

# EU ENTERS ELECTION SEASON AMIDST THE RISE OF RIGHT-WING POPULISM — POLICY IMPLICATIONS AND FUTURE CHALLENGES —

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## SUMMARY

- The EU continues to shift politically to the right. The reason behind this is that EU citizens are experiencing (1) a sense of alarm over the recent surge of refugees, (2) inflation from rising energy and food prices, and impoverishment caused by the prolonged economic stagnation, and (3) growing dissatisfaction toward the significant increase in the burden they are being forced to bear due to the rapid succession of climate change measures enacted. This trend will likely continue in the medium term as right-wing populists are expected to make further gains in the European Parliamentary elections and national general elections in 2024.
- Concerns include (1) stronger “green backlash” against climate change measures, as opposition forces step up their attempts to ease restrictions and slow the pace of their implementation, (2) stalled negotiations with neighboring EU members on the EU’s expansion and deeper integration, causing delays in streamlining the operation of policies that need to be pursued in tandem with expansion, and (3) sanctions against Russia, and delays in aid and reconstruction policies for Ukraine.

## 1. INTRODUCTION

There has been a notable increase in right-wing populism in the EU (Figure 1). The 2024 EU election season includes general elections in Portugal, Belgium, Austria, and other countries, as well as the once-every-five-year European Parliament elections.<sup>1</sup> This report examines the background of these trends, their sustainability,

| Figure 1: Right-wing populist parties gaining ground in the EU |   |
|--|---|
| September 2022   | In the Swedish general election (unicameral system), the Sweden Democrats (SD) leaped to second place. The new right-wing government inaugurated in October has been externally cooperating with the Cabinet.   |
| October 2022   | In general elections for Italy’s Chamber of Deputies and Senate of the Republic, the Brothers of Italy (Fratelli d’Italia; FdI) became the leading party, and Giorgia Meloni, leader of the FdI, formed a right-wing coalition government.  |
| April 2023   | In the Finnish general election (unicameral system), the Finns Party (PS) gained second place. The party is a member of the right-wing coalition government inaugurated in June.  |
| November 2023  | In the Dutch House of Representatives elections, the People’s Party for Freedom and Democracy (VVD), led by Geert Wilders, became the leading party, increasing the probability of the formation of a right-wing coalition government that includes the VVD.  |
| December 2023  | In Germany, Alternative for Germany (AfD) is in second place in opinion polls, ahead of SPD, Green, and FDP, which make up the current three-party coalition government (with CDU in the lead). The party also won the June 2023 election for district administrator of Sonneberg, Thuringia; the July election for mayor of Raguhn-Jeßnitz, Saxony-Anhalt; and the December election for mayor of Pirna, Saxony; and came in second in the October election for the Hessischer Landtag, which governs Frankfurt, and third in the Bayerischer Landtag, which governs Munich. |

Source: Prepared by MGSSI from various news reports

<sup>1</sup> The European Parliament is a joint legislative body alongside the Council of the European Union (with the European Parliament corresponding to the House of Representatives or Lower House and the Council of the EU to the Senate or Upper House), and its members are directly elected from the 27 EU member states under a system of proportional representation, in which each member state is allocated a number of seats in proportion to its population. (There are currently 705 seats in total, but this number is scheduled to

and the medium- to long-term implications for major policies in the EU.

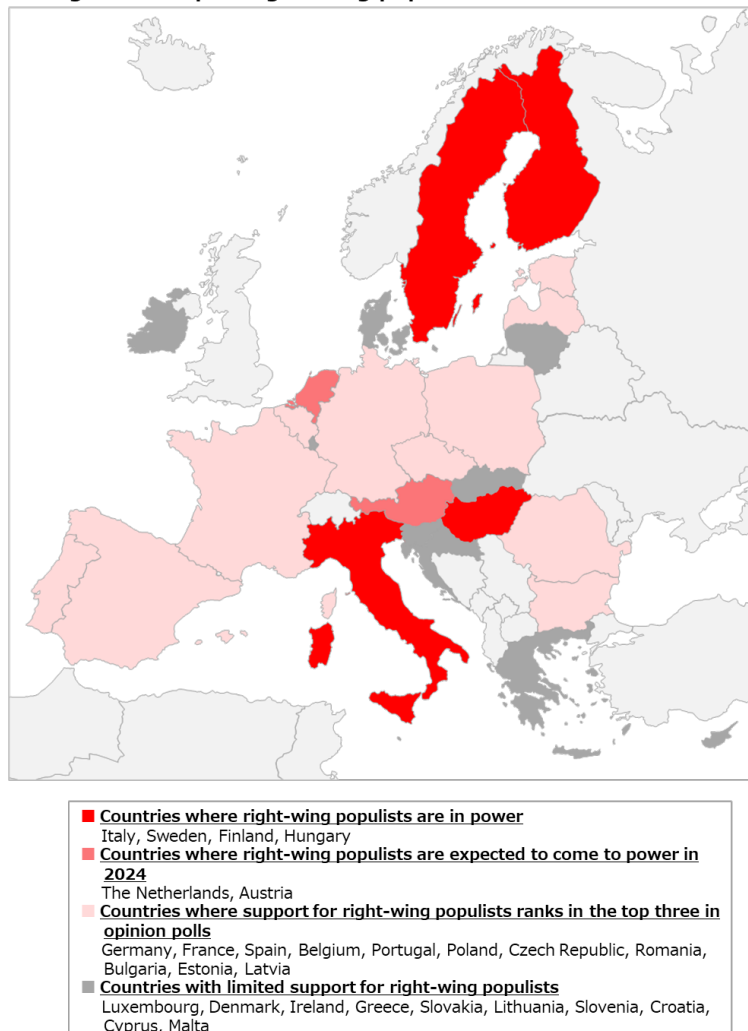
## 2. THE EU'S SHIFT TO THE RIGHT

### 2-1. The rise of right-wing populists and the center-right's shift further to the right

In recent years, the EU has seen a marked rise in the influence of right-wing populists with policies that (1) show skepticism toward the EU, (2) promote their own country over all others, (3) are anti-immigrant/refugee, (4) are Islamophobic, (5) oppose climate change measures, and (6) reveal a pro-Russian stance with a reluctance to support Ukraine (Figure 2).<sup>2</sup>

It is also important to note that the axis for the EU's policy is tilting to the right: With an eye on growing support among EU citizens for right-wing populists, center-right parties in EU member countries, as well as the European People's Party (EPP),<sup>3</sup> the largest political group in the European Parliament, have shifted their policies to the right on migration, refugees, and climate change EU measures, and other matters.

