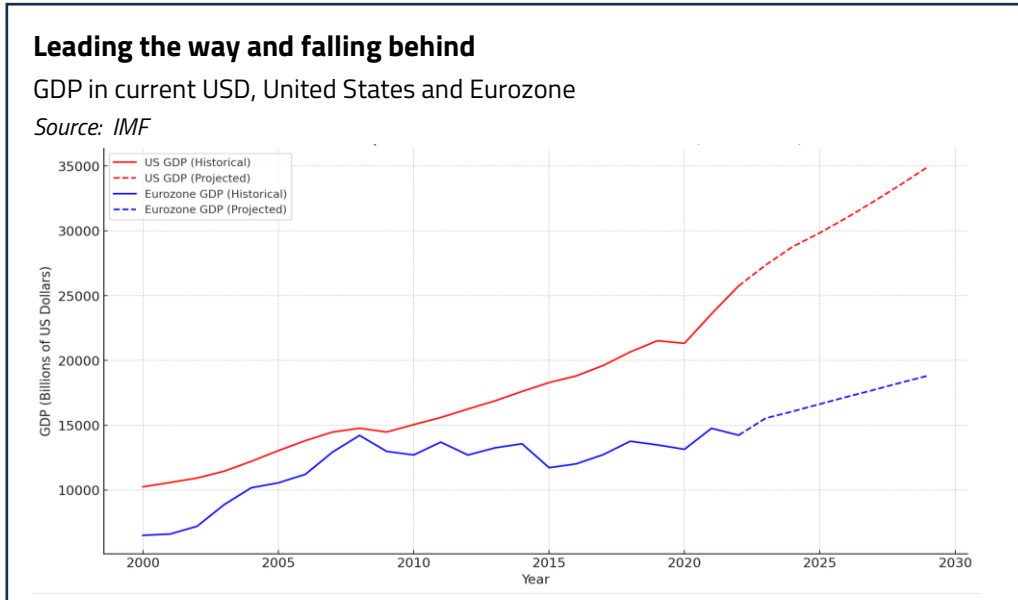
Economic and Geopolitical Challenges

Taking hits

No doubt, the outgoing European Commission's term has been filled with external shocks, chief of them the Covid-19 pandemic and the Russian invasion of Ukraine. Following an energy price shock and the resulting surge in inflation, the Eurozone remains far away from its prior growth trajectory. As noted by UniCredit Bank's Chief Economic Advisor, Erik Fossing Nielsen, Eurozone GDP is now 4.5% below its pre-pandemic (2015 – 2019) trend line. In comparison the US economy is only 1% below its economic trend line.

Europe: "It can die."

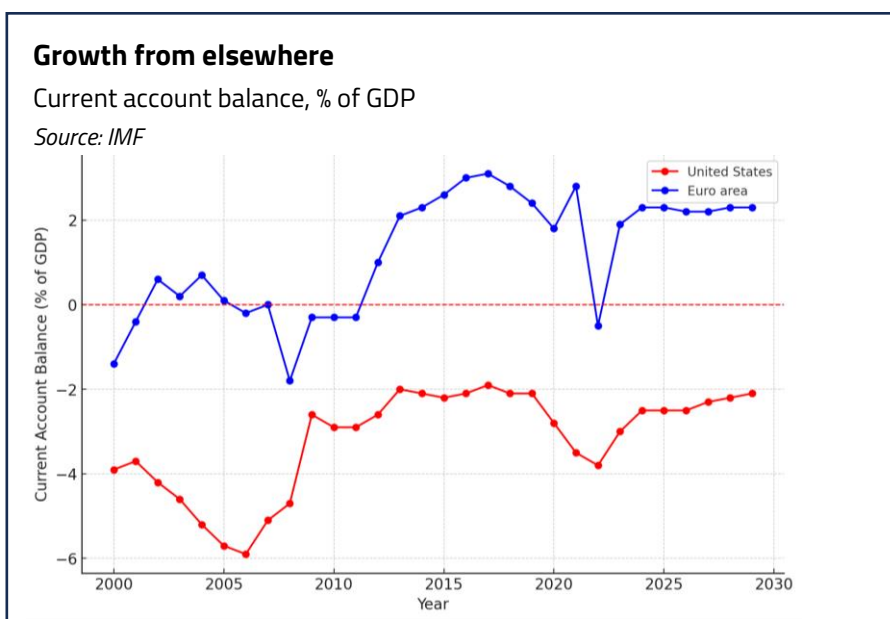
Break it down into components and the picture for the European economy looks worse still: Eurozone domestic demand is 6.6% below trend, while the US's has returned to trend.



