

Macron, an impressive start but how long can it last?

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Tireless and involved on all fronts at once, the young President has proven his intention to disrupt.

Meanwhile, anecdotes about his high level of activity and expectations run aplenty among his staff, who have grown accustomed to receiving text messages from him at three in the morning. While repeatedly advocating his vision of a more agile and dynamic country, the President has closely managed all of his communications and placed a particular value on symbols.

For the time being, domestic public opinion has followed his reforms without much enthusiasm. Still, the clear division leading up to the 2017 election – between a populist France tempted by a withdrawal from the international sphere and a France with an ambitious domestic agenda and a strong commitment to Europe – remains a looming obstacle for the country.

Will Macron be able to overcome this challenge?

8 key figures for the first year

22
visits abroad

26
reforms launched

2.96m
followers on Twitter

2.1m
likes on Facebook

311
LaREM MPs in Parliament (out of 577)

10billion €
investment fund for breakthrough innovation

16%
growth in foreign investment in France in 2017

8.9%
unemployment rate, slightly decreasing

The President's style and team

One year after his election Macron has made it clear that his aptitude for defying expectations and existing norms will extend beyond his electoral program and campaigning style.

Since his ascension to the Elysée, he has adopted a highly-centralized style of decisionmaking that has garnered him the not-so-laudative nickname of 'Jupiter' for his supposedly godly pretensions.

This President himself is known for relying on a small, closed group of advisors, most of whom began as his friends, and key campaign strategists, such as Ismaël Emelien and Alexis Kohler.

He has also developed a solid working relationship with his prime Minister Edouard Philippe. Philippe, formerly a member of the right-wing party *Les Républicains* and the mayor of coastal town Le Havre, has thus far proved to be the perfect complement to President Macron. While the President likes to paint in broad, strategic strokes, his prime minister is a technocrat capable of getting Macron's disruptive reform agenda passed.

It therefore goes without saying that President Macron has been both extremely active on several fronts and had the good fortune of operating in a favourable environment. Still, with such a charged agenda and ambitious reforms yet to come, many are wondering - can Macron keep up the rhythm and momentum exhibited in his first year long enough to deliver on his campaign promises?



President Macron



Prime Minister Philippe

Alexis Kohler, the right-hand man

Alexis Kohler has been serving as the President's Chief of Staff since May 2017. Both the nature of his functions – which can range from informing the President to taking decisions without consulting him when considered to be in line with Macron's policy– and his proximity to the President make him an all-powerful Chief of Staff.

Known for his assiduous hard work, loyalty and discretion, Alexis Kohler is often referred to as "the number 2 of the Elysée". Having earned Macron's trust as his Chief of Staff at the Ministry of Economy in 2014, he is now described as Macron's co-pilot and is considered by some to have more influence on the President than Prime Minister Edouard Philippe.

A multipolar, engaged and ambitious foreign affairs policy

Even those favourable to Emmanuel Macron throughout his presidential candidacy questioned whether he had a real foreign policy strategy and wondered if he would be able to hold his own against foreign leaders given his lack of international experience.

However, he has so far confounded his critics by remaining incredibly active on the international front, stepping into a Western leadership role left open by the U.S. under President Trump, the U.K. following Brexit, and Germany under an embattled Angela Merkel, weakened by the last parliamentary elections. By visiting 22 countries in his first year, President Macron has elevated France to a position of an important global player that the country had relegated for some time now.

While it may be premature to define a “Macron doctrine”, it appears that a ‘Macronist’ foreign policy approach will be one that is based on pragmatism and realpolitik, favouring diplomatic efforts capable of giving France concrete results, without any overarching ideology. His strategy with regards to Russia exemplifies this approach. While President Macron

made it clear that he was open to establishing a clear and constructive dialogue between France and Russia – an important European trade partner – through the Trianon Dialogue, he has not hesitated to criticize President Vladimir Putin’s influence on Russian media and Russian cyber actor’s efforts to intervene in the French presidential election. Furthermore, France participated in the coordinated drone strikes against Syria’s chemical weapons facilities in April.