Figure 2: Map of right-wing populist influence in the EU



Source: Prepared by MGSSI from Politico, etc.

increase to 720 in the 2024 election.) EU citizens become eligible to vote at the age of 18, with the exception of Austria, where eligibility is obtained at the age of 16.

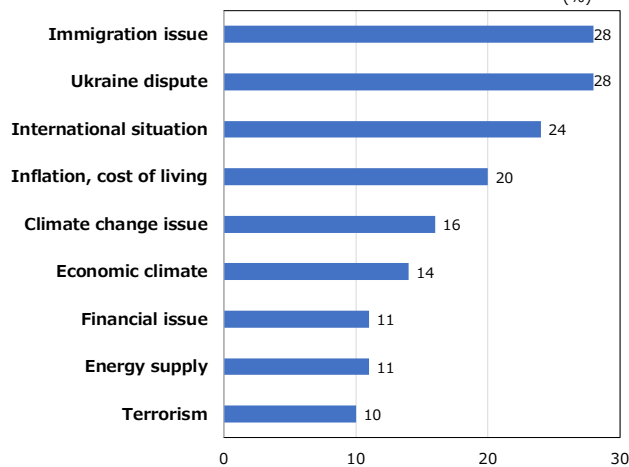
<sup>2</sup> This is broadly descriptive of the types of policies held by major right-wing populist parties. There is disagreement among right-wing populist parties in regard to policies toward Russia and support for Ukraine. Those in the majority include the Viktor Orbán government in Hungary, and Marion Anne Perrine Le Pen, a former leader in the French National Assembly, who are pro-Russian and reluctant to support Ukraine. Others are in favor of the EU's policies on sanctioning Russia and supporting Ukraine, such as the Law and Justice (PiS) party in Poland, which was in power until December 2023, and the Meroni government in Italy.

<sup>3</sup> The various factions in the European Parliament are explained in section 3. THE EU'S 2024 ELECTION SEASON.

## 2-2. Background of the EU’s political shift to the right

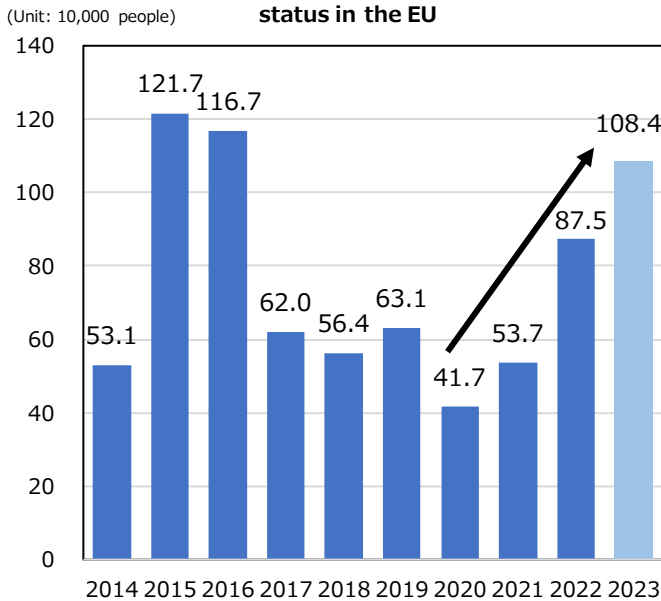
Factors that led to the EU’s political shift to the right include (1) a growing sense of alarm among EU citizens over increases in social security costs and other financial burdens as well as decreased security due to the rapid increase in the number of refugees, (2) impoverishment among EU citizens (cost-of-living crisis) caused by inflation from rising energy and food prices due to the crisis in Ukraine as well as prolonged economic stagnation, and (3) dissatisfaction toward the significant increase in the burden they are being forced to bear due to the rapid succession of climate change measures enacted under the banner of decarbonization (Figures 3, 4, and 5). Right-wing populists are expanding their influence by tactically exploiting the dissatisfaction among EU citizens. They are touting stricter immigration and refugee policies, expansionary fiscal policies such as tax cuts and spending increases, and a drastic slowdown of climate change measures.

**Figure 3: Name two important issues facing the EU** (%)



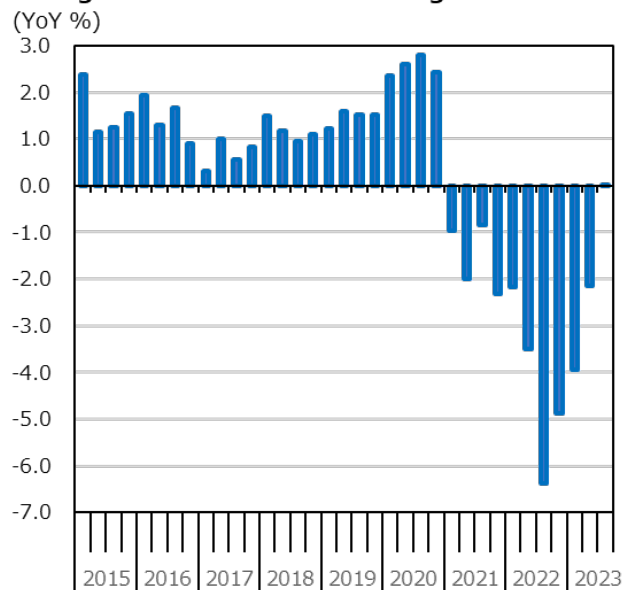
Note: From interviews of 26,471 citizens of 27 EU countries  
 Source: Prepared by MGSSI from Eurobarometer, Dec. 2023

**Figure 4: Number of applicants for refugee status in the EU**



Note: The number for 2023 is an estimate assuming that the rise from January to October continues.  
 Source: Prepared by Mitsui & Co. Global Strategic Studies Institute from EUROSTAT materials

