



2017
FRENCH ELECTIONS
INTEREL ANALYSIS #2



EMMANUEL MACRON :
NOT JUST A CHALLENGER ANYMORE

**WHAT SHOULD YOUR
BUSINESS EXPECT?**

Only a few months ago, even some of his closest friends made fun of Emmanuel Macron's candidacy - stating for instance that he "embodied a vacuum". As things stand, Emmanuel Macron, leader of the movement "En Marche!", might actually become the next French President in May.

Many ingredients are there: he's young and a new figure in an ageing political landscape. He runs a very open, optimistic and pro-European campaign while many candidates are surfing on austerity and fear. He has succeeded in finding strong relays on the grounds in less than a year. His programme, which he only presented in early March, combines proposals inspired from both the left and the right wings and is therefore likely to seduce very different voters. Last but not least, the candidates designated by the two main parties, François Fillon (Les Républicains, right wing - see our [Interel Analysis #1](#)) and Benoît Hamon (Parti Socialiste, left wing) are extremely weak. Some of their supporters - MPs, local decision-makers and activists -, have even decided to join Macron's team.

According to the latest polls, the battle could see Emmanuel Macron pitted against Marine Le Pen. The candidate of the far-right party might win the first round of the presidential election (26% of voting intention, which is historical) but would likely be beaten in the second round.

For international businesses, Macron's victory would mean a certain continuity on issues like international affairs, security, healthcare and environment. But he is a disruptive candidate, definitely more business oriented and free market friendly than Mr Hollande. He will lead important reforms as of June 2017, which must be anticipated by anyone who wishes to invest in France.

WHO IS EMMANUEL MACRON?

At only 39 years old, Emmanuel Macron is the rising star of French politics, presented both as a man of providence by his supporters and as an opportunist, with no clear ideological line by his opponents. The leader of "En Marche!" started his career as a senior official at the Ministry for the Economy. In 2008, he turned to the private sector to work as a banker at Rothschild & co - a job which he has been heavily criticised for afterwards.

He became François Hollande's protégé in the early 2010s and agreed to join him at the Elysée following the 2012 election. The French President mentored Emmanuel Macron and launched his political career in 2014 by appointing him Minister for the Economy. Macron quickly gained attention through the media storm surrounding his law for growth, activity and economic chances. His willingness to take on heavily regulated professions brought him some criticism but also the reputation of a political figure ready to disturb certain conventions.

In 2016, already one of the most popular politicians in the country, he chose to leave the government in order to pursue his ambitions for the 2017 presidential elections, creating "En Marche!", a movement intended to be neither left nor right wing. His decision was widely seen as treachery. Still, some say Hollande is still backing the man that is sometimes presented as his spiritual son.

WHAT SHOULD YOU EXPECT FROM HIS PROGRAMME ?

1. ECONOMY: A BUSINESS-FRIENDLY APPROACH CENTERED ON THE LIBERATION OF THE ECONOMY

Emmanuel Macron considers economy as the major challenge France has to address

According to him, the current lack of competitiveness of the French economy is related to the excessive public deficit that impedes investments. He believes that a €50 billion cut in public expenditure (relative to the 2015-2017 period) is a prior condition to his reform agenda and necessary to restore confidence in the French people and in European countries. The former Minister for the Economy makes a point of "liberating" the economy. He is strongly in favour of lowering barriers to entry in sectors like transportation and IT.

According to him, confidence is a key factor of success. Giving people the self-confidence and willingness to start a business, with the right to fail without being discriminated. The candidate proposes to give entrepreneurs more social and fiscal stability. For instance, taxes would not change more than once during his presidency and each reform engaged would be achieved and then evaluated so as to avoid continuous changes of legislation.



The "En Marche!" candidate puts labour value at the heart of his program. "Work provides money, emancipation and social coherence", he stated a few weeks ago. Macron announced that he would reduce the cost of labour. He notably suggests turning the Tax

Credit for Competitiveness and Employment ('CICE') into a long-term charges reduction. Other charges cuts would be added and supported by a more incentivised taxation on pollution or consumption.