Similarly, his close relationship with United States President Donald Trump is driven by President Macron’s willingness to engage with almost any leader if he believes that it can deliver results. Macron, described jokingly by some as “The Trump Whisperer” seems to be one of the first world leaders that Trump has developed a close personal relationship with, leading many to speculate that he is capable of having a policy impact on the US President. From the grandiose Bastille Day parade that Trump has said he would like to export to the U.S., to the firm handshake seen around the world that same day, and to Macron’s “Make the Planet Great Again” speech aimed directly at Trump’s disengagement from the Paris Climate Deal, Macron has been able to subtly stand up to Trump, seemingly earning his respect. Still, during his state visit to the U.S. in April of this year, the French President brazenly criticized Trump’s policies before a joint session of Congress and insinuated that Trump had still the intent to retire the US from the Iran nuclear treaty despite Macron’s efforts to convince him otherwise, possibly showing the limits of the two Presidents’ relationship.



President Putin and President Macron



President Trump and President Macron

In the **Middle East**, Macron has also played a unique role, this time as a mediator. He flew to Riyadh shortly after Lebanese Prime Minister Saad Hariri's resignation was announced – allegedly- under pressure from Saudi Crown Prince Mohammed bin Salman. This diplomatic intervention helped to put Hariri back in office and culminated in a joint dinner between President Macron, MBS and Prime Minister Hariri at the Elysée in April.

Macron has also worked to reinforce more traditional diplomatic relations. Within his first year as President, Macron has already visited nine **African countries** (Algeria, Burkina Faso, Côte d'Ivoire, Ghana, Mali, Morocco, Niger, Senegal and Tunisia), stating his desire to reinstate a French commitment to Africa, a priority that he has insinuated seems to have fallen by the wayside under past Presidents. He has put an emphasis on education and development aid, promising to increase Official Development Assistance (ODA) to 0.55% of GDP by 2022. He also dedicated his first state visit of 2018 to China. The January trip focused on rebalancing the trade deficit between the two countries and Macron announced that he would travel to China on a yearly basis, further proving his commitment to establishing a cooperative relationship with the superpower.

However, the greatest diplomatic challenge is likely his ability to reform and strengthen **Europe**. From the night of his victory speech, during which he made the symbolic choice of walking out to the Anthem of Europe, Emmanuel Macron made it clear that Europe would be his priority. More specifically, he has emphasized his belief

that the EU needs a strong shared defence and security framework, something that he reinforced during the speech that he delivered on September 26th on the future of Europe. He would also like to endow Europe with more budgetary authority through a dedicated European Minister of Finances and to reinforce unity on foreign trade, environmental and digital issues. Macron has demonstrated his commitment to further unifying the EU through the attention he has given to the smaller member countries, particularly through his visit to certain Eastern and Central European countries early in his presidency. However, this effort has encountered challenges, most notably the weakened position of German Chancellor Angela Merkel, whose close relationship with Macron would normally help reinforce his bid to reform Europe. Yet not only did her mandate shrink following the last election but the opposition, and even some within her own party, claim that she risks ceding to the charismatic young president, thus putting her under pressure to prove them wrong. President Macron's effort to strengthen the EU is inextricably linked to the Brexit vote. On this subject, he has been very clear that he views the vote as a "regrettable" choice and that financial services **UK** will not be able to have the same access to the single market without EU membership.

Still, President Macron, Chancellor Merkel and Prime Minister Theresa May have been brought together by their cautious defence of free trade, most recently denouncing the steel and aluminium import tariffs announced by President Donald Trump in March.



An unprecedented pace of domestic reforms



Emmanuel Macron's campaign platform was characterized by a number of economic, political, and social reforms. To the surprise of some, several of his campaign promises have already been made into law.

During his first year at the Elysée Palace, President Macron has carried out various economic reforms, all aimed at boosting France's competitiveness and driving more investments into France. Macron's battle to increase France's attractiveness for investors goes beyond the pro-business reforms he launched. The dynamic trend he has put in place within a year is also linked to his effort to **create a better image for France among investors** through bold communications initiatives. This was embodied in a meeting hosted at Versailles in January 2018 during which Emmanuel Macron urged 140 global CEOs to 'Choose France' as a country of investments as well as at Davos when Macron declared "France is back" in front of the international business community. The renewed faith of foreign investors should be boosted this year as a result of further fiscal and regulatory reforms and changes to the foreign investments support structures in France.

Among those reforms is a **corporate tax reduction** from 33% to 25%, which by 2022 will represent a €11 billion tax reduction for French firms. There has also been a uniformization of the financial income tax rate at 30% in order to reduce the tax advantages enjoyed by certain low-risk investments and to redirect savings towards the "productive economy."

In line with Emmanuel Macron's campaign promises, the government also increased the rate of the General Social Contribution (CSG) which is deducted from all forms of income, including pensions, to compensate for the suppression of employee contributions for sickness and unemployment, which will restore more purchasing power to the working population.

