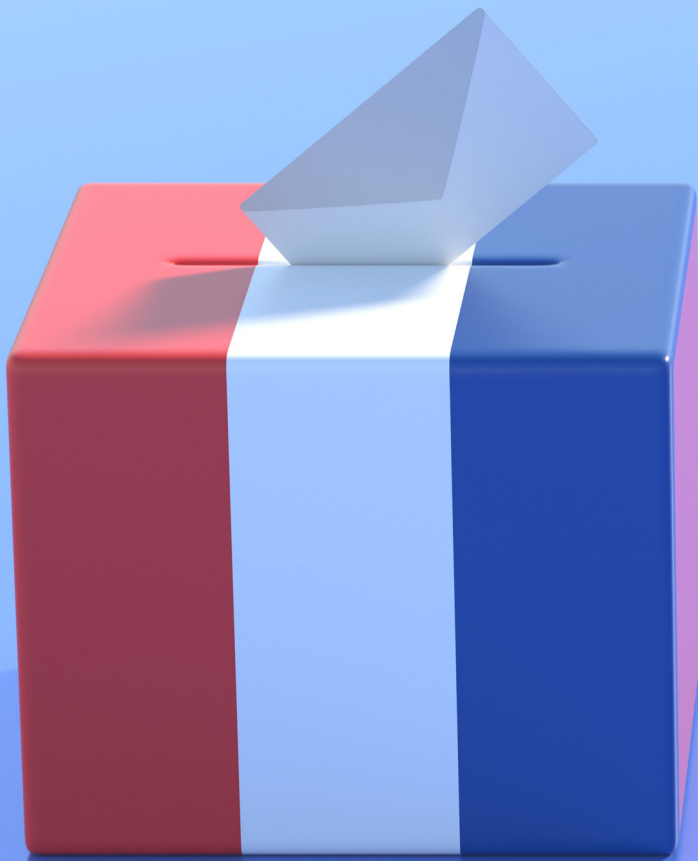


INFOCUS

MACRO COMMENT

APRIL 2022

French election is an
existential moment
for the global order



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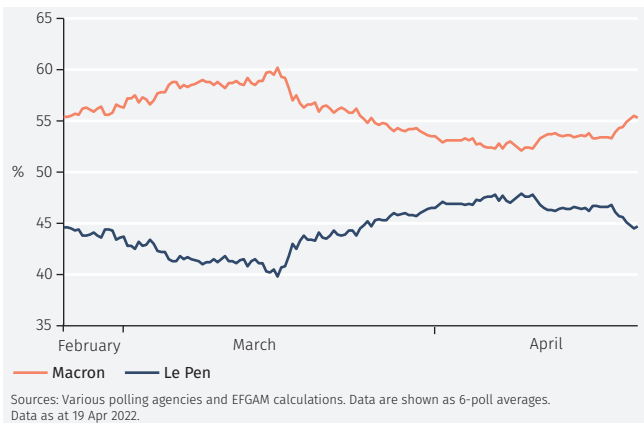
REGIONAL PORTFOLIO
CONSTRUCTION

FRENCH ELECTION IS AN EXISTENTIAL MOMENT FOR THE GLOBAL ORDER

The election of the next French President will have important implications. A Marine Le Pen victory would create challenges for the European Union and would have an impact on the Western response to the war in Ukraine. In this edition of *Infocus*, GianLuigi Mandruzzato looks at why the French presidential election is important for the global geopolitical equilibrium.

On 24 April, the incumbent Emmanuel Macron and challenger Marine Le Pen will again face off in the second-round ballot for the French presidency for the next five years.¹ The outcome on Sunday is much more uncertain than five years ago when pro-European Union Macron won with 66% of the vote. Electoral polls put Macron ahead with about 55% of the vote this time around (see Figure 1). Despite the right-wing parties winning less than 35% of votes in the first round, many in the other centre-to-left parties are not convinced by Macron's proposals. According to analysts, there is a risk that a high abstention rate by left-wing voters will open the doors of the Elysée to the eurosceptic Le Pen.

1. French election opinion poll data



The consequences would be problematic for the European Union and would also affect the functioning of Nato, impacting the global geopolitical equilibrium.

Many of Le Pen's proposals would put Paris on a collision course with Brussels. Le Pen, a long-time eurosceptic, wants the European Union replaced by a 'Europe of nations'. She is proposing a referendum to amend the French Constitution and establish the supremacy of French over European law. Poland and Hungary were condemned by the European Court of Justice for holding similar positions. Le Pen has also pledged to reduce

French payments to the EU budget by EUR 5 billion, about one-third of the current French contribution, and to stop military co-operation with Germany.

If France, one of the founding members of the European Union (EU) and the second largest economy in the area, took these positions, those who oppose greater European integration would be strengthened making it more difficult for the EU to function and progress.

Furthermore, Le Pen wants to change the status of foreigners living in France who would be discriminated against in favour of French citizens in the allocation of social housing, employment and social benefits. Even this proposal would be contrary to the principle of equal rights and free movement of citizens within the European Union.

Finally, Le Pen wants France to leave the integrated command of Nato, to which it returned in 2009. With respect to the war in Ukraine, she is in favour of intelligence support to it, but has been ambiguous about providing military support. Le Pen is critical of the sanctions against Russia because they penalise the French economy. Instead, she proposes a strategic rapprochement between Nato and Russia immediately after the current confrontation to prevent the creation of an anti-Western Sino-Russian alliance. Again, Le Pen's proposals contrast with the approach taken by Western countries during the Ukraine crisis and would weaken opposition to Russian aggression.