Emmanuel Macron also wants to generate more investment, both at the European and national levels. Modernising production facilities and fostering innovation are crucial to increase non-price competitiveness of the economy. One of his objectives is to support start-ups and innovative businesses (simplification of administrative procedures, new forms of funding such as individual shareholding, etc.).

2. DIGITAL: A POSITIVE OPINION AND UNDERSTANDING OF THE POTENTIAL OF DIGITAL TECHNOLOGIES

Among the candidates, Emmanuel Macron is undoubtedly the one who best embodies a spirit deeply rooted in the digital world which values innovation, creativity and entrepreneurship.

Convinced of the potential of digital technologies for the French economy, Emmanuel Macron believes it is necessary to reduce the digital gap by completing full territorial internet coverage and implementing an inclusive digital access strategy. To pursue the digital transformation of French society, he plans to increase SMEs' digitalisation through professional training, have 100% of administrative procedures completed online, encourage data transparency (creation of a reusable digital database consistent with data privacy), and foster online citizenship and increase e-health services. Valorising innovation, he also proposes to allocate €5 billion to start-ups (creation of a European fund), and implement a national AI strategy.



The candidate turns to the EU to regulate the most sensitive issues and protect French interests. Emmanuel Macron wants French digital champions to blossom, which can only be possible if the level playing field is restored between actors, in close collaboration with EU members (platforms' regulation, taxation and data protection). He then proposes to create a European Agency in charge of regulating online platforms to ensure competition and the protection of users' rights. He wants to improve the taxation of Internet giants by setting up a tax on companies' turnover providing online services in France, and fighting against bilateral agreements to avoid fiscal optimisation (i.e. Apple/Irish case). In terms of data protection, he promises to have the EU renegotiate the Privacy Shield with the US to strengthen individuals' data protection and improve transparency on digital companies' use of personal data. In addition, and part of his culture program, he proposes to have the GAFA paying for the access to cultural contents.

3. ENVIRONMENT: A PRAGMATIC APPROACH ON AGRICULTURE AND ENVIRONMENT FOR A RENEWED PRIORITY

Emmanuel Macron wants to organise the upgrade of the agricultural model and accelerate the simplification of standards. He wishes to launch an investment program of €5 billion in agriculture over the period 2017-2022 to allow access to new financing for farm modernisation projects. The candidate also wants to revise all unnecessary standards over the next five years. He recommends adjusting the common agricultural policy (CAP) and reforming EU competition law. The candidate spoke out on the fight against the volatility of agricultural prices, supporting the implementation in the first pillar of the PAC of a *«system of countercyclical subsidies on prices or turnover»*; a proposal that France could make *«as early as May 2017»*, if elected. He indicates that he wishes to renegotiate competition rules urgently to prevent the current distortion of competition. He also promised to reform the rules on posted workers.

The Paris Agreement (COP 21) is a priority for the “En Marche!” candidate. Emmanuel Macron wants to accelerate energy transition in transport, particularly by promoting electric vehicles through tax preferences,



and the development of charging stations. To reduce fine particulate pollution, diesel taxation will gradually be aligned with that of gasoline, with a bonus of €1,000 to encourage motorists to turn to cleaner vehicles.

According to Emmanuel Macron, abandoning nuclear power is absolutely inconceivable for economic and even ecological reasons. However, he wishes to reduce the dependence on nuclear energy, with the objective of 50% nuclear energy by 2025 in line with the targets set by the current socialist Government. At the same time, Emmanuel Macron wants to develop renewable energies with the aim of doubling the capacity of wind and photovoltaic solar energy by 2022. His future government will have to invest €15 billion to accelerate the energy and ecological transition, and will also encourage private investment to mobilise €30 billion. On the issue of shale gas, he wants a ban on all exploration, even though experimentation, and no matter what the method of extraction is.

4. HEALTHCARE SYSTEM: A LOW REFORMIST VISION OF THE HEALTHCARE SYSTEM

Emmanuel Macron takes a stand against François Fillon’s health-related positions. His platform has a clear leftwards leaning tendency, in order to appeal to the left-wing electorate. Among the few measures on health that he has already announced, Emmanuel Macron claims to protect and improve health coverage: he wants to guarantee foreigners’ health protection, putting an end to the right-wing long-lasting debate on the topic. He also promises a full-scale reimbursing policy for optical, hearing, and dental care, and guarantees that all effective care would still be reimbursed.

