

French Presidential Election

The candidates and Europe: Loyalty, Voice or Exit?

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France 2017

#6



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This article on Europe is the sixth in a series that will continue until the end of the presidential and legislative elections (and undoubtedly a little longer). Its goal is to determine the position of the presidential candidates with respect to Europe, which is crucial because never before in the history of the construction of Europe has a national election weighed so heavily on its future. What are the candidates' agendas? Who recommends what? What are the main issues? These are the key questions answered by this article. Our next articles on the French presidential elections will cover:

- French long interest rates and OAT/Bund spreads;
- Questions & answers on Frexit: political and legal challenges;
- Questions & answers on Frexit: economic and financial challenges;
- Public debt: reduction, pooling, monetisation, or something else?
- Changes in French corporate profit margins;

We wish you all a good reading.

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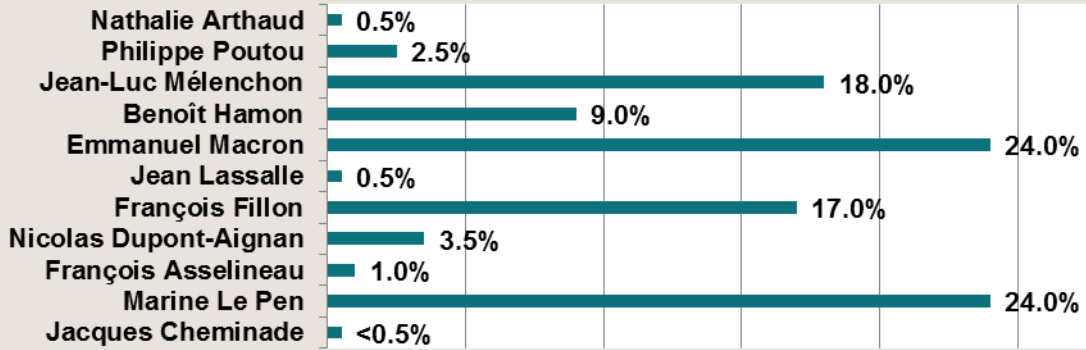
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French Presidential Election 2017

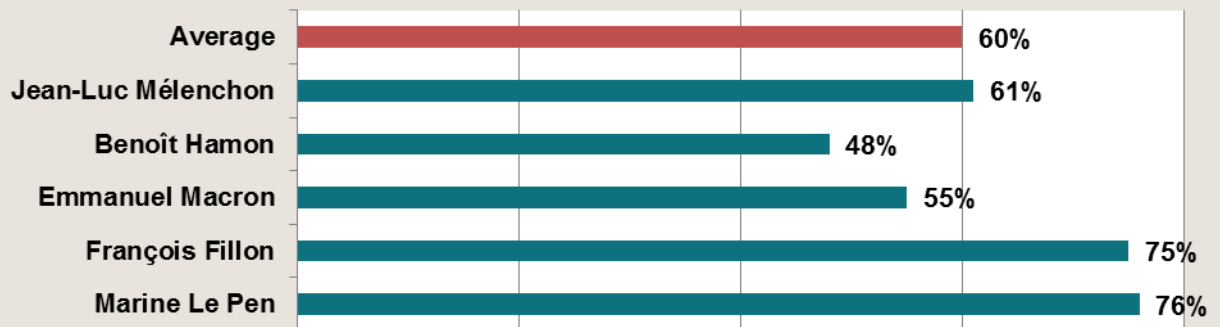
Voting polls: where do we stand?

Voting intentions in the first round of the presidential election (5/7 April 2017)



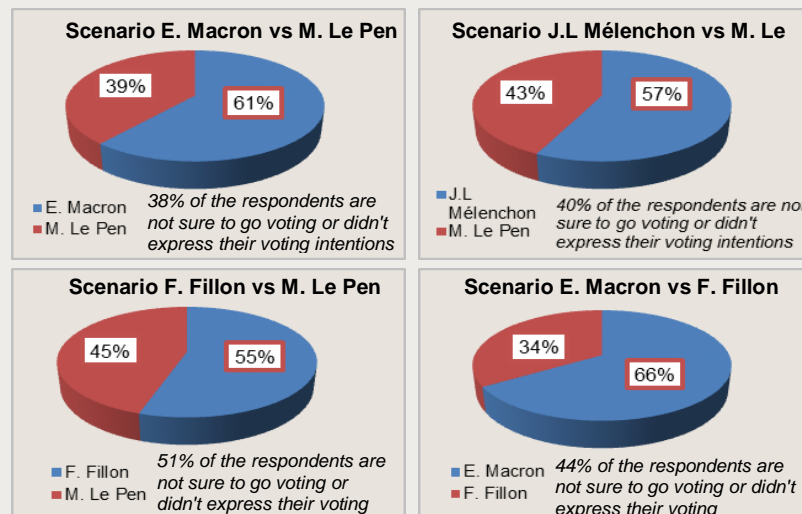
Source: Sondage Kantar Sofres — Onepoint pour le Figaro, LCI et RTL 9 April 2017 1515 respondents