Another critical reform that has been achieved is the **reform of the labour code** to liberalize labour market. Among other things, this reform aims for more flexibility by favouring direct negotiations between companies and their employees (over sector-level agreements) and by providing a framework for industrial tribunal compensation. The reform was passed using a shortcut of the normal legislative procedure, which allowed Macron to speed up the process. As expected, this labour law has been warmly welcomed by the private sector but rejected by unions.

Among the key structural domestic reforms is also a **reform of the education system**, with a prioritization of both primary school and higher education. Thus far, this has included an increase in the number of first-grade classes, and thus a reduction of class sizes, in underprivileged areas. The French baccalaureate (a mandatory exam for students to receive their high school diploma) and the platform for placement into higher-education courses were also reformed. These reforms triggered student protests which are currently affecting half a dozen universities in France.

Macron's campaign promises also focused on making the **digital economy** a major lever in the transformation of the French economy and society. He has already begun to deliver on this commitment by announcing the allocation of €1.5 billion for the development of Artificial Intelligence from the €10 billion investment fund for breakthrough innovation. Part of this contribution will help to fund a network of four to five academic institutions dedicated to AI.

Following a scandal that saw presidential candidate François Fillon accused of the misuse of public funds, the highly popular **Moralization of Political Life Act** was also enacted to prohibit parliamentarians from employing members of their families and to remove the "parliamentary reserve" that allowed them to distribute subsidies, without any monitoring.

On the sensitive topic of **national security**, Macron's government passed the Anti-Terrorism Act. As the state of emergency, put in place in 2015, was coming to an end, this law extended the far-reaching power of police forces to monitor and intervene (powers ranging from the securing of events to carrying out searches and seizures). In addition, the Military Programming Act 2019-2025 provided a substantial increase to defence resources, with the goal of reaching 2% of GDP by 2025.

On immigration, Macron's controversial reform adopted to fix France's broken migration and integration policies are aiming at both streamlining the processing of asylum applications while introducing tough penalties, including detention, for undocumented immigrants. This approach has upset many in the country but is a clear bet to deprive populists of the resentment at failed immigration policies and could begin the difficult process of reconciling the French with migrants, particularly Muslim ones.

Lastly, President Macron has been vocal about his intention to intensify **France's environmental commitments**, particularly following Donald Trump's announcement of the withdrawal of the U.S. from the Paris agreement. This last point is somewhat surprising as he was criticized throughout the campaign for lacking a substantial environmental policy. However, Emmanuel Macron has since positioned himself as a counterweight to climate scepticism and has multiplied initiatives and rhetoric on the topic of climate change. He has passed two such laws: the first one prohibiting the government from granting hydrocarbon exploration permits and mandating the non-extension of concessions beyond 2040 and the second enabling an increase in carbon taxes. While notable, neither law is revolutionary and many consider his environmental posturing to be a simple communication stunt.

A contrast between his support at home and abroad

Emmanuel Macron and his centrally-positioned party *La République en Marche (LaREM)* have been able to take advantage of increasing polarization of opposition parties which are rebuilding themselves – at best (and in ruins, for some).

The political reconfiguration that began during the presidential election is still ongoing. The absence of the two traditional French parties, the conservative party *Les Républicains* and the left-wing party *Parti Socialiste*, from the second round of the presidential election was equivalent to a political earthquake.

The populist far-left *La France Insoumise* appears to be stronger than it was during the presidential election. Its leader, Jean-Luc Mélenchon, presents himself as Emmanuel Macron's top opponent and has been trying to leverage protests in the transport sector and universities in his favour. On the populist far-right end, the *Front National's* leader Marine Le Pen has not been able to remain in the spotlight. However, the party's electoral base remains significant at more than 20% of the French electorate.

In a few months, Emmanuel Macron changed the foreign perception of France

Only six months after his election, Emmanuel Macron made the cover of Time magazine, which named him "*Europe's Next Leader*" while France was crowned "*Country of the Year 2017*" by The Economist.

In terms of international business perception, France passed the UK in the Business France Barometer, but remained behind Germany in terms of European countries that attract the most foreign investments. In 2017, the number of foreign investment decisions in France increased by 16%.



