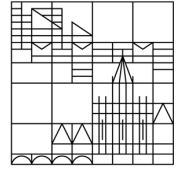




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A case study of the role of Sweden's European embassies in the negotiations over the 2021-
2027 Multiannual Financial Framework

Ulrik Pershagen

MSc European Governance

Student number: 6629210

Research Internship and Thesis

First supervisor: Prof. Dr. Linda Keijzer, Utrecht Universiteit

Second supervisor: Prof. Dr. Gerard Schneider, Universität Konstanz

Internship organization: Swedish Ministry of Enterprise and Innovation

Course code: USG6250

Abstract

In 2019, the European Council is set to finalize an agreement on the multiannual financial framework of the European Union for the period of 2021-2027. Negotiations are ongoing and the current proposal includes a reduction of the overall spending level and significant reprioritizations. A lot has been written about the major players and the largest stakeholders in this negotiation game, but how much can one single nation affect the trajectory in the budgetary process of the European Union? This thesis sets out to pose the question how a relatively small budget-hawk country, Sweden, can influence the budgetary priorities decisions inside the European Union.

The study assesses whether the continued presence of member state bilateral embassies in the EU is residual and largely emptied of function, or whether they are adapting their role to new requirements in the EU policy making, as exemplified by the 2021-2027 MFF negotiations. An analytical framework is developed conceptualizing diplomatic representation around three variables; function, access and presence. These are then utilized to evaluate empirical evidence gathered from 23 embassies of Sweden to the European Union Member States.

Contrary to what is often assumed, the contribution of bilateral embassies to the negotiation process appears relatively modest, at least based on Swedish experience. The embassy reports served the home government, and the aspect of the embassy as information carriers is most prominent. In addition, a divergence of access cannot be detected between likeminded countries and those who are not. The results suggest that there is an untapped potential in the role embassies play in EU negotiations, *e.g* as influencers in their host states, and the thesis concludes with policy prescriptions going forward.

Preface

In the autumn of 2018, I was granted an internship at the Swedish Ministry of Enterprise and Innovation, starting in February of 2019. At its division of EU and International affairs, the most urgent task at hand revolved around the effects of the United Kingdom's withdrawal from the European Union. Given the tumultuous status of the negotiations, an in-depth analysis of the outcome would be superficial at best and not suitable for this thesis.

Instead, my efforts were increasingly devoted to the negotiations over the Multiannual Financial Framework (MFF) of the European Union for the upcoming budgetary period, 2021-2027. Throughout the process a seed started to grow for what will become this master's thesis. A central theme became to investigate which tactics a small country like Sweden deploys to get its will through in EU-negotiations.

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1. Introduction

Size matters. This is at least what has always been assumed when commenting on the policy-making process of the European Union. The major players such as France and Germany seem to come out on top through the sheer magnitude of power which they bring to the negotiating body. However, recent studies indicate that this David vs Goliath fight might not reflect the full picture. Some countries in the EU also appear to punch above their own weight. Studies have suggested that small member states can compensate for their size or geographic deficiencies by crafting smart state strategies or through their staff appointments in the permanent representation in Brussels (Sorensen. 2017).

One way of overcoming this uphill battle is through the deployment of embassies. The primary goal of this thesis is to investigate how the work of bilateral embassies impact a Member State during negotiations inside the European Union. Multiple studies have aimed to explain the process of negotiations inside the Council of the European Union as well as informal administrative networks but there are few studies focusing on the role of bilateral relations inside EU negotiations. This study specifically looks at how one Member State, Sweden, utilizes its embassies in the member states of the European Union in one of the most pivotal negotiations, the one over the Multiannual Financial Framework (MFF), more commonly known as the long-term budget of the European Union.

The Multiannual Financial Framework does not reflect a strict accounting exercise in which countries put in exactly what they get out of it. Some countries are net contributors and some are net beneficiaries but inside each expenditure area there are divergences where a country which holds an overall surplus can be net contributors. This creates a dynamic which makes

the MFF-negotiations special. Given this backdrop, it is essential for a Member State to keep the remittances to the European Union on a balanced level, in order to achieve legitimacy domestically and standing internationally.

This leads to the following research questions: **How did Sweden utilize its member state embassies to influence the MFF-negotiations inside the European Union 2021-2027?**

The thesis is built as follows. To begin with, the theoretical framework is presented followed by an overview of the research conducted on the Multiannual Financial Framework, summarized in four sub-sections. The material and key concepts utilized to operationalize the study follow in direct connection. Subsequently, the analysis on the role of the Swedish embassies during the 2021-2027 MFF negotiations is presented. The final section concludes the thesis by putting the results into a broader context.

2. Theoretical framework

To answer the research question posted in the introduction, the theory was carefully selected given previous studies on Inter-institutional power-play, MFF-negotiations as well as case specific dynamics which are relevant for the selected case of this paper.

2.1 Theory selection

When selecting candidate theories to test on the case at hand, a fruitful criterion is to apply the notion of refutability. A theory which is of value could be determined to a high degree of whether or not it is falsifiable. What is of overall importance is that the theory at hand is internally consistent. If not, the risk is that hypotheses generated based on it are contradictory.

To live up to these ambitions, some criteria have been proposed by King, Keohane and Verba (1994) which lay a foundation for the candidate theories of this thesis.

Most importantly, a theory must be refutable. This does not only imply that the actual theory may be false but also that it can be led in evidence through a study of the material. As first conceptualized by Karl Popper, a theory ought to be crafted in a way that is vulnerable to falsification. This rule is not set in stone however and the most important factor here is that we learn more about the strength of the theory after each observable implication. Two preconditions are considered to be elementary in order to achieve a significant triangulation. First, a theory must be selected from which concrete expectations can be deduced. Second, this must be accompanied by a plurality of available observations.

To achieve a diverse set of observations in relation to this thesis was not easy. Due to the ongoing state of negotiations over the MFF, a series of scheduled interviews for the thesis did not come about. The policy of the Swedish government inside the cabinet offices has been to not comment on ongoing negotiations. However, there is still a diverse set of materials upon which this thesis rests. Government official documents, news articles as well as academic journals together creates a foundation. Even though having an input directly from a practitioner would have been desirable for this thesis, especially given the internship position, the precondition of managing to triangulate different sources of material is still achieved.

2.1.1 Multiple bilateralism

A nation has multiple foreign policy tools at its disposal and the art of diplomacy is one central feature. Inside the negotiations over the Financial Framework, Sweden holds a special position as a relatively small nation yet still a net contributor budget overall. Therefore, it is necessary to find coalition partners who you are seeing eye-to-eye with. In the multilateral

negotiation process of the EU, member states create networks through coalition building efforts to render support for their proposals. Through the term 'Multiple bilateralism', the manner in which bilateral relations between the Member States operate in function of the multilateral EU negotiation process is captured. This thesis will test the claim that bilateral embassies are an important factor in EU negotiations and further investigate which role they actually play.

A debate has been carried out among scholars and practitioners regarding which role embassies play and what added value they bring. A central aspect to this discussion is the role the European Union plays. The EU is seen as having changed the way bilateral relations work, in several ways: First, The EU constitutes a new diplomatic era where multilateralism and bilateralism are inseparable. This leads to a new "bi-multilateral" web of processes, making it dynamic and difficult to analyze. The European Union can in many ways be seen as the biggest paradigm shift in European bilateral diplomacy in the "post-Westphalian" age where cooperation is facilitated on a sectoral basis between national administrations targeting specific policy issues (Uilenreef, 2013).

The traditional role of bilateral relations, manifested by embassies, would simply be rendered obsolete in this new environment. According to one prediction of a scholar in the early 2000s, bilateral embassies would serve no other purpose than letter boxes for government ministries. Riordan (2003). The main purpose of this thesis however, is not to engage in a larger discourse regarding the use of embassies within the EU but instead focus on their added value to negotiations inside the Council.