Certainty of vote in the first round of the presidential election (5/7 April 2017) (For each candidate, percentage of voters considering they are sure of their choice)



Source: Sondage Kantar Sofres — Onepoint pour le Figaro, LCI et RTL 9 April 2017 1515 respondents

Scenarios and voting intentions for the second round (5/7 April 2017)



Source: Sondage Kantar Sofres — Onepoint pour le Figaro, LCI et RTL 9 April 2017 1515 respondents

During the presidential campaigns, there are always key issues that separate the candidates. This is why societal choices or the choice of social model, the social divide, Europe, structural reform, etc., have all stimulated debate during the previous elections. However, never before has the subject of Europe been so crucial. There are several reasons for this:

- First, because parties that are critical of Europe (Eurosceptic and Europhobic parties) have grown in many countries, including France;
- Second, because the UK referendum on Brexit has emboldened and encouraged (as if encouragement was needed) not only those who traditionally desinhibited anti-European messages, but also a portion of the electorate;
- Finally, because populism in general and nationalism have both gained ground.

The purpose of this article is to present the position of the different candidates in relation to the European theme.

I – Populism, nationalism ... what definitions?

Defining populism is often difficult because it takes many forms: it can be a style, a speech or even a political regime. In the case of the elections, all the candidates, even if they defend themselves, resort to more or less demagoguery, electoral promises, which can be called populists.

The Belleville talks, organized by the CFDT (2017), bringing together historians, sociologists, economists and political scientists allow us to propose a complete and precise definition of populism. It puts forward the restrictive view of democracy that populists have, contrary to the functioning of the present Europe "which is based on a multiplication of forms of representations, sources of legitimacy and counter-powers". For the populists, democracy is in fact restricted to direct electoral suffrage, or to referendums. They reject the expression of "minorities" (trade unions, judges, intermediate bodies, media, ...), even though in the end these can represent a majority of the people. The populists seek to eliminate counter-powers and call into question constitutional courts, for example. They thus attach themselves to a strong personality which alone would be the embodiment of democracy and the people. They carry a vision of social justice, finally, where equality passes through identity, which implies the rejection of those who are not "the people". It is the passage to the act that founds a populist regime with, in most cases, a shift towards authoritarian forms of government, as in Hungary, Turkey or Poland.

Pierre Rosanvallon, historian, sociologist, and specialist in the history of democracy, warned against the banalisation of the term, stressing "its dimension of social insult, political disqualification" (Belleville Talks, April 2017). He recalled that "*all parties at one time or another check one of the boxes that define populism, but that only the extreme right ticks them all*".

Populism and nationalism share common elements, such as the defence of sovereignty against the effects of globalisation, the rejection of multi-culturalism and universalism, and the defence of the people against the elites. Parties that embrace these themes also include other ideas such as the rejection of the establishment; they try to be seen as representatives and defenders of anger against social inequalities, corruption, fraud, promoting protectionist, anti-European messages, which we will analyse now.

II – Euroscepticism vs. Europhobia Where do we stand now?

Eurosceptic and Europhobic parties exist in most European countries. According to a study by Bertoincini – Koenig (2014), 25% of European Parliament members are Eurosceptic and 10% are Europhobic.

The first, the Eurosceptics, want to bring pressure on institutions to change. They focus on very specific points:

- **Democratic rules:** for Eurosceptics, the European Union does not have a democratic foundation (member states are informed of mandatory recommendations/decisions by European technocrats, and not by elected representatives), resulting in a lack of legitimacy;
- **National sovereignty:** the transfer of power to European institutions is increasingly disturbing for some political parties. In fact, it is viewed more as a loss of sovereignty than an act of mutualisation and sharing that benefits everyone;
- **Solidarity:** this concept is viewed differently by Eurosceptics on the left and on the right. Left-leaning Eurosceptics promote changes to the rules and constraints that have pushed peripheral countries into precariousness and poverty: as such, they aim to roll back austerity measures. Meanwhile, Eurosceptics on the right believe that solidarity with certain countries – insufficiently disciplined in the past – is no longer possible, as financial transfers to these countries now becoming exorbitant and/or useless (despite enormous assistance from the European Union and IMF, Greece is once again being targeted by international organisations, for the same reasons as in 2009);
- **National identity** is also a divisive issue. The free circulation of individuals has led to increased immigration, and Eurosceptics believe that this imperils national identity, under threat from ethnic or religious groups.
- **The social model:** in some countries, especially Nordic ones, there is also concern over the survival of their social protection models, which have been endangered by influxes refugees, migrants and European nationals that have been deemed too large.