The Eurozone, after 24 months of painful monetary policy tightening, may now look set to turn the corner with two to three 25 bps of rate cuts priced in by markets for the rest of the year. However, the Eurozone is facing long-term structural challenges that arguably are even greater in scope.

Geoeconomic Headwinds

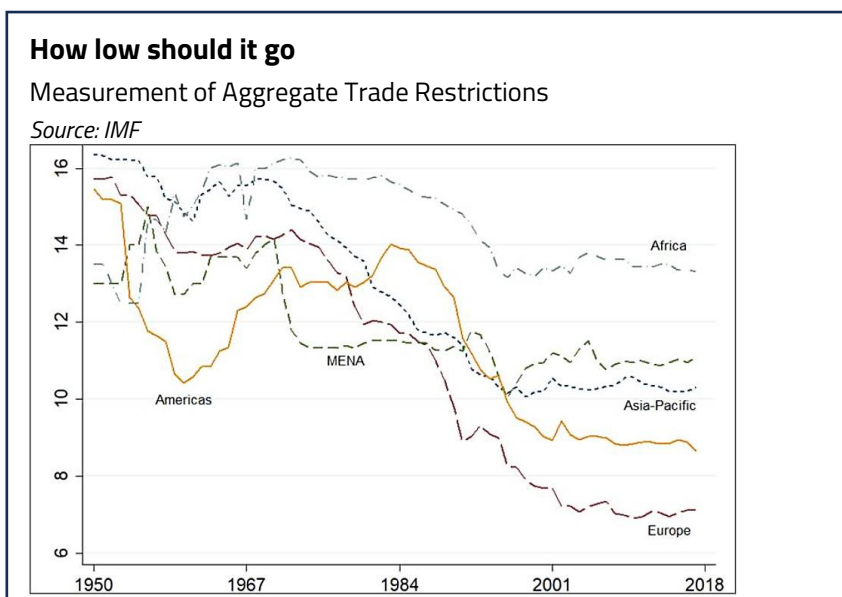
Over the past years, much of the Eurozone's economic growth has relied on Russia's cheap energy supply and persistent current account surpluses with the rest of the world.



Europe: "It can die."

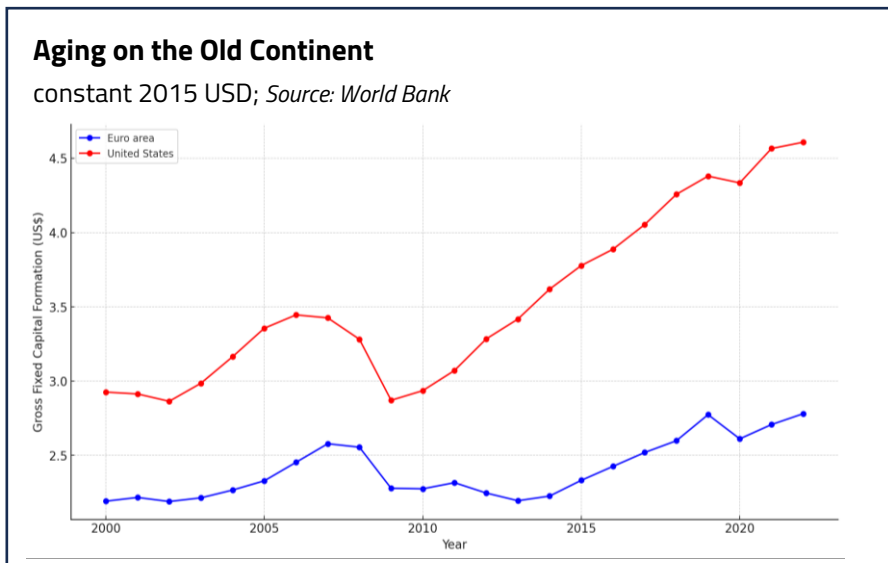
While the Russian invasion of Ukraine has literally blown up the Russo-European energy partnership, the days in which Europe (German businesses in particular) could export their advanced industrial products to an ever-growing Chinese consumer base seeking Germany's high-quality products are somewhat over as well.