Claiming that the impact of Member State embassies inside the European Union has diminished is not uncontested. Numerous studies argue that they are important as a source of

input to negotiations inside the Council and not only to maintain good relations with the host country. Examples from British, German and Dutch studies suggest that the embassy network in Europe can play multiple roles. They can serve as information providers and be instrumental in order to build winning voting blocs inside the Council. The ability for embassies to influence the host capital on behalf of their home government has been common practice for several member states, both large and small (Blair, 2004). German embassies have managed to build networks inside the European Union where the position of the government is promoted and divergent views can easily be detected (Paschke, 2000). A study on the Dutch embassies inside Europe found that they add value by devoting attention to important proceedings inside the capitals of Europe, report it back to the home state and influence which positions to take inside the European Union, primarily at the European Council but also the GAC as well as the FAC (Uilenreef, 2013) ¹. Another meaningful contribution which the European diplomats play is to serve as policy crusaders on behalf of their home government, creating alliances and building majorities. This is a process which might occur outside Brussels but has deep ramifications inside the Belgian capitol, home of the European Union.

A significant part of the literature on the role of embassies in bilateral relations focuses on the process of socialization among diplomats. This has been especially prevalent in studies conducted on Brusselization where individuals are more prone to support European integration efforts which favors decision-making centered in Brussels rather than in the rest of the European capitals. This thesis tries to build on the work on diplomacy which has previously been done from an institutional perspective, a field which has been growing in recent years (Bátora 2005, Jönsson and Hall 2005). With its Principal-Agent relationship

¹ General Affairs Council and Foreign Affairs Council.

seething beneath, the embassies have been seen as entities which convey the characteristics of the home state. Reforms or propositions of revisions of the institutional factors will be more difficult to conduct, now that they are an integral part of the multilateral field of international diplomacy (DiMaggio and Powell 1983). This institutional factor can also be seen as making the embassies less prone to reform than specific ministries. With these factors in mind, the embassy networks inside the European Union become particularly interesting, given the paradigm shift that the EU brings to diplomacy in the continent. From a view-point of institutionalism, the process of European integration reflects both an enhanced capacity for action as well as in captivating institutional structures (Olsen 2007). The “stickiness” of the latter has a way of prevailing. Instead of simply replace the old ones, new structures incrementally build upon those which already exist.

2.2 Previous literature

This section is divided into several paragraphs. First, an overview is given of the negotiations and bargaining of MFF-issues. It stresses financial and economic research, then studies on legitimacy and legality are taken up, followed by political discussions and finally research on tactics and theoretical perspectives.

2.2.1 Bargaining and negotiations

A bulk of literature surrounding the MFF-negotiations has been aimed at the bargaining aspect of the matter. In a study from 2010 focused on the fifth round of negotiations over the financial framework, Dür and Mateo pointed out that larger Member States have a higher likelihood of turning to a hardline in their bargaining strategy than their smaller counterparts. This notion holds when taking domestic constraints into consideration (Dür & Mateo, 2010).

When asking themselves how the sixth MFF came into place, Stenbæk and Jensen (2016) applied the actor-centered institutionalism originally outlined by Fritz W. Scharpf in 1988. It elaborates on the concept of the joint-decision trap, which could be understood as a situation when decision-makers have the power to veto proposals and the tendency for government officials to therefore make decisions at the lowest common denominator. This has been a common way of describing challenges for countries such as Germany inside the decision-making structures of the European Union.

Another characterization of the MFF-negotiations has been conducted in light of the *juste retour* rule. This long-standing principle of European Union budget has centered around the general understanding that member states should not pay an unfair price for policies and programs that mostly benefit other member states. When Grochowska and Kosior (2016) presented a study on MFF-negotiations researched the EU budget negotiations in the shadow of the *juste retour* rule, in which they characterize preferences of Member States in previous negotiations on the MFF in the context of 2021-2027 negotiations and future European integration. They conclude that preferences remain differentiated and that Euroscepticism hampers negotiations towards increasing the effectiveness of the EU budget. The authors project no major shift in the structure of the EU spending in the coming years. Even though several Member States acknowledge that new policies are vital, financing these proposals are not an easy task. There have been additional viewpoints upon which research on the bargaining on the MFF has been levied. Ackrill and Kay (2006) focused on the historical institutionalist view.

Stenbæk and Jensen (2016) assessed the actor-centered institutionalism and their research was conducted in the aftermath of the 2014-2020 MFF. Their research shows that Germany and the UK played a significant role in the negotiations, especially when it came to the

expenditures. Empowered by an ongoing financial crisis, a window of opportunity was open to rein in and slice spending. The Member States who opposed the policy simply could not manage to fight back (Stenbæk & Jensen, 2016).

2.2.2 Financial and economic aspects

Economic aspects are paramount when discussing the budget of the European Union. Several studies have devoted attention to the matter, including one from Cattoir in 2004 where he looked into the direct financial recourses of the European Union. Direct taxation for the EU was addressed during the negotiations over the 2007-2013 budget. Several criteria were examined regarding benefits and pitfalls of handing the power of taxation to the European Union, concluding that there is no adequate level of taxation for the entire area. Instead, an assessment has to be made upon a political choice between which criteria to be considered as primary and as secondary. Two examples of this are studies focused on the redistributive effects (Doménech, Maudes, & Varela, 2000) and EU taxes (Le Cacheux, 2010).

2.2.3 Institutional

From an institutional point of view, there have been several studies conducted on the budget negotiations of the European Union. One of the seminal ones was conducted by Kölling in 2012 where the impact of the Eurozone crisis on the budget of the EU is assessed. The findings show that the contentious negotiations still render a stable ground to cooperate but more importantly helps expand the size of the budget in order to achieve the goals outlined in the Europe 2020-strategy. The MFF itself has become an instrument subject to deadlocks over the financial redistribution, with studies utilizing contract theory to find that it is conducive to subjective well-being rather than allocating sums to achieve the highest possible welfare gains (Blankart & Kirchner, 2004).

2.2.4 Political aspects

Research has also been conducted on the political aspects of MFF-negotiations, primarily related to spending priorities and challenges. In a study on the 2007-2013 MFF, Shield examined the shift in priorities regarding expenditure for the Member States. The shift reflects the new balance inside the new balance inside the European Union overall. The impact of the Lisbon treaty makes changes in the budget remain incremental and they have remained in place, something Kölling & Leal noted in a study from 2012. The last negotiations were also conducted in a time of unprecedented turmoil inside the EU with a financial crisis and subsequent Eurozone crisis. Several sweeping policy proposals to enact fiscal reforms such as supervision of the entire banking sector of the Union were put forward but, in the end, not many of them became initiated.

A significant policy hotbed has been centered around the Defense Cooperation within the Union. In an era of strained transatlantic relations and with the Migration crisis of 2015 in fresh memory, the European countries face new challenges in the 2021-2027 MFF negotiations. Both De La Brosse (2017) and Fiott (2016) argue that the upcoming negotiations may prove to be a breakthrough for a groundbreaking commitment to defense spending with strong support from the European Commission introduced some incentives to re-boost this cooperation. Another area of concern is R&D, which is looking to experiencing a significant increase in spending in the next budget (Galiay, 2018). This is supported by a paper from Commission's expert group which outlines a plan where involvement of citizens can be achieved through co-design and co-creation. Upon reviewing the proposal of the European Commission for MFF 2021-2027 released on May 2nd, 2018, there increase in spending was not as significant as once expected (Núñez-Ferrer & Gors, 2018)

In light of the populist trajectory of politics in the past decade, several studies have been conducted on which impact it might have on the 2021-2027. Etzold and Tokarski (2015) Considering the fact that right-wing parties and right-wing governments in often oppose further EU integration and more often than not want to “take back control” from the EU to the national level, it is no surprise that the upcoming negotiations becomes even more complex.

2.2.5 Gaps in existing research

There is a nascent literature on the shifting dynamics of bilateral diplomacy inside the European Union. Not a lot of studies have been focusing on the shift of traditional bilateral missions due to causes such as globalism and the impact of multilateral institutions, despite the consensus among scholars and practitioners that a change is occurring (Uilenreef, 2013). This is also the case for diplomatic missions inside the European Union where there is a gap concerning which impact European integration has on the traditional role of embassies, both for inter- and intra-EU diplomacy.

3. Aims

The overarching aim of this thesis is to examine which role embassies play for governments during negotiations inside the European Union, using Sweden as a case study. By investigating the specific nature of MFF-negotiations, the study sets out to shed light upon whether and if so how the policy priorities of the government affect the work of diplomatic missions in their host states. In addition, the study intends to explore what implications the withdrawal of the United Kingdom from the European Union has on these priorities and the potential new dynamics it creates. Finally, the thesis strives to put the results in a broader context of bilateral embassies in relation to multilateral institutions and what impact these have for diplomatic missions.

