

2017 French Presidential elections

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In 2017, France will hold its presidential elections – an event that has taken on renewed significance in the aftermath of the UK’s decision to leave the European Union. Setting the scene for next year’s race is the Socialist Party’s (PS) growing divide and decreasing popularity of the current President François Hollande, the mainstream right propelling ahead of the rest, and the unprecedented success of the far right.

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The French Left in Disarray

The chances of President François Hollande’s re-election look slim; France is plagued by slow economic recovery, high unemployment, recent heated debates about national identity and labour law reforms. The highly unpopular labour bill, designed to reform France’s rigid labour market, is opposed by many French citizens, to the point of causing mass riots and demonstrations across the country. The reforms were fiercely opposed by the French union CGT, which saw the reforms as a direct attempt to undermine union power. The union mobilised students and other protestors on the left, including some in the PS, who viewed the reforms as too pro-business. This *malaise* in French society has revealed the divide within the PS, between the more social liberal Emmanuel Macron, France’s former Economy Minister, and anti-liberal socialists such as former Industrial Minister, Arnaud Montebourg.

A key question within the PS is whether the incumbent President Hollande will run for a second mandate. Contrary to the recent series of public announcements calling for the Presidential elections (including from the likes of Montebourg and former President Nicolas Sarkozy) and certain increasingly obvious clues (from others including Emmanuel Macron), Hollande is keeping relatively quiet. He will decide whether to run for President for a second term no earlier than December. However, this has not prevented Hollande from musing about his potential second mandate. While in Rio, defending France’s bid to hold the Olympics in 2024, Hollande has vowed that he will take the necessary time to construct and justify his candidature. He says he will not run simply for the sake of running or maintaining continuity, but will aim to achieve results.

Should Hollande decide to run for President in 2017, he will inevitably have to pass through left primaries, which will take place in January 2017. This idea was touted by the PS despite resistance from other left parties (the greens and the communist party). Hollande will be the first incumbent in French history to need approval from all other parties for re-election. Hollande states that going through the primary will help him, and any President, to regain legitimacy and create political momentum for the candidacy. However, Hollande's chances for success are limited. He is seen as leading his party into disarray rather than being an asset, and his approval ratings remain the lowest of any French president to date.

The former Economy Minister, Montebourg has now made official his candidature for the 2017 elections, re-entering the political arena after two years of retreat. Mr Montebourg is positioning himself as part of the "real left", opposing Hollande's pro-business line, and has boldly advised the current President to not present himself as candidate. Montebourg has a particularly critical stance towards Hollande, claiming to be incapable of supporting a President who has wasted the four years of his leadership.

In his Project France, Montebourg has identified measures to reverse France's interminable austerity, find a collective approach to security in the face of terror attacks, engage France in serious ecological reforms, and lower income taxes.

Juppé in the lead

The Socialist Party's biggest mainstream contender remains the right wing party, *Les Républicains*; the party most likely to win the presidency in 2017. Primaries for *Les Républicains* will take place at the end of November this year, and have attracted some 14 or so potential runners. The most popular contenders include Alain Juppé (current mayor of Bordeaux and former Prime Minister under Jacques Chirac), former French president Nicolas Sarkozy (who recently announced his political programme with the publication of the book "Everything for France"), Bruno Le Maire (previously head of cabinet of former Prime Minister Dominique de Villepin) and former Prime Minister François Fillon. The right wing contenders focus essentially on a tough stance on immigration and national security. Indeed, Juppé and Sarkozy have been quick to criticise government policy for failing to stop the latest attack in Nice, drawing attention to failing security policy.

Sarkozy, in August 2016, officially presented himself as candidate, quitting his role as leader of *Les Républicains*. This has left Laurent Wauquiez, Vice President of the Party and Éric Woerth, Secretary General, both vying for the party's leadership. Sarkozy's greatest rival would be Alain Juppé, who appears to be faring the best of all other candidates. Notably, he has been campaigning since 2014, reinforcing his candidature with well-timed publications. He is doing well in the polls and appears to be one of the only candidates who could beat Marine Le Pen in the first round of the presidential elections.

Les Républicains have also identified the country's heavy tax burden (at 47% of GDP) as an issue to be tackled. This would be favourable for the investment climate and would generate growth. Both the left and the right are trying to push through French labour

law to enhance labour market flexibility. This will be beneficial in the context of Brexit to successfully position Paris as an EU financial hub.

The rise of the political centre

The current Economy Minister Emmanuel Macron is another potential candidate who has officially resigned from his position in the government. This paves the way for Macron's candidature in the French elections (although this is not yet official). While his *En Marche!* movement points towards an obvious interest in the Presidency, his resignation makes his candidature more likely.

As a social liberal, Macron's movement contains three key elements: less State, more flexibility, and more business to reinvigorate the sense of lethargy in France. Macron's project nonetheless seriously delves into societal issues: tackling unemployment, guaranteeing security, and tackling the deep inequality that plagues France.