Instead, the PRC has over the past decade built globally competitive industrial behemoths through which it is now seeking to establish itself as a global high-value-add manufacturing juggernaut. Coupled with its domestic economic weakness in the wake of the slowdown in the real estate sector and with continued cautiousness of Chinese consumers, a potential wave of Chinese manufacturing overcapacity is haunting political leaders in the United States and Europe fearing a "China Shock 2.0". The United States has under both the Trump and Biden administration adopted a set of industrial policy tools of its own, with industrial subsidy programs and local content requirements favoring the onshoring of manufacturing capacity and raised tariffs on Chinese goods (most recently EV, batteries, chips, steel, and aluminum imports). By contrast, the EU has a far more modest and opaque industrial policy regime, with at the same time some of the lowest trade barriers among any economic bloc.



Plus, Europe is entering this geoeconomic competition with an aging population and an aging capital stock. Look across Europe, and the gaps in digital or energy infrastructure are glaring. With the clean energy transition in full swing, and Artificial Intelligence heralding a further push in digitization, the investment needs facing Europe are abundantly clear. Instead, European nations have moved in the opposite direction: while US investment may be just 5.6% below the 2015 – 2019 trendline, the Eurozone's growth, Unicredit's Fosing notes, is now an eye-watering 16.4% below trend.

Europe: "It can die."



Geopolitical Headwinds

Even more concerning than Europe’s geoeconomic challenges are the mounting geopolitical risks facing the European project. Rather than contained, Putin, with the presidential inauguration behind him and his relationship with Xi on solid footing, has launched another summer offensive in Ukraine. At the same time, the months-long dithering over Congress’s support for Ukraine has served as a decisive warning to European nations that it cannot anymore fully rely on Uncle Sam to fund the security of the Old Continent.

Despite the US’ finally passing its much needed \$60 billion aid package it is becoming increasingly clear that Russia’s battlefield advantages are mounting, as Russian forces push into the Kharkiv region: while the Estonian Ministry of Defense calculates that Ukraine will need 6.600 155/152mm artillery shells per day to have localized fire superiority, Russia expects it will need 15.000 artillery shells available per day to be able to win. Currently, however Ukraine only has about 30% of that available, compared to Russia’s 66%. Worse still, publicly available information suggests that the West only has a capacity to supply 3.300 artillery shells per day to Ukraine compared to Russia’s 13.700 when including its large stockpile of artillery ammo. At the same time, the depletion of Ukraine’s air defenses is giving Russia air strike and reconnaissance opportunities that it hasn’t enjoyed since the start of the war. Russia has similarly developed a personnel superiority, now fielding 510,000 troops against Ukraine, outmatching the defender.