4. Method

Since the comparatively small number of five multiannual financial frameworks that have been adopted in the EU so far does not allow for rigorous quantitative testing, a qualitative case study approach is conducted here (Gerring, 2007). In addition, agreements on MFFs are usually preceded by “protracted” and complex bargaining processes (Nugent, 2010) making an in-depth study of the cases necessary.

4.1 Case selection

A case study was the natural methodological selection to conduct this study. The case study approach is an empirical inquiry which investigates a phenomenon in depth and within the real-world context. The case study approach is especially fruitful when the boundaries between the case and context may not be evident, which is certainly the case with Sweden’s role in the MFF-negotiations. This situation is distinct where there are many more variables of interest than data points. A common feature of the case study is that it benefits from the prior development of theoretical propositions to guide data collection and analysis (Yin, 2015). The case study design carries a strength in comparison to large N-studies in the sense that it provides numerous observations per case, therefore providing a reflection on the relationship between concrete empirical observations and abstract theoretical concepts (Blatter and Haverland, 2012). The intensive study of a single case, Sweden, also serves the purpose of shedding light on a larger class of EU-27 countries and could contribute to the research on negotiation strategies going forward (Gerring, 2004). Given the circumstances of the thesis writing process, and accessibility to relevant material documents, Sweden was carefully chosen.

A case study can be defined as an extensive study of a single case where the overarching goal is to shed light on a larger class of cases (Gerring, 2007). The population which this study aims to generalize to are bilateral embassies in Europe from Member States inside the European Union. Sweden is a Member State with average voting power, which falls in between the large and the small Member States. It is perceived as an active participant in EU coalition-building and has a medium-sized diplomatic network, with embassy representation in nearly every other Member State (Naurin and Lindahl, 2008). The methodological approach to this paper is a descriptive case study. The selected country for investigation, Sweden, has clear representative features when it comes to its diplomatic representation and therefore adheres to the norm for descriptive case studies (Esaiasson et al. 2007, Teorell & Svensson 2007).

4.2 Material

In order to analyze how Sweden sought to influence their will on the MFF-negotiations - in addition to national capitals and EU institutions - the role and contribution of bilateral embassies could be investigated. Reports from 23 embassies of Sweden to the European Union were analyzed in order to examine which role the embassies played in the light of coalition-building efforts, by which Member States try to achieve their policy objectives within the EU, particularly in relation to the MFF negotiations. The embassy reports constitute a response to a demand of the Cabinet office of the Prime Minister, the EU division and more specifically the group in charge of the negotiations over the 2021-2027 MFF negotiations. The 23 embassy reports were collected in April of 2019 and includes all EU-28-member states with five exceptions.²

² Ireland, Malta, Poland, the United Kingdom and, of course, Sweden.

The embassy reports are stored in an electronic database that is managed by the Swedish Cabinet Offices. Certainly, there are other ways of communicating between the central node of Stockholm and the embassies apart from the embassy reports on the specific matter of the MFF negotiations. However, these reports provide a clear-cut view based on a formal means of communication and is a more objective source of material to investigate, unlike other qualitative data such as interviews.

To render a viable empirical result, documents of the Cabinet Offices of Sweden were analyzed. The selected documents were of primary sort, ranging from governmental position papers and instructions on the national level to resolutions and conclusion papers on the EU level, from the Council as well as the Commission. In addition, sources of secondary kind such as newspaper articles and journals were utilized to give the study further depth.

Conducting a document analysis for the MFF 2014-2020 cannot solely rely on interviews since the negotiations were finished four years ago, resulting in the fact interviews would be mainly based on people's memory. Documented information, however, provide most details and nuances separate from people's memories and biases. Documents used for the MFF 2021-2027 contain the Commission's proposal and the first reactions and positions of Sweden.

These embassy reports provide knowledge on the positions of the member states in the MFF negotiations, their intergovernmental position and, perhaps most importantly, their position in comparison to the Swedish one. In order to main the integrity of each member state with regard to the fact that the negotiations are ongoing, the Member States have been divided into three groups based on their proximity in position in relation to the Swedish priorities. This has been conducted based on the information in the embassy reports and is one of the contributions of the thesis.

It takes a lot of effort to screen and find the material of importance for the purpose of the study. Another issue to be aware of is that the EU is constantly changing. Research and literature can after a few years be irrelevant and out of date due to Treaty changes. For the same reasons can it be difficult to find material that has been produced very recently, for example due to the implementation process it can take time before the consequences of a decision is fully known.

The primary reason for the absence of interviews as a source of material in this thesis was the fact that the civil servants inside the Swedish Cabinet in charge of the negotiations for the MFF did not agree to go on record to conduct an interview. With the option of going off-the-record seeming to render the risk of questioning the authenticity of the material, the decision was made to utilize other sources of material instead. The apparent reason for this was not to discuss any strategies while the negotiations regarding the MFF 2021-2027 were ongoing. There are still a diverse set of material upon which this thesis rests. Government official documents, news articles as well as academic journals together creates a foundation. Even though having an input directly from a practitioner would have been ideal for this thesis, especially given the internship position, the precondition of triangulating different sources of material is still achieved.

4.3 Validity and Reliability

In order to generate the most valid result for the purpose of this thesis, the approach has been to conduct triangulation. This implies collection of data at different places, sources, times, levels of analysis, or perspectives. For this study, this means a combination of quantitative data in the form of a review of government documents, qualitative knowledge in form of embassy reports as well as thick historical description. In other words, the thesis is conducted by combining dissimilar sources of information to enhance the validity of the measurement

and effectively find a strategy to minimize bias resulting from systematic error (Marks, 2007). In order to minimize bias and to ensure conceptual validity, a logical and coherent structure of concepts has been built (Goertz, 2006). An aspect of the internal validity of the study is the source utilized to investigate the role embassies of Sweden have on the MFF negotiations. The MFF negotiations are dynamic and there is a spider-web of communications from the embassies to Stockholm, from representatives of their Ministry back to their home Ministry as well as directly to the Permanent Representation in Brussels. Interactions on these ongoing negotiations are both formal as well as informal which makes it difficult to trace a line of causality. Under these conditions, a consistent and transparent source of information are the reports which embassies transmit to their home capital of Stockholm.

A central challenge to a study of this nature is to achieve generalizable results, an inherent problem of a case study design. Individual factors within the embassies can easily serve as explanations for their contributions to the MFF negotiations. In order to mitigate this potential bias, the selection of 23 embassies were made. The external validity of this study is two-fold. On the one hand, it has general implications of the overall study of how a country can form policy on the European level. Sweden is a representative case when it comes to diplomatic missions inside the European Union. The country is medium-sized and with average voting power inside the Council. On the other hand, the material used for this study is very country-centered. Sweden, a sparsely populated country in the outskirts of Europe have some unique features in the sense that it is a net contributor to the European Union and also that it currently holds a rebate of the fee it pays to EU's overall budget.

The reliability of the study is affected by the fact that diplomacy and negotiations is an ongoing exercise. This makes it difficult for the observations to be consistent in repeated "trials" (Marks, 2007). To mitigate this, the classification criteria below has been utilized.

Multiple sources have been utilized to classify the observations and the aim of the information obtained to be triangulated to best possible ability. The documentation of the data sources as well as the collected data can be found in the appendix of this thesis. Furthermore, replicating a study of this sort would be difficult since it more or less would require the situational opportunities granted to me by the grace of my internship.

4.4 Key Concepts

To analyze the MFF-negotiations in light of network governance and more specifically multiple bilateralism, they need to be operationalized. The following parts will explain which characteristics can be related to the determinants, which can then also be analyzed in the case of Sweden with regard to the MFF- negotiations. In order to build on the work which has been conducted on multiple bilateralism, the operationalization of the study builds upon previous studies using a thematic approach. The study follows a qualitative procedure based on a framework outlined by Batora and Hocking (2009) and further developed by Uilenreef (2016). The diplomatic representation is assessed through three basic dimensions; *function*, *access* and *presence*. These are various ways in which the embassies provide information to their home capital, maintains networks inside the host state and asserts influence on the host state. The characteristics of these three dimensions are tailored to fit the circumstances of the specific case of Sweden in the MFF negotiations.