The second group, Europhobes, agree with most of the points mentioned above (especially with respect to sovereignty, national identity and protecting the social model), but they also reject European membership and call for a withdrawal from the European Union, the Economic and Monetary Union, and/or the Schengen Area. These parties clearly supported Brexit and, for the most part, aim to hold referendums on the European Union in these countries. The National Front in France is a good example of this.

Although Eurosceptic parties come from all over the European political spectrum, Europhobic parties are primarily on the right or extreme right.

Out of the 11 candidates in the French presidential election, only three have not brought up the possibility of conducting a referendum on withdrawing from the European Union: they are **Emmanuel Macron** (the “En Marche!” party), **François Fillon** (the Republican party) and **Benoît Hamon** (the Socialist party): these three candidates represent slightly more than 50% of intended votes). In contrast, eight of them were openly Eurosceptical or Europhobic.

- **Three anti-Europeans are on the left:** **Nathalie Arthaud** (“Lutte Ouvrière”) is against Europe, but she considers it to be a secondary issue after problems in the labour market, inequality, etc. **Philippe Poutou** (“Nouveau Parti Anti-Capitaliste”) and **Jean-Luc Mélenchon** (“La France

Insoumise”), also expound a critique of liberalism. Furthermore, Ms. Arthaud and Mr. Poutou are strongly influenced by internationalist ideology, which opposes the principle of the European Union. Jean-Luc Mélenchon argues for the sovereignty of the people, not exactly that of the nation, in contrast with the extreme right party.

- **Two anti-Europeans come from the extreme right:** these are **Nicolas Dupont-Aignan** (“Debout la France”) and **Marine Le Pen** (“Front National”), who are committed to the idea of one European civilisation, but argue for national sovereignty. Their perspectives on other issues make their overall positions very different.
- **Three anti-Europeans defy categorisation:** **Jean Lassalle** (“Résistons” party, mostly centre-right, previously in the orbit of François Bayrou who, now supports Emmanuel Macron), **Jacques Cheminade** (“Solidarité et Progrès”), **François Asselineau** (formerly a high-ranking official, now leader of the “Union Populaire Républicaine”). The first is not, strictly speaking, anti-European. He recognises the virtues of the European framework, but he laments its dysfunctions, its cumbersome nature and its alienation from the people. He would not call for a referendum. However, the other two candidates are significantly more radical: they think of Europe as a trap for regular people, that serves the interests of international finance, with total disregard for signed treaties. They are openly Europhobic conspiracy theorists.

Together, these eight candidates represent slightly less than 50% of intended votes, but their differences (positioning/distance from each other on the political spectrum, economic plans, etc.) mean it is impossible to reconcile their views, no matter what the situation.

The table on the following page helps distinguish between the 11 French presidential candidates. It establishes their overall position towards Europe, using the analysis and criteria of A. Hirschman (1970) on membership in general, an approach that distinguishes between Loyalty, Voice (i.e. pro-European candidate asking for some changes) and Exit. Several comments:

- Even though F. Fillon and E. Macron may, from time to time, on certain specific issues, criticise the European Union and the Economic and Monetary Union, they do not call into question the current institutions, the general operating rules, the role of Parliament or even that of the ECB. They are firmly in the “Loyalty” camp.
- Benoît Hamon, who wants to change certain operating methods and criteria, whether in terms of budget criteria or democratic rules, is somewhere between “Loyalty” and “Voice”.
- Jean-Luc Mélenchon is split between Voice and Exit, believing that “Either we change Europe or we leave it”.
- As for Marine Le Pen, her determination to hold a referendum to withdraw from the European Union places her definitively in the “Exit” camp.
- The same goes for many “smaller” candidates, who call for a referendum on the subject or a “simple” activation of Article 50 of the Treaty of Lisbon (F. Asselineau), an article well-known to all since the Brexit, so they are in the camp of defection.