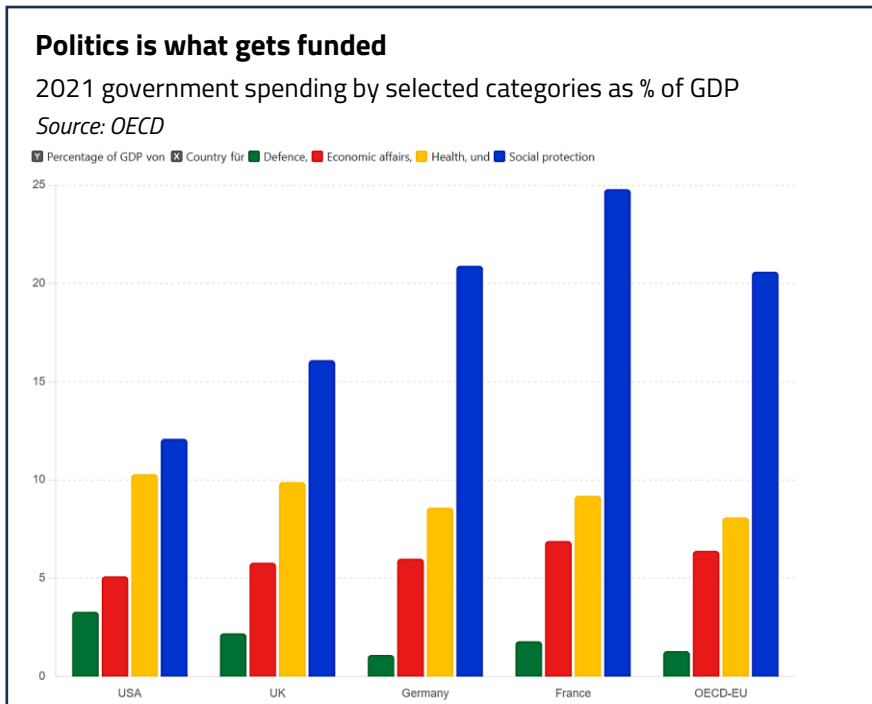
Outgunned and outspent

Russian and Ukrainian artillery usage, needs and capacity

Source: Rusi, CNN, Estonian Foreign Intelligence Service; BGA calculations

Artillery shells (incl. 155/152/122mm)	Ukraine	Russia
Firing Rates (per day)	2.000	10.000
Estimated Needs (per day)	6.600	15.000
Capacity production, stockpiles, purchases (per day)	3.300 (allied capacity)	13.700

The currently dire outlook for Ukraine, coupled with America’s obvious second thoughts over military aid for Europe highlight the desperate need for Europe to urgently ramp up its defensive capacity as well as its defense industrial base. In 2022, EU 27 governments assigned a meager 2.6% of their government expenditures to defense spending as compared to the United States where 12.85% of its budget went to national defense. With Germany’s defense capability expansion hamstrung by budget constraints, European leaders have their work cut out for them in the coming years.

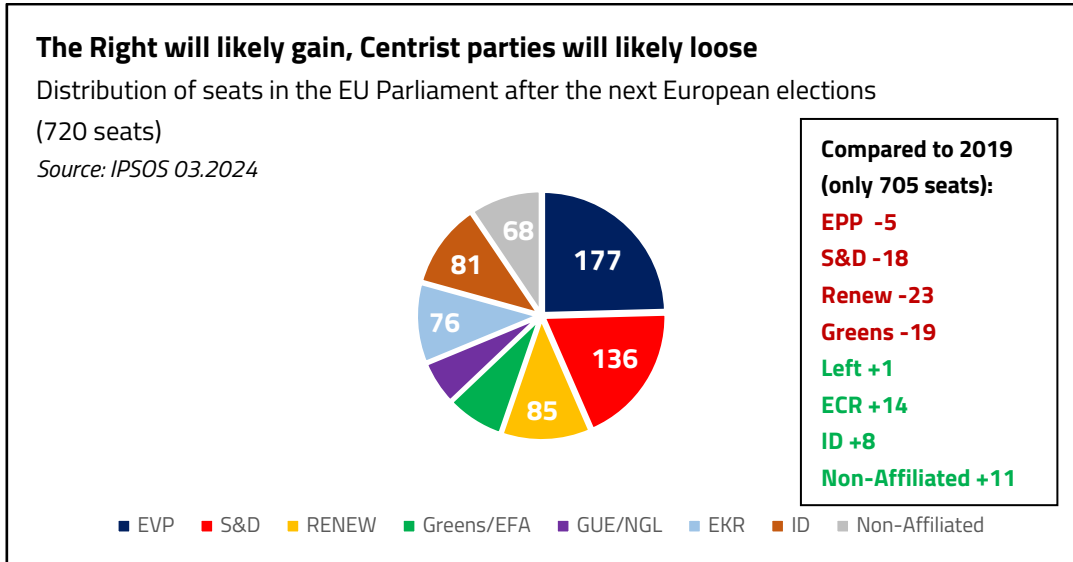


European Elections in times of challenge

In this context of a deteriorating international and economic environment, the European parliament has been more of a geopolitical and geoeconomic voice as well as centre of political action than one may have expected five years back. The shelving of the CAI trade agreement with China, calls for more severe sanctions against Russia or striving to deliver an effective framework for screening foreign direct investment are testimony to this. No question that whoever seeks the parliament’s support to be elected President of the Commission will be expected to be able to live up to the EU’s challenges.

In this weekend’s elections, EU voters will very likely give right wing parties a boost. To be sure, the EU’s center of gravity is – and will remain – the European Council, the conclave of heads of state and government who retain the final say over any major political decision in the European Union. Nonetheless, the European Parliament’s makeup will serve as an important source of power for the EU’s competing political leaders and play an important role in the election of the next Commission President.