Emmanuel Macron also wants to fill the lack of medical doctors in rural France and focus on the development of preventive care. Medical school students could, for this purpose, work three months



with associations, companies and schools, helping screening and delivering preventive messages. He pledges to allocate €5 billion of his investment plan to health-related issues, notably to help strengthen research on environmental health and develop telemedicine.

Emmanuel Macron also adds some elements to his propositions that can appeal to the right-wing electorate, notably his will to reduce public spending by the possibility to buy medication one by one rather than by packs. He also vows to regularly evaluate the quality and relevance of healthcare. Finally, he makes a rather general assessment on the existence of a ceiling between private and public hospitals that should be broken.

5. SECURITY AND FIGHT AGAINST TERRORISM: A BELIEF THAT SECURITY IS AN ISSUE THAT NEEDS TO BE DEALT WITH AT THE EU LEVEL

Emmanuel Macron considers that the European level is the answer to palliate the dreaded US strategic and financial shift to Asia. Emmanuel Macron is the only candidate to propose the creation of a specific entity, a European Defence Fund, with permanent Head-



quarters (capability and operational planning) that would continue to cooperate closely with NATO. Emmanuel Macron would like to see a strong Franco-German couple emerge, to make Europe a credible external actor in Africa and the Middle-East.

Emmanuel Macron wants to strengthen and widen European tools in the matter of border control, whereas Marine Le Pen (far-right) and François Fillon (Republican) have a rather nation-focused vision on immigration: safeguard the Schengen agreement and reinforce Frontex with an increase of budget and a rise of 5,000 border guards. He also insists on the need to combine it with long-term development policies.

Emmanuel Macron wants to invest in the police and intelligence sectors, in order to improve the image of the security forces. As many candidates of this election, he plans to increase resources in the intelligence and police sectors (10,000 new positions planned in the police, territorial intelligence units, etc.), but his propositions are more aspirational at the European level. He has an ambitious solution to the intelligence and police information sharing gap, to create European Common Intelligence and Police Agencies that would supervise cooperation between countries.

6. EUROPEAN AFFAIRS: A TRULY EUROPEAN CANDIDATE TRYING TO GATHER GERMANY'S SUPPORT

Emmanuel Macron is the only candidate who has a very positive discourse on the EU, unlike François Fillon who is pleading for less EU intervention, or Benoît Hamon who is putting into question the budgetary rigor imposed by Brussels.



Emmanuel Macron is definitely seeking Germany's support to create a "European Sovereignty". To this end, he promises to carry out economic reforms to restore Germany's trust in France. He is willing to shape a new French-German leadership, not based on the traditional dynamic of

He supports a deeply integrated single market, especially on digital issues to foster the emergence of a "European Google" and the need to share more common standards, especially on the environment. Concerning energy, he advocates establishing a unique floor price on carbon.

France in charge of international affairs and Germany dealing with economic issues, but to have a more balanced relationship.

On trade issues, he underlines the need to have a strong European policy to respond to Donald Trump protectionist's positions. He proposes to reserve access to European procurement to companies which locate at least half of their production in the EU by implementing a "Buy European Act". As all candidates, the fight against the fiscal optimisation's of American companies is a priority. He also proposes to provide the Euro Zone with its own budget to make investments in order to boost European growth.

The "En Marche!" candidate is also close to the UK, even though he has already warned British leaders that they can expect no concessions from Brexit. Emmanuel Macron, who regularly travels to London, announced that he will defend the integrity of the European market, which means he will not compromise on the freedom of movement or on EU standards, in order to reach an agreement that "will not damage everything". He ultimately hopes Brexit could make some financial services choose Paris instead of London in the future.