	Referendum on EU Membership or activation of article 50	Classification With Respect To The EU	Intended Votes on the 1 st round
E. Macron	No	Loyalty	24 %
M. Le Pen	Yes	Exit	24 %
F. Fillon	No	Loyalty	17 %
J.-L. Mélenchon	Yes	Voice/Exit	18 %
B. Hamon	No	Loyalty/Voice	9 %
N. Dupont-Aignan	Yes	Exit	3,5 %
N. Arthaud	Yes	Exit	0,5%
P. Poutou	Yes	Exit	2,5%
J. Lassalle	Yes	Voice/Exit	0,5%
F. Asselineau	Yes	Exit	1%
J. Cheminade	Yes	Exit	<0,5%

III - The candidates and their agendas for Europe

Emmanuel Macron's agenda

Yes to Europe and an economically and socially stronger Eurozone: this means dropping the French taboo on sovereignty and the German taboo on solidarity and financial transfers. E. Macro offers several angles:

- Establish the foundations of the new European Union after a broad consultation with the public to re-establish people's trust in the EU;
- Strengthen controls on European borders and enhance coordination in terms of immigration and intelligence policies, as well as defence (only for the countries that want it);
- Create a Eurozone Minister of Economy and Finance who will be responsible for the Eurozone budget;
- Allocate a budget with three objectives (investments in the future, emergency financial assistance and response to economic crises) to which access will depend upon compliance with common rules in terms of taxation and social policy;
- Establish a social rights platform: healthcare coverage, unemployment insurance, minimum wage;
- Defend the interests of European businesses against unfair competition, and European strategic sectors against the rest of the world;

- Cooperate in terms of tax issues and add tax, social policy and environmental provisions to EU trade agreements.
- Promote sustainable development and digital technologies at the European level.

François Fillon's agenda

Yes to Europe, concentrated on several well-defined areas that do not call national sovereignty into question, except in terms of macroeconomics, and potentially a greater focus on the Eurozone.

To improve security, Mr. Fillon proposes better controls at the borders (creation of a European border and coast guard unit), better controlling immigration (through the establishment of double deportation from both France and the European area, the denial of social benefits to immigrants until they have spent two years in France, and quotas). He suggests creating and providing resources for an independent European defence force, and wants defence integrated with NATO.

In terms of economic and financial sovereignty, he believes we must maintain the euro and revise TAFTA to better protect French economic interests (this revision will be subject to a French parliamentary vote). He also proposes eliminating French standards that are currently superimposed onto European regulation.

Mr. Fillon proposes “ultimately” the creation of a European Treasury with mutualised debts, without, however, jeopardising budgetary discipline. Tax harmonisation also seems to be a requirement and a five-year goal.

He wants to review Eurozone governance, create a Secretariat General that would take the Commission's role in monitoring and managing the economic region, and establish a political directorate made up of heads of government. This directorate could share responsibility for monetary policy with the ECB (a proposal that runs counter to the German view, to Article 130 of the Treaty on the Functioning of the European Union, and to the current statutes of the ECB).

The rightwing Republican candidate also wants to promote, at the European level, investment, innovation, and research in the fields of digital technology, healthcare and energy policy.

Benoît Hamon's agenda

Yes to Europe, but a more democratic, less neoliberal and more socially minded Europe.

He is considering the establishment of a Eurozone assembly consisting of members of national parliaments, with the number of members from each country weighted in accordance with their share of Europe's population, that would replace the Eurogroup (which is under the authority of the Eurozone's finance ministers and for which unanimity is currently required)

Mr. Hamon plans to reject trade agreements such as CETA (the “Comprehensive Economic and Trade Agreement” between Canada and the EU), TTIP (the “Transatlantic Trade and Investment Partnership between the United States and the EU) and TISA (the “Trade in Services Agreement”, a proposed treaty currently being negotiated by the 23 member states of the World Trade Organisation [WTO], including the European Union [representing 20 countries], Switzerland and Canada, for a total of 50 countries).

He wants to ease the stability pact by excluding investment spending from deficit calculations, as well as defence, and to increase cooperation between countries.

He would implement a vast European investment plan worth €1 trillion to promote ecological transition and a green Common Agricultural Policy (green CAP) reducing the use of fertilisers, safeguarding natural resources and promoting short food supply chains.

Mr. Hamon advocates cancelling the debt of Southern countries that has been accumulated since 2008, as well as debt mutualisation. As such, he wants Eurozone countries to be able to jointly issue debt in the future, and to harmonise taxation at the European level (corporate tax, VAT ceiling, taxes on web giants (GAFA¹) and multinationals).

To improve European social policy convergence, he proposes that a minimum wage per country be established at 60% of the average salary.

He wants to establish a formula for apportioning migrants among the various European Union member states.

Promoting a European culture policy is also an important goal.

