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The French Position in the Negotiations of the MFF 2014–2020

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The current position of France, as presented by President Nicolas Sarkozy, on the negotiations of the EU's Multiannual Financial Framework is strongly unfavourable for Poland. Sarkozy seeks to maximize budget cuts, notably at the expense of the cohesion policy. The Socialist Party's François Hollande, who demands less radical EU spending cuts, has a chance to win the upcoming presidential election. Poland should strengthen the coalition of "friends of cohesion policy" countries by including Spain and Italy and by continuing close cooperation with EU institutions.

The negotiations on the financial framework for 2014–2020 will probably accelerate after the upcoming presidential elections in France planned for 22 April and 6 May. Either the current president, Nicolas Sarkozy, or the Socialist Party's François Hollande are expected to win and they differ in their European policy visions. The Dutch presidency of the EU will present a budget compromise proposal in June, and afterwards the positions of Germany and France will be crucial for the next phase of intergovernmental negotiations in the European Council. The French interest in the negotiations is determined by the balance of gains and losses from the EU budget. France is the second largest payer into the EU cashbox (it contributes about 16%). However, it only obtains a clear surplus under the Common Agriculture Policy (CAP). According to a French government estimate, in the current financial perspective the country will receive €62 billion thanks to direct payments for agriculture (Pillar I) and €7.5 billion for rural development (Pillar II).

France's Current Position. The French negotiation strategy is calculated to maximize EU budget cuts while maintaining a relevant financing level for CAP Pillar I, at least at the level proposed by the European Commission (€281.8 billion). This is due to the poor condition of the French economy as a result of S&P's downgrade of the country's credit rating to AA+ in January 2012. Although the potential changes in France's net position would have symbolic significance to its economy, searching for savings at the EU level is an element of the election campaign of the current president. Moreover, the strong farmers' lobby is pushing for high CAP expenditures.

France is calling for an EU budget reduction as part of a coalition of net payers. In a *nonpaper* presented together with Austria, Finland, Germany, Italy, Sweden and the United Kingdom during the General Affairs Council (GAC) in September 2011, France offered the opinion that the EC budget proposal (about €1 trillion) is too high. In January, a group of net payers not including France demanded a reduction in the EU budget of at least €100 billion. France has not officially commented on the amount of the cut.

The chances for maintaining a high level for CAP Pillar I, as desired by France, are high. CAP has numerous coalitions of support among the Member States (i.e., Ireland, Spain, Bulgaria and Romania). The only country asking openly for a reduction in direct payments is the United Kingdom. However, in practice the British would not benefit from a lower CAP Pillar I if simply for the reason that the British rebate depends on this budget category. Therefore, France can rather easily obtain approval from the UK for maintaining the CAP level by resigning from its postulate to abolish the British rebate. Moreover, France wants a prolonged process for equalizing direct payments between new and old Member States. France is against making 30% of direct payments dependent on "greening criteria" (i.e., reductions in the use of pesticides or increased effectiveness of water utilization) and maintaining an "ecological focus area" of at least 7% of farmland.

France is strongly calling for cuts in other budget categories. These concern notably the cohesion policy (€376 billion, according to the EC proposal). It argues that the cohesion policy does not contribute to an increase in economic growth. Moreover, it argues that savings in expenditures would be possible if 20 EU regions were to reach a level of economic development that enables them to exit from “convergency”. France supports the introduction of transitional regions but on the condition that there would be a lower budget for cohesion policy. This could be an attempt to make Spain an ally in the negotiations since it would benefit from this category of regions. France wants to maintain expenditures on research, innovation and competitiveness at the current level, using the argument that the results of this policy are widely contested. In relation to expenditures on Justice and Home Affairs and External Relations, which do not constitute a crucial part of the EU budget and are agreed by a majority of Member States who want them to continue, France remains silent on any potential cuts. It can be expected that France will try to ensure financing for the southern dimension of the European Neighbourhood Policy, the European Development Fund (based on economic ties with former colonies) and programmes aimed at controlling migration flows.

France is one of very few countries in the European Union in favour of initiating work on the introduction of a financial transaction tax. The share of the French contribution to the EU budget from its membership fee is constantly rising. Therefore, a higher share of EU own-resources would be beneficial to the French government. It may also serve as negotiating margin to exchange for other concessions, for instance with the UK.

The Impact of the Presidential Elections on France’s Negotiating Position. The potential election of Hollande as president would not fundamentally change the French negotiating position, which is determined by the long-term interests of the state. If Hollande wins it would increase differences in European policy with Chancellor Angela Merkel of Germany and may lead to a less coherent common position during negotiations on the Multiannual Financial Framework.

Hollande is less “predatory” on EU budget cuts than Sarkozy. The current president promises to “fight for every euro”, while his opponent’s comments on the EU budget reduction are less radical. The socialist tradition in France shows they accept to a greater extent the use of the community method, which involves the acceptance of a higher budget. Hollande might to a lesser extent also be interested in cohesion policy expenditure cuts. The Socialist Party is in power in the vast majority of France’s regions. Their leader calls for financing pro-growth EU policies. *Last but not least*, in the field of direct payments, he underlines these payments should be based to a greater extent on employment criteria (according to which the country with the highest employment in agriculture would benefit the most). In addition, it can be expected that he will be more sensitive to the “greening” of CAP because of the election alliance between the Socialist Party and Europe Ecology—Greens.

Conclusions for Poland. The French negotiation priorities are quite different from the Polish ones. France will seek to maximize EU budget cuts, notably at the expense of cohesion policy. Despite their support for high CAP financing, both countries have different positions on the equalizing of direct payments. Friction between Poland and France also can be expected on negotiations about the share of the budget for the southern and eastern dimensions of the neighbourhood policy.

From the Polish point of view, the election of Hollande as president would mean several benefits. The potential loosening of French–German cooperation in European policy would weaken the net-payers coalition. Hollande also looks more favourably on cohesion policy. Moreover, his postulate for basing direct payments on employment criteria is beneficial for Poland, where the level of employment in agriculture is high.

Taking into account sharp calls for cuts in cohesion policy articulated by the current French government, Poland should continue its lobbying activities to support a relevant amount of financing for this policy as part of the coalition of countries called “friends of the cohesion policy”. It should also undertake enhanced efforts to gain allies in Southern Europe, such as Spain and Italy, especially since the government of Mario Monti has not yet taken a decisive position in the negotiations. During the next meetings of the General Affairs Council (in April and June), when the cohesion policy will be discussed, Poland should undertake enhanced diplomatic activities in this area. Simultaneously, the close cooperation with EU institutions should be continued since they are allies in the fight for maintaining a large budget.