President Macron

More popular than his predecessors during the same period but public opinion remains divided

One year after his election, Emmanuel Macron enjoys a popularity rating higher than that of his predecessors (43% for Emmanuel Macron against 32% for Nicolas Sarkozy and 34% for François Hollande – source: BVA, April 2018). Although the French salute his dynamism and see him as a reformist (69%), they accuse him of pushing policies that are "unfair" (72% - source: Odoxa, April 2018).

In this context, a fault line has appeared in the public opinion between the wealthy classes and the working classes; 58% of white collar workers support Emmanuel Macron's policy versus only 30% of blue-collar workers (source: Elabe, April 2018).

And now what?

While it is undeniable that President Macron has been able to secure several impressive successes within one year, there remain difficult challenges in the coming months.

Macron will have to address stubborn unemployment as well as key campaign commitments such as a reform of the public sector and a decrease of the debt and a reduction in public spending.

Foreign investments

So far, Macron has proven that, as he like to say in interviews, “he does what he says”, which should reassure investors nervous about investing in a country where past presidents have offered less visibility about the long-term business environment. While Macron is striving to pass a flurry of reforms intended to attract foreign investors, he will not be opening the floodgates for unregulated foreign investment in France. For example, there will be restrictions placed on foreign investors wishing to invest in companies in strategic sectors (including artificial intelligence, aerospace, data storage and semiconductors).

Furthermore, given the importance that he has placed on international diplomacy and his close relationships with foreign leaders, President Macron is inherently more open to foreign actors than many of his predecessors.

Economic reforms, industrial policy and privatizations

The PACTE bill (Action Plan for Business Growth and Transformation) is one of the big upcoming reforms on the economic front. Through many different measures, the protection mechanism for companies deemed “strategic” will be expanded, with multiple measures designed specifically to protect French companies. The privatisation agenda is also expected to accelerate in 2018 with the launch of the process to sell the state’s stakes in several holdings such as Aéroports de Paris, operator of Paris Charles de Gaulle and Orly airports, and Française des Jeux, the State gaming company. The sales’ proceeds are intended to finance the “fund for breakthrough innovation”.

Pensions

The pensions reform being prepared by the government is undoubtedly the most complex, explosive and important reform of Macron’s agenda. The transformative reform, aims at implementing a new philosophy whereby “each contributed euro will open up the same rights for all” and which will result in the merging around 40 different pensions plans into a universal plan.

Environment

The executive branch risks disappointing if it does not offer an effective short-term path to decarbonize the economy. After symbolic measures, the government must now tackle the inherent sources of the problem, starting with the transport and heating sectors, which are the two main carbon emitters in France.

Transport

The biggest promises that have been made in this field are aimed at promoting everyday mobility and developing innovation and French champions in this sector. These reforms have a strong ecological dimension with a move towards cleaner and shared transportations (both cars and other modes, such as cycling). Most controversially, the French railways (SNCF) reform is currently meeting a strong opposition from the unions.

Education

There are some remaining educational reforms announced during the campaign, such as measures regarding pedagogical practices and the role of digital in education. Furthermore, Macron’s intention to “diversify sources of funding”

for higher-education institutions means that instituting tuition fees will be key to the medium-term sustainability of the system and its pedagogical autonomy. French higher education policy must also build a more ambitious policy to increase international attractiveness.

Justice

There is a looming question of how to concretely ensure the dematerialisation of legal procedures as promised during the campaign. Moreover, it will be essential to carry out the reform to guarantee the independence of the judicial authority.

Defence

Beyond meeting budgetary needs and modernization of the armed forces, there are three key challenges on the defence agenda: the articulation of a new EU-UK relationship and EU-NATO relationship in the context of Brexit; the use of the European Defence Fund to strengthen capabilities and synergies in the European armaments industry while defending the place of French industrial players; and a clarification by Macron of his campaign discourse on reinstating compulsory military service.

Healthcare

The government announced a Health System Transformation Strategy in February 2018. Among the initiatives that it will put in place is a trial towards the digitalization of health records and the creation of a working group on the financing of hospitals, which will issue its conclusions at the end of 2019.

Digital

Macron also faces several digital policy challenges, including tackling the government and society’s relationship with the GAFAs, addressing the risk of cyberattacks, and developing a response to the threat of fake news. Macron’s government has been a leading supporter of EU taxation of large digital players and the legislature has introduced a bill aimed at curbing the impact of fake news, however there are still many questions regarding whether either of these initiatives will deliver results. Nevertheless, the government has been actively working to digitize state apparatus (education, cyber defence, cyber justice and health), to support French tech companies, and to strengthen the European digital economy to be able to compete with the digital powers of the United States and China.

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