The first aspect of the embassy focuses on which *function* it serves. This is in part determined by the interaction of symbolic representation. It confirms the identity of the state in an international order of which EU plays a significant part. The structure focuses on the most elementary facts between the principal, in this case Stockholm, and the agent in form of the embassy. The function of the embassy focuses on the specific fundamentals of the host state in the network of embassies in the European Union. The target of the functioning of the

embassy is to provide information to the mothership, in this case on the MFF negotiations. In later research, the functionary aspect has been expanded to include what purpose the embassy serves for civil society and the public. In this thesis, the focus lies strictly on the purpose it serves for the government. Questions related to the first determinant are:

- Did the embassies provide information to Stockholm regarding the 2021-2027 MFF-negotiations?
- If so, what form of information did the embassies provide?
- Did this information differ whether or not the embassy was part of the like-minded group or not?

The second aspect of multiple bilateralism targets the *access* of embassies to key nodes of decision-making power and networks of influence. This is an important aspect of their work which is not always easy to track or dissect as there are several informal and formal channels of access between the embassies and the capitals in of which they are located. For embassies inside EU member states, there are three main points of connection; the home capital, the permanent representation in Brussels and the host country. Much effort has been devoted to studying the role of the permanent representations and their relation to bilateral embassies (Rana, 2016; Blair, 2004). As important as that research may be, the aspect of accessibility focuses on the relationship of the embassies in their host state. Inquiries related to this determinant include:

- Which actors did the embassy interact with inside the host state on the topic of MFF 2021-2027 negotiations?
- Where inside the government and at what level did the embassy interact with its host state?

- Did the embassy engage with an embassy of another member state when interacting with the host state?
- Did the level of the interactions differ between like-minded and non-like-minded member states?

In order to compare the hierarchical level of interaction between the embassies and the host states, they have been clustered using a classification from Uilenreef (2013). The classification has been adjusted to EU-style governance and the topic of this thesis;

Top level; secretary-general, permanent secretary, state secretary, (civil servant), director-general or assistant secretary, Advisor to the PM/President, Chief Policy Director.

High level; deputy director-general, ambassador at large, conseiller du cabinet, head of division

Medium-low level; deputy director, head of division, deputy head of division, (senior) desk officer.

The third point of multiple bilateralism examines the *presence* of embassies in their host state in terms of modalities and operation of representation. As operationalized in this thesis, the presence of embassies in their host states focuses on their efforts to influence and carry the message of Sweden in the MFF negotiations. The final determinant aspires to give answers to questions such as:

- Did the embassy attempt to lobby the host state?
- Which channels did the embassy utilize when attempting to lobby the host state?
- How have attempts to lobby the member state from the embassy occurred?

Table 1. Determinants of Multiple bilateralism according to Bátorá & Hocking (2009) and Uilenreef (2016).

Determinants	Characteristics
Function	Information provider Principal-agent relationship Position proximity
Access	Interaction Connection Level of accessibility
Presence	Influence Framing Positioning

5. Analysis

In order to comprehensively analyse the role of Sweden's embassies for the MFF 2021-2027 negotiations it is necessary to shed light on the strategies of Sweden in the MFF 2014-2020 and 2021-2017 deliberations. Therefore, I initially summarize and analyse Sweden's priorities in these negotiations.

5.1 The 2014-2020 Multiannual Financial Framework

In mid-2011, the Commission released its proposal for the Multiannual Financial Framework for 2014-2020 which essentially sets the agenda for the negotiations (cf. COM (2011) 398 final). Proposal to the council saw an increase of the economic commitment from each

member state to 1.05% of GNI which amounted to a total level of commitment appropriations of EUR 1.025 billions. In July 2012 the Commission submitted an amended proposal (cf. COM (2012) 388 final) with a higher total level of expenditures of EUR 1.033.235 million representing 1.08% of the EU's GNI.³ To a large extent, the proposal from the Commission built upon the agreement from the 5:th MFF where the balance between expansive promises and past commitments had to be balanced by an economy in turmoil. The EU proposed new own resources in the form of transaction taxes and VAT revenues. The EC also proposed replacement of the current corrective mechanisms, so-called rebates, by a lump sum system. Furthermore, the EU wanted to increase flexibility by putting several instruments outside the framework and they wanted conditionality within the budget. Furthermore, the Commission proposed cuts in the Cohesion and Common Agricultural Policy (CAP) funding (European Commission, 2014). The first was to be reduced from 354.8 billion to 336 billion and the latter was to be cut from 421,1 billion to 382,9 billion. This resulted in a proposal which allocated almost 37% of the budget to Cohesion fund, over 37% for the CAP, around 11% for competitiveness and innovation, approximately 7% for external action, 6% for administration and around 2% for internal affairs (European Commission, 2014).

By tying the 6th MFF to the Europe 2020 Strategy, the EU reformed the budget while at the same time maintaining social and geographic cohesion. The economic circumstances were different in 2013-14. Under a discourse impacted by external economic pressures, the policy solutions centered around austerity, debt reduction and lower deficits. This spilled into the negotiations over the EU budget where support was found for general policy guidance. The Common Strategic Framework (CSF) implemented conditionality through three instruments:

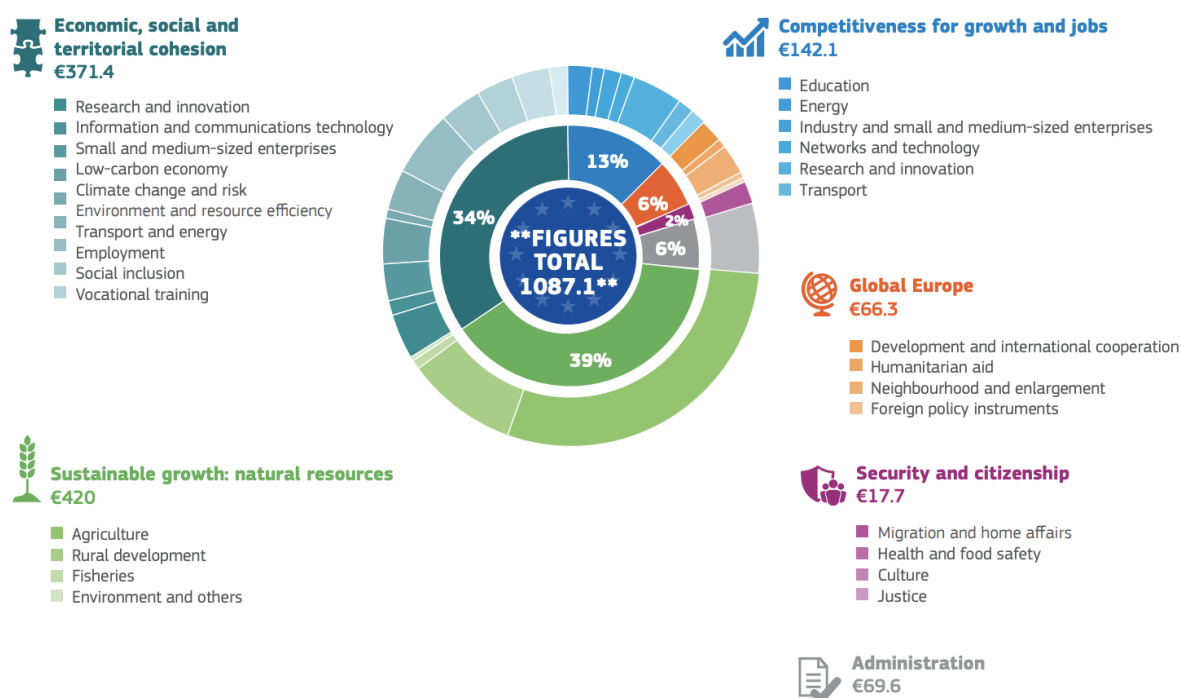
³ The entrance of Croatia into the European Union led to a revision of the underlying data for regional GDP and national GNI upon which the calculation for the Membership contribution is calculated and subsequently the allocation of Cohesion Funds.

ex-ante conditionality, macroeconomic conditionality and ex-post conditionality (Kölling, 2014).

In the first instrument, the Commission may request a Member State to re-program part of its Partnership Agreement when this is justified by the economic and employment challenges identified under the economic governance procedures. Unless significant actions have been launched, the Commission calls on the Council to freeze remittances related to the ESI Funds to the Member State in violation with the rules (Richter, 2013).

