

EUROPE: What you will hear in 2019, and what matters

Four topics are likely to draw significant attention in 2019 in Europe: Brexit, the European Parliament elections, polls in Southern Europe, and a crucial ballot in Poland. Below we cut through the noise they will likely generate in order to focus on the issues that will matter:

TOPIC 1: The Brexit battle continues (beyond March)

The UK is slated to leave the European Union (EU) on 29 March, with conversations about the future relationship between the two sides expected to commence shortly after.

What you will hear: Given that the clock will be ticking loudly towards Brexit day, attention will likely focus on the possibility of a “no-deal” scenario. This is especially the case considering that British Prime Minister Theresa May will probably wait until closer to 29 March to eventually force Westminster MPs to decide between her deal and no deal.

What matters: There is no majority for no-deal in Westminster. The UK could still crash out “by accident,” but this remains unlikely. However, even if MPs ultimately accept a version of May’s current deal, this would still kick key issues down the road. Once the withdrawal agreement comes into force, the UK debate will evolve only slightly: from whether to accept the Irish backstop to how to avoid it from being triggered at the end of the transition. The familiar trade-offs between national unity and sovereignty on the one hand, and close economic ties with the EU on the other will continue to absorb the entire attention of UK politicians and parties, at the very least until the summer of 2020.

TOPIC 2: European Parliament (EP) elections – ‘Populist tide’ redux?

In late May, voters from the European Union’s 27 member states will head to the polls to elect the 705 MEPs of the Union’s legislative.

What you will hear: Radical Right Parties (RRPs) such as Matteo Salvini’s League or Marine Le Pen’s National Rally (RN) are likely to do well, possibly finishing first in their respective countries. Recent surveys show that RRP’s could capture around 20% of seats. Their likely strong result will probably be portrayed as a renewed ‘populist wave’ that endangers the future of the European project.

What matters: Debates in the EU chamber will likely become more acrimonious, but centrist parties are likely to continue cooperating to elect the next Commission president, pass legislation and ratify any new trade deals. The consequences for national politics will probably be much more relevant, however. The vote is likely to be considered as a ‘midterm election’ for many of the current EU leaders. For instance, were the party of President Emmanuel Macron to suffer a battering in the polls, his ability to implement any additional economic reforms would be further constrained. Conversely, a good result for the Italian League would create an incentive for Salvini to break up the coalition with the Five Star Movement (M5S) and trigger early elections.

TOPIC 3: Southern Europe goes to the polls – A new hope?

Legislative elections are due in Greece and Portugal before the end of October. The Spanish government's potential inability to pass a budget in parliament might trigger a snap poll in May or October, while a potential break-up of the ruling League-M5S coalition could lead to early elections in Italy.

What you will hear: The probable victory of the center-right New Democracy (ND) in Greece will be portrayed as market-positive, much like the expected strong performance of incumbent Prime Minister Antonio Costa in Portugal. In Spain, attention might focus on radical right party VOX entering the lower chamber for the first time, while in Italy the victory of Salvini's League would probably lead to renewed concerns about Italy's Euro membership.

What matters: Portugal might become the only country where a mainstream political force, the Socialist Party, governs with an absolute majority. However, Costa's victory will not necessarily translate into reform impetus to prepare the country for the next economic shock. This will be even less likely in Greece, where ND leader Kyriakos Mitsotakis will probably find it hard to deliver significant change given the fractures inside his party. In Spain, the fragmentation of parliament and the likely difficulties in forming a stable government will probably be more relevant than the nation-wide emergence of the radical right. Finally, in Italy a League-led center-right government would continue to spar with Brussels rather than push for an outright Euro referendum.

TOPIC 4: Poland's crucial election – Back to the good times?

Voters in Poland will be called to the polls in the general election that will take place in October.

What you will hear: The general election will be portrayed as the defining battle between the nationalist-conservative vision of the ruling Law and Justice (PiS) party, and the more liberal and pro-European choice represented by the centrist opposition led by the Civic Platform (PO). If the opposition is able to form a coalition, the hope of a new government that could undo the reforms implemented by PiS would probably garner considerable attention.

What matters: Should PiS regain a parliamentary majority, its Eurosceptic rhetoric and drive for radical reforms will probably harden. PiS may seek changes in the media sector, particularly limiting the share of foreign ownership in media outlets, which would likely trigger another clash with the EU. If PiS falls short of a majority, the opposition will likely seek to form a coalition, overturn PiS' reforms and try to restore Poland's reputation on the EU level. However, it would not be a smooth ride, as a PO-led coalition would likely face pushback from PiS nominees in government institutions, whose terms extend well beyond the parliamentary election.

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