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France's Positions in the MFF 2021–2027 Negotiations

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France is an advocate of deep reform of EU budget policy. With the UK's exit from the Union, France seeks to mobilise additional financial resources and transfer funds to areas of new challenges for the Community, such as coping with climate change, mass-migration, or security issues. It also will focus on maintaining high transfers under the Common Agricultural Policy (CAP).

Priorities. France is the second-largest net payer to the EU pot, with an average annual contribution of around €19 billion, giving it a strong position in budget negotiations. President Emmanuel Macron is pushing for deep reform of the EU, which he outlined in September 2017 during a public speech at the Sorbonne.[1] Macron's vision envisages reform of the two largest EU policies—cohesion and CAP—in the direction of simplifying operating rules and increasing spending efficiency. He also foresees the mobilisation of new own resources for the EU budget by introducing a digital tax and removing the rebate system for net payers. For France, the issue of increasing the share of own resources is particularly important with Brexit and because of its desire to co-finance investments in improving the competitiveness of economies and allocating a larger pool of funds to research and development. France also wants budget transfers to the defence sector to finalise the European Defence Fund, as well as for migration policy, where it sees urgency in harmonising the European asylum system and sealing the bloc's external borders.

These proposals are in line with the draft of the new EU budget (Multiannual Financial Framework) for 2021–2027 presented by the European Commission on 2 May,[2] which takes into account the fiscal effects of the UK's withdrawal from the EU. Macron also has declared his support for increased membership fees to around 1.11% of Gross National Income (GNI), proposed by the Commission. He also supports introducing conditionality on the distribution of EU funds based on respect of the rule of law. In addition, France would like to link distribution to the imposition of economic and social convergence requirements on the recipients of the funds. Mobilising countries to enact socio-economic reforms by harmonising social-assistance systems and fiscal policies is seen as necessary to finalise the economic and monetary union project.

France does not agree with the reduction in direct subsidies to farmers proposed by the Commission (constituting the first pillar of CAP). It wants to maintain the level of funding in this area, currently at about 40% of EU budget spending, while reforming the methods of allocating the funds. French farmers criticise CAP as having too few mechanisms to protect against competition from other EU countries, especially those in Central Europe, as well as limiting the possibility off rapid and effective responses to crises, including natural disasters. France is particularly sceptical of the Commission's proposal for a gradual

[1] See: Ł. Jurczyszyn, "President Macron's EU Reform Proposals: An Offer Addressed to Germany," *PISM Bulletin*, no. 101 (1041), 26 October 2017.

[2] See: S. Płóciennik, "EU Budget Plan for 2021–2027: The European Commission's Proposals," *PISM Bulletin*, no. 72 (1143), 21 May 2018.

reduction of direct subsidies for large farms. To avoid a decrease in the flow of funds to French farms, it will seek to introduce conditionality on the grant of subsidies based on criteria that are in line with the country's other interests, such as the level of a country's commitment to combating climate change. France also advocates the establishment of a special European institution for food product quality and safety.

Chances of Implementation. The French proposal of a relatively large budget despite Brexit for implementing its ambitious plans enjoys support beyond the European Commission and includes some Central European countries that are the main net beneficiaries. In contrast, Austria, Denmark, the Netherlands, and Sweden believe that a smaller Union requires fewer financial resources. The dispute over the amount of the contributions will be crucial in the negotiations, possibly resulting in the need to meet halfway.

Funds for the European Defence Fund, migration policy, and border protection are the most likely to be secured. These funds will probably come from both increased membership fees and new own resources. However, the Member States are split on taxing the digital market and on eliminating the rebates, a system which benefits Austria, Denmark, the Netherlands and Sweden (and for now, the UK).

Maintaining the current level of CAP financing could be difficult. Even if membership fees increase to 1.11% of GNI, this will not fill the Brexit funding gap. A compromise will be needed on maintaining the subsidies under both CAP and cohesion policy and the scale of financing new projects. The main beneficiaries of CAP will be divided over the French reform programme in this area of the budget due to the French priority to protect its domestic economy against competition from other EU countries. The proposed conditionality tying direct payments to climate criteria will have the support of the Green Growth Group, composed of the climate, environmental, and energy ministers of 13 EU Member States involved in ambitious climate policy, but that may be insufficient.

Signals from Berlin and several other European capitals[3] indicate a lack of readiness for radical political integration of the euro area, including a separate budget and minister of finance. Both the Commission and Germany are focused on structural reform among the EU's weakest members with the support of EU funds. This will mean the need to redirect some funds from Central European countries which are catching up to the other members' level of development towards the more prosperous countries of southern Europe with areas still affected by the financial crisis.

Social policy reform to increase efficiency and transparency has broad support in the EU, but the French idea of combining funds with socio-economic convergence criteria has little chance of implementation due to the complexity of tax harmonisation and differing wages, social policies, and specificities of the processes in each Member State. Similarly, the need to reach unanimity when approving the MFF calls into question the possibility of introducing the rule of law as a condition on funds distribution. Resistance from countries at risk of being affected by such sanctions may block a budget compromise.

Conclusions for Poland. France's support for increasing membership fees and mobilising new own resources to minimise the effects of Brexit is consistent with the interests of Poland, currently the largest net beneficiary of the EU's two main budget programmes—cohesion policy and CAP.

Of President Macron's proposals, the European Defence Fund is especially important for Poland because it could open the possibility of financial support and participation in pan-European industrial and defence projects[4] and contribute to the modernisation of the Polish military. In addition, increasing research spending is an opportunity to engage Polish entities in large international projects. On asylum reform and migration policy, for Poland it will be beneficial to coordinate activities and funds at the Community level aimed at harmonising IT systems and ensuring security at the border and elsewhere.

The scope of reform of the Community's oldest policies may be a source of major dispute between France and Poland because of the French demand for multi-faceted protection of national economies, as well as tying support to respect of the rule of law. Potential allies in countering this proposal will be Central European countries, whose interest is to maintain the current criteria on financing, especially cohesion funding.

[3] S. Płóciennik, "Macron Must Wait: Germany's Caution towards Rapid EU Reform," *PISM Bulletin*, no. 67 (1138), 10 May 2018.

[4] M. Terlikowski, "European Defence Fund: Financial Support for the EU Defence Industry," *PISM Spotlight*, no. 26/2017, 12 June 2017.