7. INTERNATIONAL AFFAIRS: A STRONGER EUROPE TO ANSWER THE CHALLENGES INDUCED BY THE TRUMP PRESIDENCY

Emmanuel Macron seeks to boost his international stature by meeting high-profile officials in the Middle-east, Germany and in the US. He is also fluent in English, a rare trait among French politicians. For him, strengthening the European Union remains an appropriate response to the "current and real imbalance in the world"



Emmanuel Macron is worried by the Trump Administration's new protectionist policies, which tend to increase the United States' distance with Europe and France. Emmanuel Macron believes that this withdrawal does not match with the United States'

values, and that the unpredictability, isolation and outbursts of Trump mean that Europe's security can no longer depend on the United States. Macron seems to regret that the United States do not wish to co-organise globalisation and international security with the European Union anymore. Nevertheless, he emphasises the need to re-establish a positive dialogue with the new US administration to pursue the common history of France and the United States.

Emmanuel Macron tries to keep an imbalance in the relations with Russia. Following Hollande's policy, Macron backs expanding sanctions against Russia

if no progress in implementing the long-stalled Minsk peace accords for eastern Ukraine, where Kiev's forces have been battling pro-Russian separatists, is made. He differs here from the two other main candidates, Fillon and Le Pen, who both support increasing ties between France and Russia and have indicated that they would push for the sanctions to be dropped.

On the subject of France's policy regarding the Israel/Palestine conflict, Emmanuel Macron seems to lean towards closer ties with Tel-Aviv. He rejects promoting recognition of the Palestinian state before the conclusion of an accord between the two parties. He has also rejected the idea of inflicting sanctions or boycotts against the Israeli state, stating that the boycott had been condemned by France, and that he would not reconsider this position.

PRESIDENTIAL CAMPAIGN: ALL BETS ARE OFF!

A year ago, there was no doubt that the second round of the French presidential election would oppose the former President Nicolas Sarkozy to the outgoing President François Hollande. All forecasts have been confounded though.

Last November, Mr Sarkozy was defeated in the first round of the right-wing primary election and François Fillon was designated as the candidate of Les Républicains. A few weeks later, François Hollande announced he wouldn't run for a second mandate. Again, the voters chose a challenger: Benoît Hamon.

For different reasons, the candidates of the two major parties, Mr Fillon and Mr Hamon, are facing difficulties to appeal to voters. Emmanuel Macron, who initially was just a challenger, has hence gained ground and is now seen as the candidate able to face the powerful far-right candidate, Marine Le Pen.



Indeed, uncertainty prevails among The Republicans after the "PenelopeGate". While the winner of the right wing primary François Fillon was considered as the great favourite for the next presidential election, the resounding "Penelopegate" that hit him and his wife Pénélope Fillon has seriously tarnished his campaign and weakened his candidacy. The French investigative newspaper *Le Canard Enchaîné* accused him of having given his wife and two of his adult children no-show jobs funded by public money for around €1 million over the years, which has led to a series of other allegations and conducted the Financial Prosecution to open a preliminary investigation, before a probable indictment. If the Republican candidate struggles to restore confidence after these damaging scandals, he could see support for his candidacy drop below 20%, or defections among his own camp.

Benoît Hamon fails to emerge as a serious contender, despite his comfortable win at the socialist primary election last January. The absence of an alliance with the far-left candidate, Jean-Luc Mélenchon, could rule out the chances of any left-wing candidate for this election.

Far-right candidate Marine Le Pen is still leading the polls. After having remained quite discreet for some weeks, far-right leader Marine Le Pen officially launched her campaign last February, which gave a new impetus to her candidacy. Marine Le Pen continues to race ahead in the recent opinion polls, which automatically qualify her for the second round of the election in most cases. However, although abstention on the second ballot would benefit her, it still seems unlikely that Ms. Le Pen would pass the second round as this populist party remains a threat for a majority of voters.

Less than two months before the first round of the election, regarding the series of turnarounds during the campaign, the outcome of this upcoming presidential election has rarely been so hard to predict.

CONTACTS US

Should you need further information regarding the measures Emmanuel Macron is willing to implement on your sector or want to prepare the ground in view of the upcoming elections, please contact us!



Florence Maisel
Managing Partner
Florence.maisel@interelgroup.com



Aristide Luneau
Partner
Aristide.luneau@interelgroup.com