Let's first look at the political landscape that awaits Europe in 2024:



According to the March projection by [IPSOS](#), the current informal tripartite coalition consisting of the S&D, EPP, and RE groups would still have a comfortable majority of 398 of the 720 seats (EPP 177, S&D 136, RE 85). The big losers would be the Greens (G/EFA 55), who could, however, still support the current informal three-party coalition as part of the majority formation process if necessary. The ECR (76) and ID (81), the "right-wing" political groups, could gain a total of 22 seats, and there would be a slightly increased number of non-affiliated (68) compared to 2019. The European Left would see a slight growth (42).

Political shifts, winners and losers

1. Parties to the right of the EPP will gain seats, but not necessarily political influence: Given their recent growth in many EU member states, the question arises whether parties positioning themselves to the right of the EPP will be able to gain a significant number of seats in the upcoming EU elections. This could put them in a position to achieve a form of legislative "veto" or a kind of "blocking minority". However, it currently seems unlikely that the ECR and ID will be able to jeopardize or prevent the formation of a majority within an enlarged coalition based on four political groups consisting of EPP, S&D, RE and Greens/EFA in the next European Parliament. To make such a scenario possible, considerable further shift in the voting intentions of EU citizens would be required. In principle, decisions in the European Parliament are made by a simple majority of votes cast, in exceptional cases by an absolute majority and only in very special cases (such as motions of censure) do special quorums need to be met. It should be noted that Ursula von der Leyen has not ruled out cooperation with the ECR, so on contentious issues such as migration, cooperation with the ECR instead of the Greens is conceivable. However, the S&D has ruled this out as of now. In terms of her reelection, Ursula von der Leyen has to navigate mutually exclusive conditions put forward by Chancellor Scholz and Prime Minister Meloni for securing their support.

2. The right remains fragmented: The question of whether the currently fragmented "right-wing" MEPs found in the ECR, ID and the non-affiliated groups can come together in the future to form a more coherent political entity raises significant considerations. To play a relevant role in the European Parliament, it would not only be necessary for nationalist and Eurosceptic parties to win over a significantly larger number of voters across the EU, but also for them to overcome the so-called nationalist paradox. The decisive factor will be whether nationalists and right-wing populists are willing and permanently able to avoid European cooperation and compromises, while at the same time forming transnational coalitions and maintaining common positions on European issues. There are, however, significant differences between the ECR and ID, which is why the EPP excludes cooperation with the ECR but not with the ID. The ECR wants to reform the EU while the ID wants to abolish it in its current form. Furthermore, the ECR is aligned with the USA in foreign policy, while the ID sympathizes with Russia. Currently, the "right" in the European Parliament is not only limited to around 24% of seats but is also highly fragmented, with the ID Group being less fragmented than the ECR. Although this speaks for a potentially greater clout of the ID compared to the ECR, a smaller number of parties does not necessarily mean less profound political differences along national borders. More important than the results of the elections could be regroupings within the existing political spectrum, such as the alignment of the Polish PiS (currently in the ECR) and the Hungarian Fidesz (currently non-affiliated). The question of whether growing parties such as VOX, the Sweden Democrats, TrueFinns or the Dansk Folkeparti could remain in the ECR or switch to the ID remains speculative and unanswered at present. It is also possible that the Rassemblement National could switch from ID to ECR for strategic reasons.

It seems unlikely that a strengthened EPP would enter a cooperation with the "right" and thereby create completely new political majorities on individual issues (von der Leyen has excluded any cooperation with I&D). Even in a hypothetical scenario, in which the EPP would cooperate with all 'right-wing' parties (ECR, ID, excluding non-affiliated), they would only have a total of 334 out of 720 seats and therefore would not have a majority in the European Parliament.

3. Broader coalitions are necessary to implement a centrist policy. The Greens are therefore possibly maintaining or even gaining political weight: Due to the growth of parties to the right of the EPP, it could become necessary to expand the existing two-party (EPP, S&D) or three-party coalitions (with RE) on particularly contentious issues. While the EPP does not exclude cooperation with ECR, S&D's lead candidate Nicolas Schmit has ruled this out. In case the EPP seeks a coalition with the ECR together with RENEW on specific issues they would need still around 30 further votes to reach a majority. In this respect, G/EFA could be considered. This would mean that the biggest losers of the elections (G/EFA) may continue to maintain or even gain considerable political weight in the European Parliament as a fourth group needed to secure stable majorities. Running counter to the expected electoral trend, the left-green spectrum may enjoy a higher degree of leverage than during the current term that is drawing to a close.