**Figure 5: Trends in real wages in the EU**

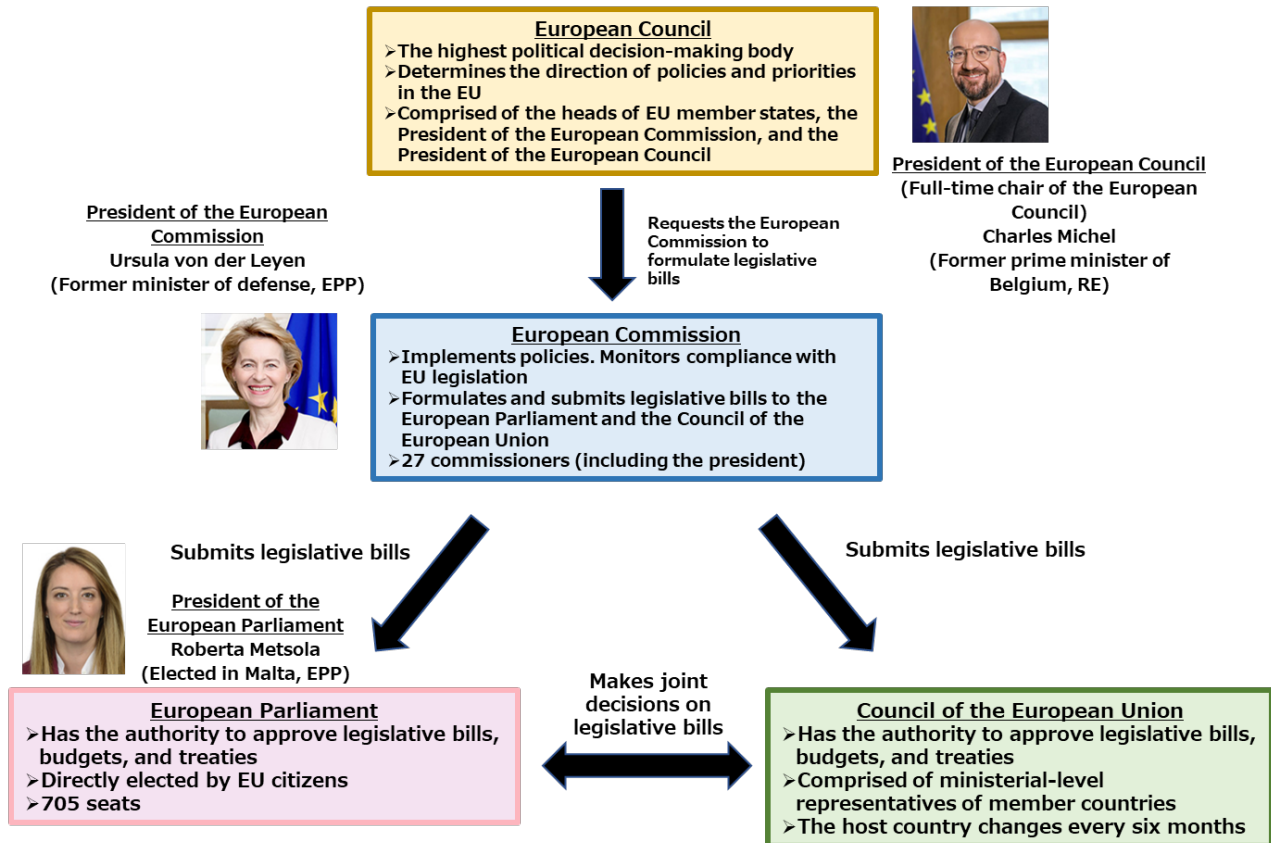


Source: Prepared by MGSSI from EUROSTAT

### 3. THE EU'S 2024 ELECTION SEASON

Amidst this political shift to the right, the EU is entering a pivotal election season in 2024, with the once-every-five-year European Parliament elections (June) (Figure 6), general elections in Portugal (March), Belgium (June), and Austria (September), and parliamentary elections in Germany in September in Saxony, Thuringia, and Brandenburg.

Figure 6: Policy-making structure of the EU

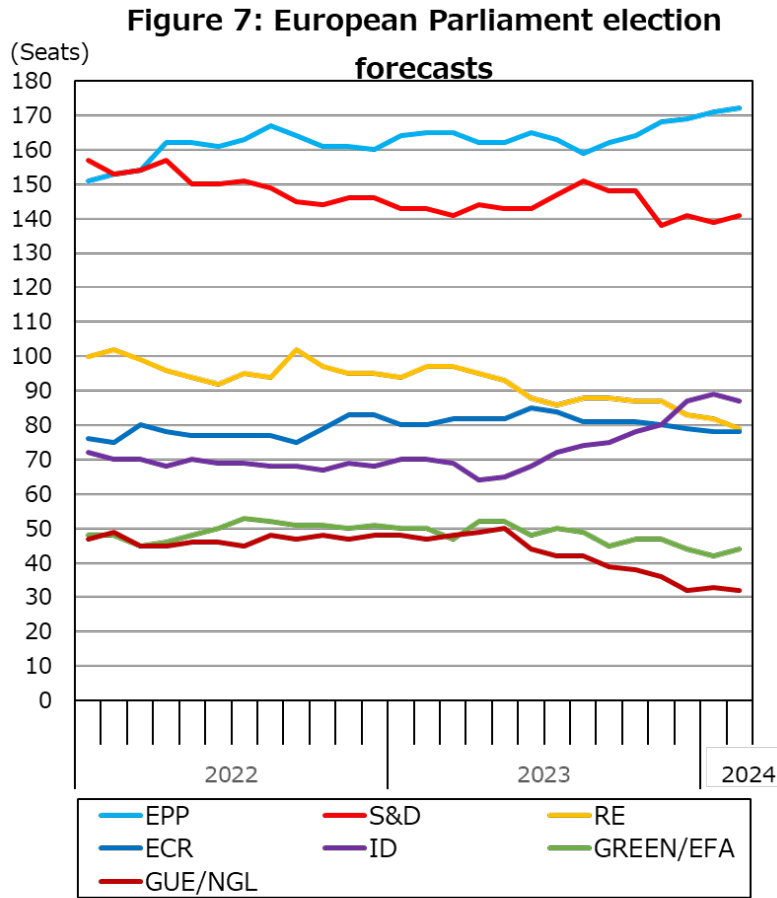


Source: Prepared by MGSSI based on EU materials  
 The photo of Roberta Metsola is taken from the European Parliament website.  
<https://multimedia.europarl.europa.eu/en/person/12252/metsola-roberta-epp-mt-ep-president>  
 The photos for Ursula von der Leyen and Charles Michel are taken from the European Council website  
<https://www.consilium.europa.eu/en/european-council/members/>  
 (accessed February 14, 2024)