The main challenges facing Macron are that he belongs to no political party, he has never run for an election and that he allegedly does not want to betray Hollande, who chose Macron to step into one of the French government's most important roles two years ago. However, one of Macron's most successful political traits is the *En Marche!* image of wanting to show a genuine concern for voters of all ages, political background and social classes. This is in contrast to the current French political elite, which is afflicted by criticism of being out of touch with the general population's concerns and for not tackling the discrimination and inequality that still defines France.

From the centre right MODEM, or Democratic Movement, François Bayrou is a likely candidate. However, as he is close to Juppé, should the latter win *Les Républicains'* nomination, Bayrou may choose not to run. A Juppé nomination could even bring *Les Républicains* closer to the centre, permitting a closer alliance with MODEM, a party traditionally in favour of greater European integration.

The extreme right

Les Républicains would indeed need to garner as much support as possible, faced with the unparalleled success of the *Front National* (FN). Polls dating from May 2016 give the President of the party Marine Le Pen 28% support. The domestic and international socio-economic context plays in her favour: unemployment remains high in France, the perceived threats of migration have renewed saliency, and the threat of terrorism is real. The latter as well as the general European management of immigration are set to be the priorities on the 2017 agenda.

In particular, the corrosive Brexit vote in the UK referendum has confirmed a certain 'revolt' against the establishment. It would therefore be dangerous to simply write off what happened as just an irrational protest vote; this could inspire more than ever disillusioned French voters to vote Le Pen. She is also the candidate who is most likely to make it into the second round of the presidential elections against the centre-right.

The terror threat and the prolonged state of emergency will be strong pillars in FN's campaign, which capitalises on the general fear of the population.

In terms of business, this is having negative implications on France as an international tourist destination, where tourism accounts for 7% of the economic output and employs more than two million people. France has for instance already slipped down in the Global Liveability Ranking 2016 as a result of heightened fears over terrorism.

Heading into an uncertain race

A divided left and persistent disenchantment from the PS has led to an increased likelihood of *Les Républicains* versus the FN in the final round. The overall sentiment indicates that while the repercussions of the Brexit vote and the terror attacks striking France will further boost electoral support for the FN, the mainstream right is most likely to win the 2017 elections. As for the left, Hollande must now focus on PS internal politics to neutralise the divided party.

3 questions to... Renaud Dutreil

Renaud Dutreil is Chairman of FTI Consulting in France. He was formerly Minister for Small & Medium-Sized Businesses (2005–2007), Minister of the Civil Service and State Reform (2004–2005) and Secretary of State for Small & Medium-Sized Businesses, Commerce, Crafts and Liberal Professions (2002–2004); a non-active member of the French Council of State since 1989, Mr Dutreil was also a Member of the French Parliament (1994–2008). In 2008, he joined the LVMH group in the USA as Chairman and in 2012 took on an entrepreneurial role - creating an investment fund, Belleville Solutions Inc. At FTI Consulting, Mr Dutreil provides clients with his in-depth experience and understanding of the political environment to enable businesses to promote their commercial interests and image, within a highly regulated sector.

Q: France is opposing TTIP, GMOs, shale gas... Should business worry that France is no longer "open for business"?

France's view of doing business is based on a long-term perspective. The key is to convert innovation into a sustainable vision. In this sense, business opportunities are often measured against potential environmental or social issues that could arise. This model has not prevented France from being a leader in many research fields and exporting competitive technologies. There are ongoing discussions about the place that both "innovation" and the "precautionary principle" play and will play in France in the future. It is important for businesses operating or wanting to operate in France to be plugged in to these discussions and be properly equipped so they can navigate through the different sensibilities..

Q: After Brexit , what role do you think France will play? What are the key challenges/costs and opportunities?

Nobody can predict what the post-Brexit panorama will look like. We know that France, thanks to its network of infrastructures, its central position and the quality of its manpower can be attractive for financial actors but recent attempts to reform the labour code has shown there are gaps - in theory and practice - for France to overcome to completely capitalise on Brexit. That's without taking into account fierce competition from other capitals also claiming to have easy access to the EU single market! This debate will feature during discussions in the run up to the forthcoming presidential elections.

Q: The pre-electoral campaign has really kicked off. What should business expect?

Alongside the identity debate (i.e. what does it mean being French) which is occupying a big part of the public sphere, the economic debate will continue to play a major role in the electoral campaign. What reforms will the candidates put forward to unleash growth? Generally speaking, the business community is confident and demanding the next administration - regardless of its political persuasion - to be more business friendly, by lowering taxes and public spending for example. Engaging in structural reforms is another pre-requisite. As of January 2017, all eyes will be on France and the French people's choices. Then it will be Germany's turn. The results of both elections - and those in other key EU Member States- will largely determine how companies will do business in Europe in the years to come.

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