To conclude, Le Pen's immigration and foreign policy positions are a challenge to the European Union, Nato and the global geopolitical equilibrium. If Le Pen is surprisingly elected President after Sunday's ballot against incumbent pro-EU Macron, the markets will face a scenario that was unthinkable just a few months ago - geopolitical uncertainty would structurally increase.

If Macron wins, as expected, nothing much would change although the risk of a Le Pen Presidency would only be

¹ On 12 June and on 19 June, in the event of a ballot, the 577 members of the National Assembly, the French lower house, will be elected.

FRENCH ELECTION IS AN EXISTENTIAL MOMENT FOR THE GLOBAL ORDER

postponed. In the first round of this year's presidential elections, a third of French votes went to right-wing candidates openly against greater European integration, and another fifth went to the left-wing candidate Mélenchon, who is also highly critical of the EU. Based on this evidence and with Macron ineligible to stand again after two consecutive mandates, Le Pen has every reason to be optimistic about her chances of election in 2027.

APPENDIX

Main proposals of French Presidential candidates

Macron and Le Pen's economic proposals have many points in common. Both candidates promise to: defend the purchasing power of families; promote the competitiveness of French firms (including a dirigiste approach to the country's industrial policy in key sectors); strengthen France's energy and agricultural independence; tighten immigration; and increase security.

Beyond foreign policy, the main differences between Macron and Le Pen's proposals are in social policies (including pensions) and in the strategy to fight climate change

Key aspects of policy: Macron and Le Pen

	Macron	Le Pen
European Union and foreign policy	<p>In favour of more European integration.</p> <p>In favour of a firm response to Russian invasion of Ukraine, including the use of sanctions.</p>	<p>In favour of primacy of French over International (including EU) Law. End of any joint armament program with Germany</p> <p>Exit from Nato's integrated command. Critical of sanctions against Russia. Supports rapprochement between Nato and Russia after the war.</p>
Climate change, energy and agriculture	<p>Development of nuclear, wind and solar power. Thermal renovation of 700,000 homes per year. Electric car leasing mechanism for low-income households.</p> <p>Promote the installation and support of young farmers. Review the European agricultural strategy 'From farm to fork'.</p>	<p>Ensuring France's energy independence. Relaunch the nuclear and hydroelectric sectors and invest in the hydrogen sector but stop new wind farms and progressively dismantle existing ones.</p> <p>Guaranteeing farmers' prices that respect their work.</p>
Welfare state	<p>Increase the legal retirement age to 64/65 years. Condition the solidarity income (RSA) to an obligation of 15 to 20 hours of activity per week with a view to professional integration.</p> <p>More support for single-parent families and for 'women's health'.</p>	<p>Reject any extension of the retirement age and reduce pension age to 60 for those who had worked at least 40 years. Re-index pensions to inflation. Raise the minimum state pension to €1,000 per month.</p> <p>Double support for single mothers raising children while strengthening controls to prevent fraud.</p>

(cont.)

FRENCH ELECTION IS AN EXISTENTIAL MOMENT FOR THE GLOBAL ORDER

(cont.)

	Macron	Le Pen
Taxation	<p>15 billion euros in tax cuts equally split between households and corporates.</p> <p>Households:</p> <ul style="list-style-type: none"> – reduce the amount of inheritance tax in the direct and indirect line; – abolition of the television license fee. <p>Corporates:</p> <ul style="list-style-type: none"> – abolition of the contribution on the added value of companies (CVAE). 	<p>Reduce VAT from 20% to 5.5% on energy products. Renationalise the motorways and lower tolls by 15%.</p> <p>Households:</p> <ul style="list-style-type: none"> – privatise public broadcasting to eliminate the license fee; – abolish direct inheritance taxes for low and middle-income families; – exempt donations from parents and grandparents up to €100,000 per beneficiary every ten years. <p>Corporates:</p> <ul style="list-style-type: none"> – allow companies to increase wages by 10% (up to three times the minimum wage) by exempting this increase from employer contributions; – exempt from income tax workers under 30 so that they stay in France; – abolish corporate tax for entrepreneurs under 30 for the first 5 years to prevent them moving abroad.
Security and immigration	<p>Invest more in the army and double the number of reservists. Create 200 gendarmerie brigades. Double the presence of the internal security forces with more staff and transformations of working time. Set up ‘republican action forces in the neighborhoods’ during ‘situations of insecurity’. Recruit 1500 ‘cyber-patrollers’. Hiring of 8,500 magistrates and justice personnel.</p> <p>Simplify procedures for asylum applications but its refusal will make ‘the obligation to leave French territory’.</p>	<p>Reserve social aid for French people, and make access to solidarity benefits conditional on 5 years of work in France. Ensure the national priority of access to social housing and employment.</p> <p>Restore minimum sentences. Double the number of magistrates.</p> <p>Propose a referendum on immigration. Ending family reunification. Dealing with asylum applications only abroad. Systematically deport illegal immigrants and foreign criminals.</p>
Institutional reform	<p>Open to institutional reform to improve representativeness including:</p> <ul style="list-style-type: none"> – introduction of proportional election system for Parliament; – but is opposed to more widespread use of referenda. <p>In favour of a return to the 7-year presidential term.</p>	<p>Institutional reform to improve representativeness including:</p> <ul style="list-style-type: none"> – introduction of proportional election system for Parliament; – popular referenda to be called on important issues. <p>Return to the 7-year presidential term.</p>

Source: various media outlets and candidates’ official programmes.

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