#### 3-1. Right-wing populists expected to gain ground in European Parliament elections, with centrist, environmental, and left-wing parties expected to lose seats

The European Parliament elections will increase the number of available seats from 705 to 720 in the 2024 election. According to opinion polls (Politico) (Figure 7), the European Conservatives and Reformists (ECR) and the Identity and Democracy (ID), both of which are right-wing populist parties, are expected to gain significant ground, increasing from 67 to 78 seats and 58 to 87 seats, respectively. The three center-right parties will likely stagnate: The center-right European People's Party (EPP), which currently occupies the top three spots in the parliament, is projected to drop slightly from 177 to 172 seats, with the center-left Progressive Alliance of Socialists and Democrats (S&D) to retain the same number of seats, and the center-liberal Renew Europe (Renew) to fall significantly from 101 to 79 seats. The environmentally oriented Greens/European Free Alliance (Greens/EFA) is also expected to decline sharply from 71 to 44 seats, while the left-wing populist European United Left / Nordic Green Left (GUE/NGL) will possibly drop from 38 to 32 seats (Figure 8).

The Commission, headed by President Ursula von der Leyen, will complete its term at the end of October 2024, and the results of this year's elections will impact the composition of the next Commission.<sup>4</sup>



<sup>4</sup> In appointing a Commission president, the European Council proposes a candidate for president to the European Parliament in consideration of the results of the European Parliament elections, and the European Parliament then approves the appointment. In appointing Commission members, each member state nominates a single candidate, the next president of the Commission prepares a list of member candidates based on these nominees, and the Council of the European Union and the European Parliament approve the list.

Figure 8: Factions in the European Parliament

| Name of faction  | Current number of seats (705) | 2024 election forecasts (720) | Main participating parties   | Policies  |
|--|-------------------------------|-------------------------------|--|---|
| European People's Party (EPP)                          | 177                           | 172                           | Germany (CDU), France (The Republicans), Italy (Forza Italia), Spain (Spanish Nationalist Party), Poland (Civic Platform)      | In favor of (1) center-right parties, (2) the EU, (3) stricter immigration and refugee policies, and (4) had been the driving force behind the European Green Deal, but recently began to slow down policies due to concerns about further cost burdens on citizens and the competitiveness of companies. |
| Progressive Alliance of Socialists and Democrats (S&D) | 141                           | 141                           | Germany (SPD), France (Socialist Party), Italy (Democratic Party), Spain (Spanish Socialist Workers' Party), Poland (New Left) | In favor of (1) center-right parties, (2) the EU, (3) open-minded immigration and refugee policies, and (4) continues to be a driving force behind the European Green Deal to address climate change.   |
| Renew Europe (Renew)                                   | 101                           | 79                            | Germany (FDP), France (Renaissance), Spain (Citizens), Netherlands (VVD)   | In favor of (1) center-right parties, (2) the EU, (3) open-minded immigration and refugee policies, and (4) continues to be a driving force behind the European Green Deal to address climate change.   |
| The Greens/European Free Alliance (Greens / EFA)       | 71                            | 44                            | Germany (Alliance 90/The Greens), France (European Ecology), Green Parties in the Netherlands, Sweden, and Finland             | In favor of (1) center-right parties, (2) the EU, and (3) open-minded immigration and refugee policies, and is extremely in favor of (4) promoting climate change measures.   |
| European Conservatives and Reformists (ECR)            | 67                            | 78                            | Italy (FdI), Spain (VOX), Poland (PiS)   | In favor of (1) right-wing populism and (2) EU skepticism, and in opposition to immigrants and refugees, and (4) further strengthening climate change measures.   |
| Identity and Democracy (ID)                            | 58                            | 87                            | Germany (AfD), France (National Rally), Italy (National Alliance), Austria (Freedom Party of Austria)                          | In favor of (1) right-wing populism and (2) EU skepticism, and in opposition to immigrants and refugees, (4) further strengthening climate change measures, and (5) increasing support for Ukraine due to being pro-Russia.   |
| The Left Group in the European Parliament (GUE / NGL)  | 38                            | 32                            | Germany (The Left), France (France Unbowed), Spain (Podemos), Greece (SYRIZA)  | In favor of (1) left-wing populism, (2) EU skepticism, (3) open-minded immigration and refugee policies, and (4) promoting climate change measures to achieve decarbonization.  |

Note 1: There are seven factions. Forming a faction requires the participation of 23 or more members of Parliament from at one-fourth of the member countries. Members can receive subsidies and belong to committees by forming a faction.

Note 2: While Hungary's Fidesz, led by Prime Minister Orbán, had 12 members in the European Parliament and was a member of the EPP, it was effectively expelled (formally, it withdrew) in 2021 for intervening in the judiciary system and media. Currently unaffiliated, but ID is working to attract allies and is expected to join a right-wing populist group in the new parliament.

Note 3: The number of new seats in 2024 was projected by Politico (February 1, 2024).

Source: Prepared by Mitsui & Co. Global Strategic Studies Institute from European Parliament materials, Politico, etc.

### 3-2. Right-wing populists expected to gain ground in major countries' general elections

In the Portuguese general elections (unicameral system), amid a close contest between the Socialist Party (PS) and the Social Democratic Party (PSD), the right-wing populist party Chega is expected to gain support and become a kingmaker. In the Belgian general elections (Chamber of Representatives), the right-wing populist Flemish Interest (VB) and the New Flemish Alliance (N-VA) will also soon be competing for first and second place. In Austria, the right-wing populist Freedom Party of Austria (FPO) is running unopposed, and there is a high probability that it will form a coalition government with the center-right Austrian People's Party (OVP).

The political circumstances in each country will tip the balance of power in the Council of the European Union,<sup>5</sup>

<sup>5</sup> The Council of the European Union (1) legislates (in conjunction with the European Parliament), (2) coordinates policies between member countries, (3) formulates the EU's Common Foreign and Security Policy (CFSP), (4) concludes international agreements (subject to approval by the European Parliament and ratification by the member countries), and (5) sets the EU budget (in conjunction



the equivalent of the Upper House in the EU’s legislative system. In addition, Hungary will gain presidency of the Council of the European Union from July to December 2024.<sup>6</sup> The country’s right-wing populist Prime Minister Viktor Orbán, a member of Fidesz, has been partially suspended for using EU budgetary funds due to violation of the rule of law, and has disrupted EU unity and delayed decisions on strengthening EU sanctions against Russia and supporting Ukraine on every possible occasion. Therefore, his presidency could disrupt the Council’s operations, including the setting of priority agenda items.