The second instrument targets the issue of non-compliance in economic governance procedures. If there has been no action undertaken by the Member State to correct budget deficits, the Commission will put forward a proposal which suspends ESI Funds until a certain target of economic governance has been met. Among other factors, this is conducted on a case-by-case basis, some of which may give indication that suspension procedures ought not to be imposed, such as high unemployment, recession and high poverty or social exclusion, as well as potential contractions of the national GDP.

Figure 1.1 European Commission proposal for the 2014-2020 Multiannual Financial Framework



5.1.1 Sweden during the 2014-2020 negotiations

The Swedish priorities in the negotiations over the 2014-2020 budget focused on keeping a stringent economic outlook to the size of the budget given the economic circumstances at the time. Overall, Sweden demanded that the Commission's proposal needed to be reduced by €100 billion. This would primarily be established by reducing the common agricultural policy (CAP) as well as the cohesion funds. A proposal to cap spending in Cohesion Policy and create a "reversed safety net" or concentrate structural funds on tackling unemployment was launched (KÄLLA). Sweden pushed back when it came to giving more maneuverability to the EU over the budget by handing the Commission the power to take in own resources through a Financial Transaction Tax (FTT). Like most other Member States however, they concurred that the then VAT-based system ought to be abolished (Kölling, 2012).

There were two distinguishable negotiating blocs during the 2014-2020 negotiations. The “Friends of Better Spending”, which Sweden was a part of, also included Austria, Denmark, Finland, France, Germany, the Netherlands and the United Kingdom.⁴ The group targeted the Commission proposal and called for a limited spending on the European level. They all represent Member States where the EU budget has become politicized and subject to intense criticism on the national level. The opposite bloc, dubbed “Friends of Cohesion” was led by Poland. It consisted of central and eastern European member states which Bulgaria; Estonia; Greece; Hungary; Latvia; Lithuania; Poland; Portugal; Romania; Slovenia; Malta; Slovakia and Croatia (Kölling, 2012) . Their main priority was to defend the current budgetary priorities and safeguard the importance of the Cohesion funds to growth and employment. The bloc opposed any sort of cap on cohesion funds as well as macroeconomic conditionalities more generally.

During the negotiations, the following countries held the presidency of the European Council: Poland, Denmark, Cyprus and Ireland. At the most critical period of the negotiations, when the “negotiation box” was being finalized, Denmark held the presidency. The Polish EU Presidency aimed to engage each member state by trying to shed light on the individual positions, following a ‘bottom-up’ philosophy. Under the Danish tenure, the “negotiating box” became a more hands-on and a number of different perspectives were put forward. Not much leeway was accomplished, and it was not until the Cypriot Presidency numbers finally were put inside the tables for tables. While the target was to reach an agreement at the summit in November 2012, it was not until the spring of 2013 when the Irish Presidency made it their top priority to finish the negotiations that it became a finalized deal. The negotiations inside

⁴ Non-paper of 24 April, signed by AT, DE, FI, FR, IT, NL, SE. France, has not signed the non-paper of the 29th of May (signed by AT, CZ, DE, FI, NL, SE, UK)

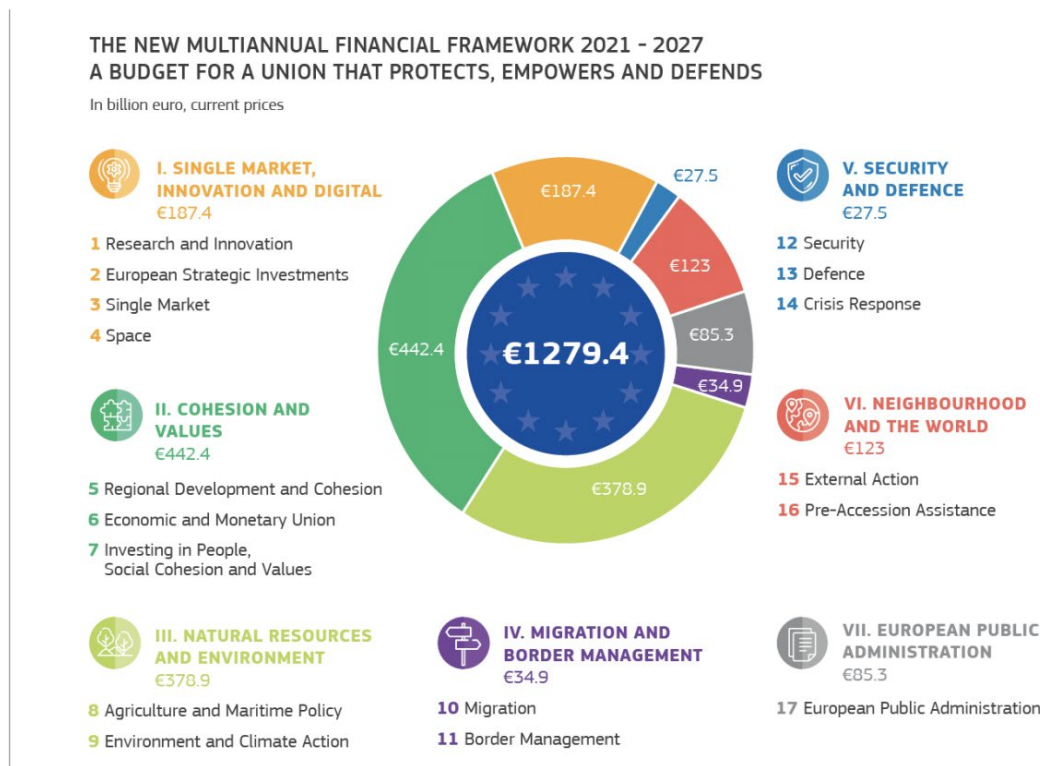
the Council concluded in June and the fifth Multiannual Financial Framework was decided upon on December 2nd, 2013.

The Swedish argumentation was given a lot of headway when the final agreement was reached. For the first time since its inception, the budget of the European Union was reduced in size. This in itself was a major negotiating victory for the fiscally prudent Swedes. Although the final agreement saw the CAP and the Cohesion Policy as the largest budget posts, the Swedish government could also point to resources being shifted from traditional spending areas in favor of modernization in policy areas such as innovation, climate change and energy. Last but not least, the Swedish rebate to the fee to the European Union was left in place, albeit reduced.

5.2 The 2021-2027 Multiannual Financial Framework

Considering the MFF negotiations in general, it is clear that the European Commission has a new set of priorities for the EU budget. On May 2nd 2018, the European Commission presented its proposal for the MFF 2021-2027 with a promise to "provide security and stability in an unstable world" (European Commission, 2018b). These new commitments require increased funding and the guiding principle remains the "European Added Value", which stresses the importance that spending from the European Union must have a stronger impact than on the national level. The yearly contribution of every member state amounts to 1,11% of GNI. This is an increase from the previous MFF-round from 1,02 % of GNI (European Parliament, 2018).

Figure 1.2 European Commission proposal for the 2021-2027 Multiannual Financial Framework



In the proposal from the Commission, the mantra is modernization, simplification and transparency. In terms of modernization, the proposal includes a 5% reduction of funding for the Common agricultural Policy (CAP) as well as the cohesion funds in favor of increased allocation to Horizon Europe, migration and border management. The simplification means cutting the number of EU funded programs by 1/3. To enhance transparency, the Commission proposes to expand flexibility measures in order for the new MFF to engage in a rapid response (European Commission, 2018b).

- The Commission expands the current conditionalities from the sixth MFF by proposing a rule of law-mechanism which links EU funding to the adherence to one of the fundamental principles of the Union. Funding will be restricted, reduced or suspended all together depending on the gravity of the violation.

- Eliminate all rebates, which they want to phase out over the coming five years.
- With the proposal they also want to introduce two new mechanisms: a reform support program and a European Investment Stabilization Function.
- Reduce customs revenues from 20 to 10%
- A target of 20% on ETS, 3% on Common Consolidated Corporate Tax Base and 0,80 Euro per kilo non-recycled plastic packaging waste. These new sources should together collect 12% of the budget (European Commission, 2018b).