4. Will the 2029 elections be the truly "fateful election"?

Whilst the green agenda is becoming under increased pressure already as of now, getting closer to the EU's ambitious climate and transformation targets 2030 may turn the 2029 elections much more into a campaign around the controversies of the implementation of the green deal.

Berlin, 07 June 2024

Europe: "It can die."

This could be exacerbated by a 2024 parliament in which a fragile centrist majority relies on support of the G/EFA group, thereby stabilizing a left-green political agenda and increasing political polarization across Europe even more. An interesting test will be the results of reviews on contentious issues such as on the ban on combustion engines to be scheduled for 2026. Finally, between 2024 and the next elections in 2029, the year of 2027 may prove to be a turning point for the European agenda, when national elections are held in key member states such as France, Italy, and Spain and where as of today solid majorities favor a predominantly national approach to European matters. Europe will not "die", but in particular from a German perspective, it may look very different.

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Annex: These are the candidates and core issues of the German parties and European Party-Families:

	Party of European Socialists (PES)	
	PES European election program:	
	Top candidate:	Nicolas Schmit (LSAP, Luxembourg) (Current European Commissioner for Employment, Social Affairs and Inclusion)
Economy	Green and Social Deal (securing high-quality jobs, "Made in Europe" strategy, permanent EU investment capacity)	
Migration	Common and coordinated system for migration and asylum (based on solidarity and shared responsibility)	
Defense	Implementation of a strong common security and defense policy to complement NATO and development of the European defense industry	


	Social Democratic Party of Germany (SPD)	
	SPD European election program:	
	Candidates (excerpt):	1st Katarina Barley (RP), 2nd Jens Geier (NW), 3rd Maria Noichl (BY) ¹
Economy	Industrial strategy (location and resilience strategy)/investments in future industries	
Migration	Support for the Common European Asylum System (CEAS)	
Defense	Vision of a European army; strengthening of democratically legitimized structures	


	European Greens	
	EC European election program:	
	Top candidates:	Terry Reintke (B90/Greens, Germany) Bas Eickhout (GroenLinks, Netherlands)
Economy	Green and Social Deal (combating the climate crisis and cost of living crisis)	
Migration	For a fair/solidary system and rejection of criminalization and illegal pushbacks	
Defense	New security policy mindset: EU approach -> integration in international relations	


	Alliance 90/The Greens	
	Alliance 90/The Greens European election program:	
	Candidates (excerpt):	1st Terry Reintke (NW), 2nd Sergey Lagodinsky (BB), 3rd Anna Cavazzini (SN, ST) ²
Economy	Climate-neutral Europe: infrastructure union (e.g. H2 grids, electricity grids, gas grids, heating grids)	
Migration	Against stricter asylum laws; no restriction/reduction of refugee rights through the CEAS	
Defense	Crisis prevention: e.g. increasing funding for civilian peace-building actors/EU as mediator	



¹ RP = Rhineland-Palatinate, NW = North Rhine-Westphalia, BY = Bavaria

² BB = Brandenburg, SN = Saxony, ST = Saxony-Anhalt

	Alliance of Liberals and Democrats for Europe ALDE European election program:	
	Top candidate:	Marie-Agnes Strack-Zimmermann (FDP, Germany)
Economy	Focus on developing the internal market, deepening the capital market and banking union, EU trade and investment agreements with partner countries	
Migration	Reforming the Common European Asylum System, reaching agreements with third countries, reforming Frontex	
Defense	Building a European Defense Union, developing the EU's military industrial and production capacities, Commissioner for Defense	

	Free Democratic Party FDP European election program:	
	Candidates (excerpt):	1st Dr. Marie-Agnes Strack-Zimmermann (NW), 2nd Svenja Hahn (HH), 3rd Andreas Glück (BW) ³
Economy	Focus on SMEs: e.g. SME Commissioner, SME test, adaptation of the SME definition	
Migration	EU asylum reform (faster procedures, more consistent repatriation)	
Defense	Establishment of the European Security Council and Intelligence Service (expansion of the EU Intelligence Analysis Center)	

	European People's Party EPP European election program:	
	Top candidate:	Ursula von der Leyen (CDU, Germany) (Current President of the European Commission)
Economy	Establishment of an EU competitiveness check for new policy initiatives, cutting red tape, joint procurement, investment, free trade	
Migration	Transformation of Frontex into a European border and coast guard and tripling the number of staff to 30,000. Call for a fundamental change to European asylum law	
Defense	Creation of a common internal market for defense with joint military procurement and investment. EU Commissioner for Defense	