#### 4. IMPACT OF ELECTION RESULTS ON EU POLICIES

##### 4.1 Current status of major policies (see Figure 9\* at the end of this section)

###### (1) Climate change measures

Ever since the announcement of the European Green Deal, which aims to achieve climate neutrality by 2050, the EU has placed it ahead of all other policies, enacting a wide range of climate change measures in rapid succession.

At the same time, however, the so-called “green backlash,” reflecting the sentiments of citizens burdened by the costs of climate change measures, is now gaining momentum as those involved oppose stricter regulations and attempt to slow the speed of implementation (Figure 10).

| Figure 10: Green backlash in the EU (opposition and negative reactions to strengthening climate change measures) |   |
|--|---|
| March 2023   | Despite a tentative agreement made between the European Parliament and the Council of the European Union in October 2022 on a draft regulation banning the sale of new internal combustion engine vehicles after 2035 pertaining to CO2 emission standards for passenger cars and light commercial vehicles, Germany—under pressure from automakers—solicited the aid of Italy and Poland, and overturned the Council’s vote at the last minute by convincing the Council to allow sales of e-fuel vehicles.  |
| May 2023   | French President Macron urged that Europe should “suspend” rather than add more climate change-related regulations.   |
| June 2023  | Similar to how Germany overturned an agreement, France, a major generator of nuclear power, joined with Poland and other countries to overturn a tentative agreement between the European Parliament and the Council of the European Union on a revised Renewable Energy Directive that sets a target of renewable energy accounting for 42.5% of the final energy mix by 2030, convincing the Council to allow concessions on the use of nuclear-derived hydrogen and ammonia production in the course of achieving this target.   |
| July 2023  | When the European Parliament was considering adopting the Nature Restoration Bill, aimed at restoring ecosystems, the center-right EPP, the largest faction that has been promoting the European Green Deal along with the center-left S&D and center-liberal Renew Europe, mobilized to reject the bill. Although the bill barely passed, it forced a significant step backward in terms of content, including a reduction in the number of land and sea areas subject to restoration measures from 30% in the original proposal to 20%.   |
| August 2023  | Poland called on the Court of Justice of the European Union to invalidate the adoption of the CBAM and the revised EU-ETS, the regulations of which had already been agreed upon and were to be provisionally applied from October.   |
| September 2023   | In Germany, 74% of home heating systems make use of oil or gas. The government has attempted to introduce heating legislation that would require 65% of new heating systems to use renewable energy sources from 2024 onward. However, citizens fiercely opposed this, causing the government to backtrack significantly to limit the application of the rule in 2024 merely to new buildings in newly developed areas, with application in other areas postponed for 2.5 to 4.5 years. It also caused support for the Greens, which led the introduction of the legislation, to plummet. |
| November 2023  | When the European Parliament was considering adopting the SUR bill, which aims to halve pesticide use by 2030, the EPP criticized it as a “radical approach that would reduce food production in Europe” and teamed up with the right-wing populist faction to reject it. In February 2024, President of the European Commission von der Leyen announced the withdrawal of the bill as farmers began to protest the bill and other environmental regulations throughout Europe, including Germany, France, and Italy.   |
| January 2024   | In its leaked tentative manifesto, the EPP stated, “We do not need so many regulations from Brussels. We oppose the banning of any particular technology.” The manifesto also called for (1) immediate revisions to proposed regulations banning the sale of new internal combustion engine vehicles after 2035, which has already been legislated, and (2) solidarity with farmers, an emphasis on food security, and increased subsidies for agriculture.   |

Source: Prepared by MGSSI based on various news reports

with the European Parliament). It is composed of ministers from 27 member countries and meets in 10 different configurations in line with the policy topic under consideration. For example, the Foreign Affairs Council is composed of foreign ministers from member countries, and the Environment Council is composed of environment ministers.

<sup>6</sup> The presidency rotates among the member countries on a six-month basis, with heavy responsibilities for setting the Council’s priority agenda items, scheduling and facilitating proceedings, and coordinating with the other EU institutions. The presidency will be held by Belgium for the first half of 2024 (January-June), and by Hungary for the second half (July-December).

## (2) Refugee and immigration policies

In December 2023, the European Parliament and the Council of the European Union reached a general agreement on a new system of refugee measures.

They plan to (1) implement stricter screening of those seeking refugee status in the EU and (2) adopt a new solidarity mechanism (burden-sharing) among member countries.

## (3) EU expansion policies (Figure 11)

The EU underwent a temporary period of “expansion fatigue,”<sup>7</sup> and the refugee crisis and Russia’s invasion of Ukraine have triggered a reassessment of the role of EU expansion in geopolitically stabilizing the surrounding region. Momentum is building for the EU to expand to encompass the Western Balkans,<sup>8</sup> Ukraine, Moldova, Georgia, and other countries.<sup>9</sup>

**Figure 11: The history of EU expansion**

|      |   |
|------|---|
| 1952 | European Coal and Steel Community (ECSC) established (original members: Germany, France, Italy, Belgium, Netherlands, Luxembourg) |
| 1973 | First expansion (Denmark, Ireland, UK)  |
| 1981 | Second expansion (Greece)   |
| 1986 | Third expansion (Spain, Portugal)   |
| 1995 | Fourth expansion (Austria, Sweden, Finland)   |
| 2004 | Fifth expansion (Poland, Czech Republic, Slovakia, Slovenia, Hungary, Latvia, Lithuania, Estonia, Cyprus, Malta)                  |
| 2007 | Sixth expansion (Romania, Bulgaria)   |
| 2013 | Seventh expansion (Croatia)   |

Note: The seventh expansion (Croatia) in 2013 brought the total to 28 countries, but Brexit in 2020 reduced this to 27 countries.

Source: Prepared by MGSSI based on European Commission materials

## (4) Reforms to streamline operations

As the EU will expand to nearly 40 countries once the above countries join, reforms to streamline organizational operations are inevitable, and the following are currently under consideration: (1) changes to the method by which the Council of the European Union makes decisions, (2) changes to Article 7<sup>10</sup> of the EU Treaty, and (3) changes to the income redistribution system in the EU budget.

