

Macron: now comes the hard part

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With the French presidential elections over, at least one component of the uncertainty facing Europe has been eliminated, given the pronounced anti-EU bias (to put it mildly) of some of the candidates in contention. However, many other unknowns are popping up - enough to make us think that for president Emmanuel Macron getting to where he is was the easiest part, and that the real challenges lie ahead.

On the political front, Macron needs to secure a parliamentary majority in the June elections, which will not be easy given the lack of a well-oiled electoral machine to compete in many constituencies. History teaches us that the French tend to give recently elected presidents majorities, and that En Marche will present new faces practically nationwide, something much to the taste of European voters in these times. But with allegiances as fragmented as they are, three or four candidates may reach the second round in many districts, making the objective more difficult to achieve. Cohabitation, another time-honoured French tradition, may be necessary, probably with the republican party, which will mean that the new president has to negotiate all his policies.

The second challenge is on the economic front. Structural reforms, which are anything but a French tradition, and which have been few and far between in the past few decades. One of the few attempts was precisely the Loi Macron. France did not suffer the full brunt of the crisis in the way that the peripheral euro zone countries did, and its economy is resilient, no doubt thanks to the quality of its educational system and the solidity of its institutions. But in recent years it has lagged behind Germany in terms of competitiveness and growth, possibly held back by one of the biggest but not most efficient public sectors in the world, which has to be financed by high levels of taxation. Macron seems to be aware of this, and has promised to contain the public deficit (he was the only candidate to do so), but his electoral programme contained far greater detail on the promised spending than on how to finance it.

A major touchstone will be the reform of the labour market, which French employers have already been clamouring for this week, and which one of Macron's advisers has suggested as one of the first measures to be tackled. But the trade unions are experienced in fighting reform, and they do not seem inclined to give Macron an easy ride - and on top of this comes the renewed strength of Mélenchon's party. This will possibly be the French economic debate after the rentrée.

Lastly, European politics will be another source of difficulties for France's new president, despite this week being practically hailed as the saviour of Europe. Greater integration of the European Union in the areas of security, both internal and external, is on everyone's mind, but the friction points will arise around proposals and speeds of advancement toward greater integration of the euro zone.

The new president is in favour of completing the banking union, having eurobonds issued by a European Treasury and having a common fiscal policy - a proposal made some time ago, among many others, by the governor of the Banque de France. The subject is complex and has many variants, but in essence the idea of eurobonds has few supporters in Germany at present, and it is no coincidence that it has been conspicuously absent from the communiqués of EU summits. Many people hope that the Germans will alter their stance after the September elections, especially if the SPD has a more important role in the new government, but this seems like mere wishful thinking. One of the scars left by the crisis is mutual distrust

among euro zone countries, and in this regard anything that smacks of permanent fiscal transfers between European countries (which eurobonds are, potentially) is roundly rejected by much of the German population.

Mutual trust can be rebuilt little by little, as the recovery takes hold and imbalances are reduced. But let's not forget that in another five years' time there will be elections again.

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