With regard to EU institutions, it is argued by the different respondents that the timing of the MFF is not perfect. The Commission stated that its aim for an agreement on the MFF is May 2019, because that would be best considering the European Parliament elections in May 2019 and the subsequent changes in Commission President. However, that deadline was not met, and a more realistic timetable would be in 2020 during the Croatian or German presidency of the European Council. Since the Parliament is legitimately not in the position to have a major influence over the process, the European Parliamentary elections appear to only have a marginal impact over the MFF negotiations. During the thematic stage of the process, the Parliament may have some influence regarding the outcome of policies but when the “negotiation box” is going to be filled with numbers, its impact diminishes. The change in Commission President from Luxembourg’s Jean Claude Juncker to Lower Saxony’s Ursula Van der Leyen will most likely not alter the trajectory of the MFF proceedings. They are both from the same party group and from the same region in the Union. Furthermore, despite her passionate speech upon the election, her preferences were in large part a continuation of the route of Juncker. One overarching goal of the Commission is to get most flexibility possible in the MFF agreement, to shift the institutional balance and give the incoming President maneuverability. The same goes for the newly elected European Council President Charles Michel whose role is quite undefined in the MFF negotiations.

Regarding the economic climate during the 2021-2027 negotiations, the tone is much different from six years ago. A dovish line of argumentation has been detected from leaders and practitioners alike and the effects of austerity have rendered a different sound in the core. During the 2014 negotiations, the European Union and the Eurozone countries in particular, were in a deep conundrum. Following the financial crisis of 2008-09, a global recession spiraled into a prolonged Eurozone crisis which culminated with the Greek drama in the early 2010s. The immediate policy response from EU leaders was to implement big stimulus packages at an initial stage to combat the immediate effects. This strategy was accompanied by austerity measures which had a diverse effect across the European Union as a whole.

Unlike the infringement procedure, the policy conditionality follows a different logic but may also, in case of violation, lead to the suspension of EU funding. In certain areas where the economies of scale are significant, policy conditionality could be a way to foster cooperation as well as achieving specific governance goals (Kölling, 2017). The shift towards a plurality of conditionalities in the budget is contested. Some member states celebrate the maneuver as a positive example of making the EU budget into a hard tool policy instrument.

The critique is centered around the connection between conditionality and financial support in the case of non-compliance. The conditionality is not mandated in the treaties and is not substitutable to general treaty procedures. A fundamental dissent has been leveled towards the conditionalities on the basis of politicization of the redistributive elements of the European Union, one of the core pillars being Cohesion Policy. Neither the ex-ante, macroeconomic nor the ex-post conditionality have not rendered efficient given their considerable time lags and limited scope of application, which also have raised concern regarding the need for additional ones (Kölling, 2017).

5.2.1 Sweden's priorities in the 2021-2027 negotiations

Sweden entered the sixth round of negotiations over the long-term budget with five clear objectives, outlined in an official position paper released by the Swedish government on February 1st 2018 (Swedish Government Offices, 2018). The following five items were key for Sweden in the negotiations:

1. A reduction of expenditures corresponding to the contribution of the United Kingdom given their departure. The current framework should not exceed 1% of GNI.
2. Expenditures for agricultural support (CAP) and structural funds need to be reduced significantly in favor of the areas of migration and security.
3. Contributions from the member states to the EU budget should be stabilized at present levels. The financing system should always follow the fundamental principle of fair burden sharing.
4. A conditionality on allocation of EU-funds based on respect and responsibility for common decisions on migration and the Rule of Law.
5. Climate mainstream 25% of the budget.

The Swedish priorities for the 2021-2027-negotiations did not appear to have any stark differences from the ones six year prior, despite a shift in government. A sharp reduction in the cohesion policy as well as the common agricultural policy (CAP) remained the two utmost prioritized areas for the negotiations. The latter levered criticism inside the Social Democratic ruling party, even from its former Party leader and Prime Minister Goran Persson, prompting to set aside core voter constituencies of its rural population (Swedish Radio, 2019).

Brexit has not only forced Sweden to seek new alliances, it also impacted the Swedish priorities. The utmost priority of Sweden when entering the 7th round of MFF negotiations is to sustain the level of expenditures of the EU in correspondence with the contribution of the United Kingdom given their departure. After all, the UK leaves a hole of €91 billion when they exit the Union. This position was the first priority from the Swedish side for two main reasons. First, the United Kingdom has led the efforts of maintaining a fiscal prudence in the EU. Despite the damaging effects Brexit may have to the Union, it certainly offers new opportunities for countries seeking an expansive long-term budget. It is therefore crucial for a stringent country like Sweden to cement their view.

The second reason dates all the way back to 1995 when Sweden entered the Union and, like the United Kingdom, managed to negotiate a rebate on their fee to the EU. The withdrawal of the United Kingdom from the European Union leaves the justification behind the rebates without any solid ground according to a paper from the European Council, supported by the proposal from the Commission. All countries of the “frugal four”; Sweden, Denmark, the Netherlands and Germany have all benefitted from the rebate system, originally designed to ease the burden on the largest net contributors of the Union. In the end, the discussion over rebates will depend how the EU MS will account for the downfall of revenues caused by Brexit. The two primary options are either by increasing the national contributions, which has been the line from the Commission, or by cutting expenditure which is the view of Sweden (Haas & Rubio, 2017). The rebate already suffered a significant reduction during the 2014-2020 budget. Germany and Denmark received a new annual rebate of €130 million. The Netherlands had their rebate reduced from €1.150 million to €695 million and in the case of Sweden’s, it was virtually cut in half. The existing €325 million was slashed down to €160 million (Kolling, 2014)

In the mid-term review of the 2014-2020 MFF, the desire and focus of Brussels and capitals around the EU-27 to reinforce the conditionality of the EU expenditures became evident. Following the refugee crisis in 2015 as well as the rule of law and macroeconomic concerns. Sweden has taken the lead in this effort, arguing for two new conditionalities in the 2021-2027 MFF.

First, adhering to a quota-based system for accepting refugees should be a conditionality in order to receive EU-funds. The origins of this proposal for Sweden is not difficult to trace. During the Migration crisis of 2015, Sweden accepted more refugees per capita than any other EU member state followed by Germany and Austria (European Parliament, 2017). Even though the migration crisis appears to have reached its peak, the ramifications are still being dealt inside the Member States. The disproportionate amount of responsibility for this crisis to the entire continent made Sweden start to investigate the ways in which this commitment could be more evenly matched. The public support on the EU to step up their efforts on migration policy has risen significantly since the last budget, with 72% of Europeans wanting the EU to do more.⁵ The Commission plans to deal with this issue inside the 2021-2027 MFF utilizing two mechanisms: 1. “the introduction of a fair mechanism regulating the responsibilities for asylum procedures”, 2. “the harmonization of the standards for the procedures and the treatment of applicants aiming at lower incentives for secondary migration”. To make these promises come about in a significant manner, increased spending on the area is vital. The budget post for the Asylum, Migration and Integration fund in the current budget amounted to a total of €3.1 billion (European Commission, 2018). Until 2019, the rapporteur in the negotiations over the quotas in the European Parliament was also a

⁵ Results from Eurobarometer Poll, May 2018

Swede, ALDE MEP Cecilia Wikström. Despite repeated efforts, no proposal to redistribute refugees inside the Union has prevailed.

The second conditionality which Sweden argues for in the 2021-2027 negotiations is a “rule-of-law”-provision. The origins of this proposals come from the developments in recent years where fundamental values of the European Union, as inscribed in Article 2 of its Treaty including respecting human rights, minorities and the rule of law, have been endangered. Numerous examples of increasingly challenging this view has been put on full display in several member states, with Poland and Hungary being the most prevalent ones. In the former case, the Commission decided after years of deadlock that the country was in serious jeopardy of violating the rule of law in late 2017. The introduction of new legislative efforts threaten the independence of the Polish judiciary, including the Supreme Court, which in turn could weaken the separation of powers. This caused the Commission to initiate procedures under Article 7 in the TEU which eventually could lead to the country being suspended from voting inside the Council. Similar concerns have been issued towards Hungary over the country's judicial independence, freedom of expression, corruption, the rights of minorities, and the circumstances faced by migrants and refugees. (Heinemann, 2018)

Despite these concerns, there has been a considerable gridlock in trying to achieve any form of implementation of Article 7 procedures. The two countries have formed a blocking cartel which obstructs any attempt of the full implementation of sanctions. In light of these developments, Member States like Sweden have been eager to seek other ways and methods to achieve a change in trajectory. For the 2021-2027 MFF negotiations, this means to squeeze the violating countries through the power of the purse. Both Poland and Hungary are significant net recipients of Cohesion and Agricultural spending and a conditionality of the sort Sweden is proposing could have crippling effects.