<sup>7</sup> The fifth and sixth expansions in particular led to growing dissatisfaction among countries that were already members, mainly in Western and Northern Europe. These existing members faced the economic burden of having 12 countries with much lower income levels than their own join them in just a few years. There were other problems such as friction with Central and Eastern European countries over the rule of law and delays in decision-making. Thus, some argue that further expansion should not be hastened.

<sup>8</sup> Albania (candidate country, negotiations underway), Bosnia and Herzegovina (candidate country, negotiations have yet to start), Montenegro (candidate country, negotiations underway), North Macedonia (candidate country, negotiations underway), Serbia (candidate country, negotiations underway), Kosovo (application for candidacy not yet approved)

<sup>9</sup> The EU decided to open accession negotiations with Ukraine and Moldova at the European Council in December 2023, just 18 months after recognizing them as candidate countries in June 2022. European Council President Charles Michel insisted that both the EU and the countries seeking membership should be ready by 2030, demonstrating his strong intention to expand the EU.

<sup>10</sup> Stipulations are in place on how to identify when a member country is seriously and continuously violating the values set forth by the EU under Article 2 of the EU Treaty (i.e., respect for human dignity, freedom, democracy, equality, the rule of law, and respect for human rights, including the rights of persons belonging to minorities) as well as on suspending the rights of a member country as a penalty.



(5) Sanctions against Russia and support for Ukraine

The Orbán government in Hungary is an impediment, and a tremendous amount of time is being wasted on bargaining. A pro-Russian government emerged in Slovakia in October 2023. Subsequently, in the Dutch general election in November 2023, the Party for Freedom (PVV), which is reluctant to support Ukraine, became the leading party.

Figure 9: Major EU policies

| Name of policy                                   | Current status of EU and member country policies  |
|--|---|
| Climate change measures                          | <ul style="list-style-type: none"> <li>➢ Ever since the announcement of the European Green Deal, which aims to achieve climate neutrality by 2050, the EU has been enacting a wide range of climate change measures in rapid succession.</li> <li>➢ Adoption of key legislation is nearly complete for the Fit for 55 policy package to achieve the interim GHG emission reduction target set for 2030 (a reduction of 55% compared to 1990 levels).</li> <li>➢ However, the European Environment Agency estimates that efforts are insufficient to achieve the ambitious 2030 interim target (7 percentage points short), and additional measures as well as acceleration of the current measures are needed.</li> <li>➢ At the same time, the “green backlash” is gaining momentum as proponents began attempting to inhibit the further tightening and implementation of regulations in 2023, reflecting public outcry over the financial burden of climate change measures.</li> </ul>  |
| Refugee and immigration policies                 | <ul style="list-style-type: none"> <li>➢ In December 2023, the European Parliament and the Council of the European Union reached a general agreement on a new system of refugee measures.</li> <li>➢ For those seeking refugee status, it consists of (1) stricter screening for entry into the EU (up to 7 days to check IDs, manage health, take fingerprints, register information in a database, etc.), and (2) adoption of a new solidarity mechanism among member countries (establishing rules for the transfer of those seeking refugee status between member countries and financial transfer in the event of a refusal).</li> <li>➢ Furthermore, member countries are taking stricter immigration measures, such as France enacting a new immigration law in December 2023 that (1) sets a cap on the number of immigrants each year and (2) makes it more difficult for immigrants to receive family allowances, etc.</li> </ul>   |
| EU expansion policies                            | <ul style="list-style-type: none"> <li>➢ After seven rounds of expansion during the period from its inception until the accession of Croatia in 2013, the EU temporarily fell into what could be called expansion fatigue.</li> <li>➢ However, the refugee crisis, the growing influence of China and Russia in Europe near the EU, and the Ukraine crisis have triggered a reassessment of the role of EU expansion in geopolitically stabilizing the surrounding region.</li> <li>➢ Momentum is building for the EU to expand to encompass to the Western Balkans, Ukraine, Moldova, Georgia, and other countries that were territories of the former Soviet Union. The resumption of EU membership negotiations with Turkey (Note 1) is also being discussed as a condition in exchange for allowing Sweden to join NATO.</li> </ul>   |
| Reforms to streamline operations                 | <ul style="list-style-type: none"> <li>➢ The EU will encompass just under 40 countries once the aforementioned countries join, so the EU is seeking to make the following reforms to streamline organizational operations.</li> </ul> <p><b>Changes to the method by which the Council of the European Union makes decisions</b></p> <ul style="list-style-type: none"> <li>➢ While most votes in the Council of the European Union require a “qualified majority” to pass (Note 2), unanimity is required in areas such as the approval of new member countries, security, public safety, and the tax system. In order to avoid policy stalls caused by opposition from a very small number of countries (Note 3), the scope of when voting requires only a “qualified majority” is to be expanded to apply to all areas.</li> </ul> <p><b>Changes to Article 7 of the EU Treaty</b></p> <ul style="list-style-type: none"> <li>➢ Article 7 of the EU Treaty is to be revised to make it easier to trigger, based on reflections that the criteria for triggering the penalty for serious and continuous violations of the EU’s fundamental values by right-wing populist governments, such as Hungary’s Fidesz (Note 5), are too strict.</li> </ul> <p><b>Changes to the income redistribution system in the EU budget</b></p> <ul style="list-style-type: none"> <li>➢ Currently, income is transferred from Western and Northern Europe to Central and Eastern Europe as a cohesion policy to correct income disparities among EU member countries. However, it is necessary to avoid a situation in which some countries in Central and Eastern Europe become able to receive funds if countries with much lower income levels join the EU.</li> </ul> |
| Sanctions against Russia and support for Ukraine | <ul style="list-style-type: none"> <li>➢ Since a unanimous vote by the Council of the European Union is required, the Orbán government in Hungary is an impediment, and a tremendous amount of time is being wasted on bargaining.</li> <li>➢ Prime Minister Orbán opposed the proposed four-year 50-billion-euro (approx. 8 trillion yen) budget for aid to Ukraine at the December 2023 European Council meeting. The budget was discussed again at a special European Council meeting in February 2024, where it barely passed the vote.</li> <li>➢ A pro-Russian government emerged in Slovakia in October 2023. In the Dutch general election in November 2023, the Party for Freedom (PVV), which is reluctant to support Ukraine, became the leading party, and negotiations for a coalition are underway with the aim of forming a new government.</li> </ul>   |