	Christian Democratic Union	
	Candidates (excerpt) ⁴ :	David McAllister (NI), Andrea Wechsler (BW), Peter Liese (NW) ⁵
	Christian Social Union	
	Candidates (excerpt):	1st Manfred Weber (BY), 2nd Angelika Niebler (BY), 3rd Christian Doleschal (BY)
European election program of the CDU and CSU:		


³ HH = Hamburg, BW = Baden-Württemberg

⁴ The CDU/CSU are the only German parties not running with a federal list in the European elections; the three candidates mentioned are the top candidates on their respective state lists.


⁵ NI = Lower Saxony

Europe: "It can die."

Economy	Deepening the single market, strengthening industry and small and medium-sized enterprises, competition strategy, freeze on new regulations, free trade initiatives
Migration	Facilitate the immigration of qualified skilled workers. Better monitoring of the EU's external borders (structural border protection where necessary). Strengthen Frontex. Implement the concept of safe third countries
Defense	The goal is a security and defense community embedded in the structures of NATO. European single market for armaments


 EuropeanLEFT	European Left	
	European Left Election Program:	
	Top candidate:	Walter Baier (KPÖ, Austria)
Economy	Replace the Stability and Growth Pact, Massive investments instead of austerity, Social and ecological transformation (nationalize property, e.g. water)	
Migration	Abolition of the migration and asylum pact, creation of legal and safe migration routes	
Defense	Demilitarization, nationally sovereign defence	


DIE LINKE.	The Left	
	The Left Party European election program:	
	Candidates (excerpt):	1st Martin Schirdewan (BE), 2nd Carola Rackete (SN), 3rd Özlem Alev Demirel-Böhlke (NI) ⁶
Economy	Socio-ecological restructuring of industry, adaptation of state aid law, public investment, strengthening regional economic cycles, fair cooperation agreements instead of free trade	
Migration	Rejection of the Common European Asylum System (CEAS)	
Defense:	Disarmament and stopping the militarization of the EU, stopping arms exports	


	Sarah Wagenknecht Alliance	
	BSW European election program	
	Candidates (excerpt) ⁷ :	1st Fabio de Masi, 2nd Thomas Geisel, 3rd Michael von der Schulenburg
Economy	"Golden investment rule" and reform of the debt brake, support for SMEs, reform of public procurement law, uniform corporate taxation	
Migration	Rule of law asylum procedures at external borders and in third countries, discontinue recruitment programs in countries of the Global South	
Defense:	New European peace order (incl. Russia), avoiding EU involvement in US/China confrontation, dismantling EU military structures, stopping arms exports	

⁶ BE = Berlin

⁷ BSW currently only has a few national associations.

 <p>EUROPEAN CONSERVATIVES AND REFORMISTS</p>	<p>European conservatives and reformers</p> <p>ECR European election program</p>	
	Top candidate:	ECR has not put forward a joint lead candidate.
Economy	Revitalize industrial policy and single market, reduce bureaucracy for SMEs, modernize digital landscape (AI, 5G/6G, quantum computing)	
Migration	Improving border security (air, land, sea), combating human trafficking and stepping up returns, strengthening Frontex and Europol to control external borders	
Defense	Strengthening the defense industry and promoting cooperation between the EU and NATO, increasing defense budgets and technologies, maintaining the Member States' prerogative of defense	

 <p>IDENTITY AND DEMOCRACY PARTY</p>	<p>Identity and democracy Party</p> <p>No election program, reference to "Antwerp Declaration" (2022) & the statutes (2019)</p>	
	Top candidate:	ID has not put forward a joint lead candidate.
Economy	No explicit mention, reference to national sovereignty	
Migration	Strict control of the EU's external borders, combating illegal migration, weakening legal migration, enabling individual border protection by member states	
Defense	Rejection of a European army	

	<p>Alternative for Germany</p> <p>(AfD European election program):</p>	
	Candidates (excerpt):	1st Maximilian Krah (SN), 2nd Petr Bystron (BY), 3rd René Aust (TH) ⁸
Economy	Strengthening of free trade, rejection of the Green Deal, investment management by the market	
Migration	National sovereignty in asylum and immigration policy, rejection of the CEAS	
Defense:	Rejection of the European army, expansion of the German and European defense industry	

⁸ TH = Thuringia