5.2.2 Sweden's network during the 2021-2027 negotiations.

Looking across the continent, there are considerable differences in the starting points and preferences among the EU member states. Unlike many of the other member states where the MFF negotiations are coordinated from the Ministry for Foreign Affairs or the Ministry of Finance, in Sweden the efforts are directed directly from the Prime Ministers' Office, where a system for interdepartmental coordination is put in place. Representatives from all 13 Ministries inside the Cabinet Offices meet and discuss the proceedings on the MFF Negotiations. In these departmental meetings, the Ministry for Enterprise and Innovation plays an outstanding role as the Ministry in charge of the CAP as well as the Cohesion Policy. Following a governmental reshuffle in 2019, the minister for EU Affairs was placed inside the Prime Minister's Office instead of the Ministry for Foreign Affairs which was previously the case. This move was widely seen as an effort to beef up the Swedish efforts ahead of Brexit as well as the MFF negotiations.⁶

The "Likeminded Group", which Sweden was a part of in the previous negotiations forms the core of its support also this time. It includes Austria, Denmark, Finland, France, Germany and the Netherlands. A major difference from the 2014-2020 negotiation is the exclusion of the United Kingdom. The UK's decision to withdraw from the European Union leaves Sweden in a completely different situation compared with the previous round of negotiations. Overall, the departure implies a significant loss of revenue for the EU budget as a whole. The amount of studies on the consequences are plentiful and the social, economic and political effects are simply insurmountable to digest in this thesis. When it comes to the 2021-2027 MFF negotiations, Darvas and Wolff (2018) have written about the impact of Brexit to the policy

⁶ The new Minister for EU Affairs is Hans Dahlgren, a career diplomat and former Cabinet Secretary inside the Foreign Ministry as well as in the Prime Minister's Office.

priorities inside the Union. For Sweden, the UK's withdrawal decision has forced Sweden to find new allies to put forward their beliefs in the negotiations.

A revival of the Hanseatic league has begun to take shape inside the EU-circle, ironically without the country of its origin. Finance Ministers from Sweden, its Scandinavian neighbors, the Baltic states, Ireland and its traditional fiscally prudent ally in the Netherlands officially formed the league following the release of a two-page document in February 2018 where their adherence to fiscal prudence was the main theme (Finnish Ministry of Finance, 2018)

However it appears that the Baltic member states may not be fully in the like-minded circle.

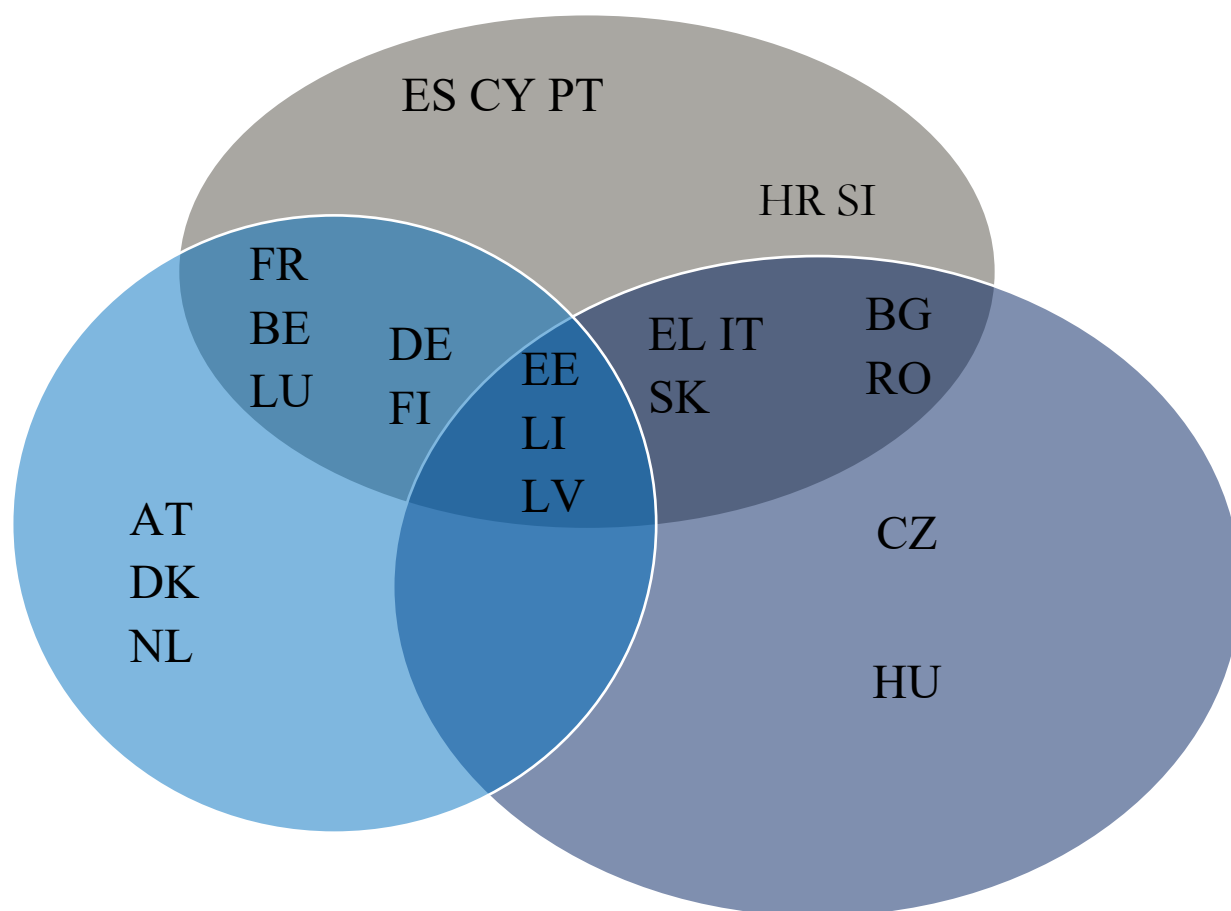
The Nordic countries are net contributors to the EU budget while the Baltic Member States are net recipients. This distinction does not only dictate does not only influence their overall strategies on financial decision-making, it also impacts their position on the overall budget.

While the Nordic states pledge an decrease in spending, the Baltic countries are open to a larger budget, testing the confidence in the Nordic-Baltic bond (Kuusik, 2018).

Table 1.2 Proximity to top Swedish priorities of EU Member States in the 2021-2027 MFF -negotiations.

Top priorities	Strongest likeminded	Strongest opposition	Other
Reduction of budget due to UK exit, total budget size should be 1% of the EU BNI	AT, CY, DK , FI, NL	BE, CZ, EE, EL, ES, FR , HR, HU , IT , LU , LV , PT , SI , SK	BG, DE, RO, EL, LT
Reduction in CAP and structural funds	AT, NL	BG, BE, CY, CZ, EE, EL , ES , FI, FR , HR , HU , IT , LT, LU, PT , RO, SI	SK, DK, DE, LV
Rule of Law- conditionality	AT, BE, BG, CY, DE , DK, EL, ES, FI , FR, LU, NL, PT	CZ, HU , RO	SK, EE, EL, IT, LV, LT, HR, SI
Migration- conditionality	AT, BE, CY, DE, DK, EL, ES, FI, FR, LU, NL, PT	BG, CZ, HU , IT, RO	SK, EE, LV, LT, HR, SI
Climate- mainstreaming 25% of the budget	AT, BE, CY, DE, DK, EL, ES, FI , FR , LU , NL , PT, SK	HU, RO, BG, LV, LT	EE, CZ, IT, HR, SI

Figure 1.3 Position proximity of Sweden in the 2021-2027 MFF -negotiations



5.3 Sweden and the key concepts

5.3.1 Function

The embassy reports in this study serve as an important source of information for the home government. It gives decision-makers in Stockholm the maneuverability of navigation when entering into tough negotiations. The reliance on the information from the embassies is based on their authenticity and first-hand information. Five main points of information were disentangled in the reports with regards to the 7th MFF negotiations; the priorities of the

member state in the MFF negotiations, the shift in priorities from the 2014-2020 negotiations, whether or not the current position is in jeopardy of changing due to national elections, the red lines for the countries as well as their view on the process ahead.

In order to give the home capital of Stockholm the necessary floor of leverage ahead of the negotiations, the embassies emphasized the priorities which were key to the host state.