Note 1: Although Turkey’s accession negotiations began in 2005, they have been suspended due to human rights violations in Turkey.  
 Note 2: “Qualified majority voting” has the dual requirement of at least 55% of the number of member countries and 65% of the total population of the EU.  
 Note 3: The reason that Hungary is able to delay and dilute the content of every decision by the EU to strengthen sanctions against Russia and support Ukraine is largely due to this method requiring unanimity.  
 Note 4: Stipulations are in place on how to identify when a member country is seriously and continuously violating the values set forth by the EU under Article 2 of the EU Treaty (i.e., respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities) as well as on suspending the rights of a member country as a penalty.  
 Note 5: Ever since coming into power in 2015, the PiS government in Poland has also been in conflict with the EU over the rule of law and LGBT rights. However, in October 2023, it became the first party to win the general election yet fail to win a majority, and a pro-EU opposition coalition led by former President of the European Council Donald Tusk formed a government in December of the same year.  
 Source: Prepared by Mitsui & Co. Global Strategic Studies Institute from European Commission materials, etc.

## 4.2 Anticipated impact of election results

### (1) Climate change measures

The following are planned for 2024: (1) The final draft of the National Energy and Climate Plans (NECPs)<sup>11</sup> will be submitted to the European Commission. The NECPs are supposed to detail specifically how each member country is to reduce GHG emissions in response to the above EU-level policy decisions. (2) The GHG emission reduction target for the EU as a whole to achieve by 2040 will also be set.<sup>12</sup>

However, it is not only the rise of right-wing populists who see the cost of phasing out fossil fuels as problematic and oppose climate change measures that should be noted, but also the EPP, which has changed course. The EPP - along with the S&D, Renew Europe and others - was the driving force behind the European Green Deal in the European Parliament, but is now calling for a moratorium on strengthening climate change policies, emphasizing the need for businesses to remain competitive and for cooperation with agriculture.

In light of these circumstances, it is considered unlikely that member countries will present sufficient additional measures for item (1). Regarding item (2), in February 2024, the European Commission issued a recommendation to reduce GHG emissions in the region by 90% compared to 1990 levels by 2040.<sup>13</sup> To achieve this, in addition to fully implementing the Fit for 55 project, member states will also need to step up efforts in the transport, buildings, agriculture and forestry sectors, which are lagging behind other sectors in decarbonization. Other requirements include rapidly deploying carbon capture and storage (CCS) and carbon dioxide removal (CDR) technologies and industries, and promoting the development of small modular reactors (SMRs), next-generation nuclear power plants. However, while a previously leaked version of the recommendation included a passage referring to a 30% reduction in greenhouse gas emissions from the agricultural sector by 2040 compared to 2015 levels, it was removed from the final recommendation. Given that the European Commission is buckling under immense pressure, symbolized by the recent protests by farmers across Europe, as well as the varying levels of motivation and commitment among member states to meet the target,<sup>14</sup> it will not be easy to reach an agreement on an effective target for 2040.

### (2) Refugee and immigration policies

The details of the newly proposed system of refugee measures agreed upon in December 2023 are being finalized, but it will take several years to reach a final agreement and move forward with implementation. Meanwhile, continued turmoil in the Sahel region of Africa and the protracted conflict in Gaza will ensure that refugees continue to flow into the EU in high numbers.

Under these circumstances, member countries are moving to tighten their own refugee and immigration regulations, and friction over burden-sharing among member countries will likely continue for some time.<sup>15</sup>

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<sup>11</sup> According to the European Commission, the plan already submitted would reduce GHGs emissions by only 51% compared to 1990 levels by 2030.

<sup>12</sup> The European Scientific Advisory Board on Climate Change is a body providing the Commission with advice on setting the target. It proposes reducing GHG emissions by 90 to 95 % compared to 1990 levels by 2040 in order to ensure climate neutrality by 2050.

<sup>13</sup> Only a recommendation to stimulate discussion, not a legislative bill. The next European Commission, which will be formed following the European Parliament elections, will submit a formal legislative bill that incorporates the contents of discussions held in the meantime.

<sup>14</sup> Germany, France, Spain, the Netherlands, Austria, Finland, Ireland, Denmark, Portugal, Luxembourg, and Bulgaria (eleven countries) have asked the European Commission to set an ambitious target for 2040 (with only Denmark expressing clear support for a 90% reduction compared to 1990 levels). Italy and other countries have yet to reveal their stance, and Hungary, which will hold the Presidency of the Council during the second half of 2024, is seeking consensus among all member countries on setting the target.

<sup>15</sup> The EPP had been calling for immigrants to socially integrate in its previous manifesto in 2019. Under its current manifesto, the EPP has shifted toward wanting stricter measures to deal with immigration and refugee issues, including calls for increased security along external borders and stricter screening for those seeking refugee status.

### **(3) EU expansion policies**

Expanding the EU requires the unanimous approval of the Council of the European Union. Right-wing populists, who are skeptical of the EU and tend to prioritize their own country, oppose further expanding the EU, as it would increase the burden on their country's budget and decrease the budget allocated to them (Figure 12). Out of Islamophobia, they also strongly oppose Turkey's accession to the EU, and there are high hurdles to progress in negotiations with candidate countries and to resume accession negotiations with Turkey.

### **(4) Reforms to streamline operations**

The above reforms would require the EU Treaty to be revised, which in turn would require a unanimous vote by the Council of the European Union and ratification by member countries.

Reforms will be difficult to achieve as right-wing populists oppose any revision to Article 7 of the EU Treaty. The revision would lead to the expansion of "qualified majority voting," which would reduce their influence, and also make it easier to levy penalties against them.<sup>16</sup>

### **(5) Sanctions against Russia and support for Ukraine**

As mentioned, right-wing populist governments are expected to emerge in Austria and elsewhere in 2024, and the execution of policies could be further stalled as bargaining over sanctions against Russia and support for Ukraine intensifies.

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## **5. CONCLUSION**

This political shift to the right will likely continue for the foreseeable future due to prolonged economic stagnation in the EU, hardships endured by EU citizens under persistent inflationary pressures, and the high number of refugees escaping turmoil in Africa and the Middle East.