Jean-Luc Mélenchon's agenda

His position is unambiguous: the European project must be overhauled or we must leave. This challenge to institutions and operating methods can be seen in:

- The rejection of a Europe based entirely on free trade: his goal is to reject TTIP and stop CETA;
- The refusal to comply with the Stability Pact: despite this, Jean-Luc Mélenchon is not advocating an increase in deficit spending. He plans to reduce the deficit to 2.5% of GDP (a decline of 4.8%) by 2022.

In terms of security, Mr. Mélenchon proposes withdrawing from NATO. He does not want to move toward European defence as, according to him, "the only borders that must be defended are national ones".

He is in favour of an environmentally friendly Europe with more social benefits and higher taxes.

He proposes blocking EU operations and working with southern European countries to renegotiate treaties.

Marine Le Pen's agenda

Marine Le Pen's message is clear: just say "No" to Europe.

Ms. Le Pen wants to conduct a referendum on EU membership six months after the presidential elections, re-establish a national currency (defining an exchange rate against the euro), convert French debt into the new national currency (a decision that ratings agencies would consider to be a default), and re-establish monetary, economic, legislative and territorial sovereignty.

¹ Google, Apple, Facebook and Amazon ("GAFA"), in reference to the virtual economy as a whole
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The table below allows us to distinguish between the five main candidates. It provides details on their positions with respect to various issues related to Europe.

	Emmanuel MACRON	François FILLON	Benoît HAMON	Jean-Luc MELENCHON	Marine LE PEN
Overall position	Loyalty	Loyalty	Loyalty/ Voice	Voice/ Exit	Exit
Withdrawal from the EU	No	No	No	Maybe	Oui
Overhaul/new governance	Yes	Yes	Yes	Yes	No
Withdrawal from free trade agreements	No, but add protections*	No, but revise them	Yes	Yes	Yes
Compliance with the Stability Pact	Ease constraints	Yes	Ease constraints	No	No
Taxation convergence	Yes	Yes	Yes	Yes	Yes
Social convergence	Yes	No	Yes	Yes	Yes
Cooperation with respect to refugees	Yes	Yes	Yes	Yes	?
A common defence policy	Yes	Yes	Yes	No	No
Opposition to Europe as it is now	No	No but...	No but...	Yes	Yes

* Economic, tax, social and environmental

References

Bertoncini and N. Koenig (2014): “ *Euroscepticism or Europhobia : Voice vs. Exit ?* ”, Policy Paper #121, Notre Europe – Institut Jacques Delors, November 27.

A. Hirschman (1970): “ *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*”, Cambridge, MA, Harvard University Press.

France - Financial markets in a nutshell

	12/04/2017	Change over the week	Ytd
2y. bond yield			
United States	1.24	0.79	5.36
Germany	-0.85	2.50	-7.90
France	-0.31	2.80	34.40
10y. bond yield			
United States	2.30	-3.74	-14.63
Germany	0.21	-4.60	0.40
France	0.96	4.00	27.70
2y. bond yield spread			
France	53	0	42
Italy	82	3	24
Spain	66	1	17
10y. bond yield spread			
France	75	9	27
Italy	211	9	50
Spain	147	11	29
Sovereign CDS 5y.			
France	58	4	20
Italy	187	10	30
Spain	81	0	5
Equity markets			
EurostoXX 50	3484.0	0.33	5.88
DAX 30	12192.1	-0.21	6.19
CAC 40	5124.7	0.65	5.40
MIB 30	20169.5	-0.41	4.86
IBEX 35	10446.8	0.42	11.71
Credit markets			
ItraXX main	76	1	4
ItraXX XO	293	4	5
ItraXX Financials sen.	92	1	-2
ItraXX Financials sub.	202	4	-20
Exchange rates			
EURUSD	1.06	-0.48	0.90
EURGBP	0.85	-0.60	-0.52
EURCHF	1.07	-0.31	-0.36
1m. implied volatility			
VIX	15.0	3.2	1.0
VDAX	19.9	3.7	2.0
EURUSD	12.7	3.9	2.3

Read more 

- **Taking stock of the situation and decrypting current issues**
(already published);
- **An overview of the French economy** (already published);
- **The French economy's structural problems according to international organisations and the top four presidential candidates' platforms**
(already published);
- **The candidates and budgetary / fiscal policies policies: what is at stake**
(already published);
- **French public debt: liquid and safe;**
- **The candidates and Europe: Loyalty, Protest or Exit?**
- French long interest rates and OAT/Bund spreads (forthcoming);
- Questions & answers on Frexit: political and legal challenges (*forthcoming*);
- Questions & answers on Frexit: economic and financial challenges (*forthcoming*);
- Public debt: reduction, pooling, monetisation, or something else? (*forthcoming*);
- Changes in French corporate profit margins (*forthcoming*);

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