For Japanese companies, the most important of the EU's policy changes are those relating to climate change measures. Many aspects of the overall European Green Deal framework have already been agreed upon, and implementation will begin in 2024. However, the EPP's leaked tentative manifesto indicated the party's intention to make policy decisions that ensure technical neutrality in policies, prioritize the international competitiveness of companies, support small and medium-sized enterprises, and reduce the financial burden on households. The party is also willing to cooperate with right-wing populists on some policies.

Specifically, the party is calling for immediate revisions to proposed regulations banning the sale of new internal combustion engine vehicles after 2035, which has already been legislated. The party hopes not merely to inhibit new legislation but also to revise laws that have already been enacted.

Companies should thoroughly examine each policy, closely monitor European politics, envision multiple policy scenarios based on the aforementioned decision axes, and prepare responses well in advance.

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<sup>16</sup> At the European Council in December 2023, a clever scheme was used to achieve unanimous consent to open negotiations with Ukraine and Moldova, as Hungarian Prime Minister Viktor Orbán, who strongly opposes the accession negotiations, was promised a portion of the frozen subsidies in exchange for agreeing to abstain from voting on the issue. This sort of subterfuge may be necessary to further expand and streamline the EU in the current environment.

**Figure 12: EU populations, nominal GDPs, and GDPs per capita (2022)**

|  | Population<br>(million people) | Nominal GDP<br>(billions of dollars) | GDP par capita<br>(dollars) |
|--|--------------------------------|--------------------------------------|-----------------------------|
| Germany  | 83.8                           | 4085.7                               | 48756.3                     |
| France   | 65.6                           | 2780.1                               | 42349.8                     |
| Italy  | 59.0                           | 2012.0                               | 34084.6                     |
| Netherlands  | 17.6                           | 1010.2                               | 57426.7                     |
| Belgium  | 11.6                           | 579.1                                | 49841.5                     |
| Luxembourg   | 0.6                            | 81.7                                 | 126676.0                    |
| <b>All 6 original members</b>                                    | <b>238.3</b>                   | <b>10548.8</b>                       | <b>44261.5</b>              |
| UK   | 67.8                           | 3081.9                               | 45461.4                     |
| Denmark  | 5.9                            | 401.1                                | 68299.8                     |
| Ireland  | 5.2                            | 533.6                                | 103302.8                    |
| <b>All 3 members in the first expansion</b>                      | <b>78.8</b>                    | <b>4016.6</b>                        | <b>50952.8</b>              |
| Greece   | 10.5                           | 219.2                                | 20959.7                     |
| <b>Second expansion (1 country)</b>                              | <b>10.5</b>                    | <b>219.2</b>                         | <b>20959.7</b>              |
| Spain  | 47.6                           | 1418.9                               | 29799.8                     |
| Portugal   | 10.3                           | 252.1                                | 24540.6                     |
| <b>Both members in the third expansion</b>                       | <b>57.9</b>                    | <b>1671.0</b>                        | <b>28866.4</b>              |
| Sweden   | 10.5                           | 591.2                                | 56186.0                     |
| Austria  | 9.0                            | 471.0                                | 52191.2                     |
| Finland  | 5.5                            | 283.1                                | 51031.7                     |
| <b>All 3 members in the fourth expansion</b>                     | <b>25.1</b>                    | <b>1345.3</b>                        | <b>53609.8</b>              |
| Poland   | 37.7                           | 690.7                                | 18342.8                     |
| Czech Republic   | 10.5                           | 295.6                                | 28095.2                     |
| Hungary  | 9.7                            | 180.0                                | 18579.1                     |
| Slovakia   | 5.4                            | 115.6                                | 21262.2                     |
| Lithuania  | 2.8                            | 70.4                                 | 24987.6                     |
| Slovenia   | 2.1                            | 60.1                                 | 28529.2                     |
| Latvia   | 1.9                            | 41.2                                 | 21944.0                     |
| Estonia  | 1.3                            | 38.0                                 | 28132.7                     |
| Cyprus   | 0.9                            | 28.5                                 | 31448.6                     |
| Malta  | 0.5                            | 18.1                                 | 34817.7                     |
| <b>All 10 members in the fifth expansion</b>                     | <b>72.9</b>                    | <b>1538.1</b>                        | <b>21105.9</b>              |
| Romania  | 19.0                           | 301.3                                | 15821.5                     |
| Bulgaria   | 6.4                            | 89.1                                 | 13820.6                     |
| <b>Both members in the sixth expansion</b>                       | <b>25.5</b>                    | <b>390.4</b>                         | <b>15315.3</b>              |
| Croatia  | 3.9                            | 70.5                                 | 18305.1                     |
| <b>Seventh expansion (1 country)</b>                             | <b>3.9</b>                     | <b>70.5</b>                          | <b>18305.1</b>              |
| <b>All 27 EU members</b>   | <b>445.0</b>                   | <b>16718.1</b>                       | <b>37566.3</b>              |
| Ukraine  | 34.8                           | 160.5                                | 4606.8                      |
| Serbia   | 6.7                            | 63.5                                 | 9529.1                      |
| Georgia  | 3.7                            | 24.6                                 | 6670.1                      |
| Bosnia and Herzegovina   | 3.5                            | 24.5                                 | 7060.2                      |
| Albania  | 2.9                            | 19.1                                 | 6658.4                      |
| Moldova  | 2.5                            | 14.6                                 | 5726.1                      |
| North Macedonia  | 2.1                            | 13.6                                 | 6598.5                      |
| Kosovo   | 1.8                            | 9.4                                  | 5331.6                      |
| Montenegro   | 0.6                            | 6.1                                  | 9821.5                      |
| <b>All of the above 9 members</b>                                | <b>58.5</b>                    | <b>335.9</b>                         | <b>5739.4</b>               |
| <b>All 36 EU members (the previous 27 + the above 9 members)</b> | <b>503.6</b>                   | <b>17054.0</b>                       | <b>33867.2</b>              |
| Turkey   | 85.3                           | 905.8                                | 10622.0                     |
| <b>All 37 EU members (the previous 36 + Turkey)</b>              | <b>588.8</b>                   | <b>17959.9</b>                       | <b>30500.7</b>              |

Note 1: Populations and nominal GDPs are totals, and GDPs per capita are averages.

Note 2: The addition of Croatia in 2013 brought the total number of EU members to 28, but the withdrawal of the UK in 2020 lowered this to 27.

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