Regarding the proposal from the Commission as a starting point of negotiations, a picture of varying preferences is painted. As an example, one embassy report stressed the domestic political divisions surrounding the CAP, where the federal system hindered the maneuverability of the government.⁷ The embassy reports also shed light on country specific priorities which are of minor significance to the overall negotiations but may have major importance in a bilateral setting. One non-like-minded country of Sweden had as one of their top priorities the to abandon of a nuclear power plant inside the country, arguing that;

“For us, it is of utmost priority to obtain EU-funds in order to tear down the old reactor...we are interested in listening to the priorities of the Swedish side on transitioning to a greener economy “

A second example of this was a Baltic Member State which opened the door of transferring cohesion funds to finance a TEN-T project as part of the Connecting European Facility (CEF).

“We stress the importance of the Connecting Europe Facility, in particular with regards to transport and the fast-speed railway program “Rail Baltica” ... and open for discussing the transfer of funds from the Cohesion policy to Connecting Europe Facility”

⁷ Confidentiality embassy report

Interestingly, the specific priorities all came from relatively small and new Member States. There are several possible explanations to this but two stand out in the embassy reporting. First, the spectrum of different priorities shrinks considerably depending on the size of your country. The relative importance of the financing for a major Rail-way project is greater in a smaller state than in a larger one. Second, there are no apparent drawbacks of submitting this type of information to a medium-size power like Sweden. This is without a doubt to the benefit of the Swedes who for the first time are pushing two conditionalities which cut through a very polarized east-west discourse. Paradoxically, the reports reflect a franker tone between the Swedish embassies in the non-like-minded countries of Sweden than the ones in closer proximity. The belief that the like-minded countries would appear to be completely open to share the specifics of their priorities is not reflected in the material available for this thesis.

A primary target of the information from the embassies focused on the domestic mandate on the MFF-negotiations. No embassies reported that the current position of the host state was in jeopardy of severely shifting due to upcoming national elections. The mandate from the member states appeared broad and solid when entering the crunch time of negotiations. As a medium-level official from a like-minded member state who was facing upcoming elections later in 2019 stated;

“It is highly unlikely that the election this spring would render a significant change in trajectory of our negotiating position, as these are well anchored in Parliament. There is broad unity around the 1,00%-expenditure goal.”

The embassies also helped provide insight into fundamentals inside the host state, including how the payments to the European Union were accounted for in the state budget. This piece

of information is of great interest for Sweden, which remains one of the most fiscally prudent countries in the negotiations. The most common way was to simply account the membership payment to the European Union as a separate post in the expenditure side. No country had explicit financial-political restrictions or rules, excluding the EU contribution to compete with national reform ambitions. The case of several Member States, the embassy reports reflected a shift in priorities from the fifth round of MFF negotiations. Some countries made embassies aware that they were soon moving towards being net recipients to net contributors in the budgetary process, ultimately making their priorities different in this round of negotiations compared to the next one, for example when it comes to the level of funding from the Cohesion Funds. A non-like-minded country stated that;

“We are aware that we will be net contributors to the budget in the next period (2028-2034) and this affects our line of thinking quite a bit.”

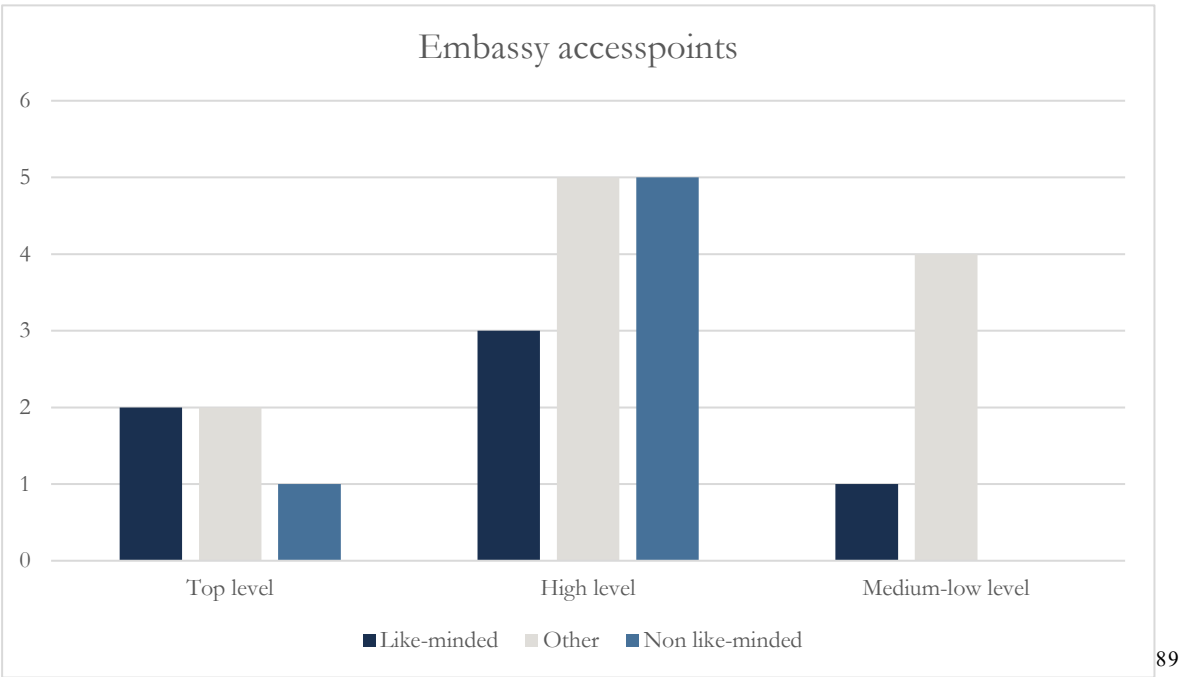
Finally, the reports contributed to painting a picture for what the road ahead may be for the negotiations. A reoccurring sentiment among a majority of the member states was that the Romanian Presidency of the Council during the first six months of 2019 did not provide any significant progress to the negotiations. A strict focus on the thematic approach from the chair provided a stalemate in which valuable time was lost, much to the disappointment of the upcoming Presidencies Finland and Croatia, the latter holding the chair for the very first time. Progress is expected to come about quickly during the upcoming year and the exercise of translating the “negotiation box” into numbers still remains a daunting task. A specific aspect which was handed to the Cabinet Offices was the ways in which the host state sees the negotiations going forward. A concurring view was that the Finnish Presidency is crucial in order to make up for lost time.

5.3.2 Access

Interaction between the Embassies and the Ministries in the host state existed on various levels, creating an alternative channel to the one through the permanent representation in Brussels. In all cases of the embassies, the most significant linkage for the embassies was with the home government, in particular with the Ministry of Foreign Affairs. This is probably explained by the fact that the diplomats are posted as part of their employment at the Swedish MFA which could tilt the lines of communication in favor of this Ministry rather than the Cabinet Offices of the Prime Minister. Reports from the embassies also display some divergence of entry points inside their host state. Whereas the primary connection was the Ministry for Foreign Affairs, the Ministry of Finance as well as the Office of the Executive remained two prevalent access points for the embassies.

Belonging to a natural geographic and ideological bloc of Scandinavian budget hawks, it is sometimes beneficiary to draw on each other's connections in the host state. The reports show two occasions where meetings with high-level officials of government with focus on the MFF negotiations came about through a round-table discussion with colleagues from embassies of the other Northern countries. Utilizing each other and the inner circles of the like-minded group to gain accessibility is one method the Scandinavians use to punch above their own weight in bilateral relations. Given that both examples were in non-likeminded countries of the group, it is reasonable to suggest that a meeting on a low to mid-level would otherwise have been the default option.

Figure 1.4 Access points of Swedish Embassies in their host states during the 2021-2027 MFF-negotiations



I made a quantitative analysis of the relation between like-mindedness and the level of accessibility as displayed in Figure 1.4. Two main conclusions can be drawn from this analysis. First, regardless of position proximity to Sweden, most embassies enjoyed connections on a high-level with government officials in their host country. Accessibility

⁸ *Top level*; secretary-general, permanent secretary, state secretary, (civil servant), director-general or assistant secretary, Advisor to the PM/President, Chief Policy Director.

High level; deputy director-general, ambassador at large, conseiller du cabinet, head of division

Medium-low level; deputy director, head of division, deputy head of division, (senior) desk officer.

⁹ **Like-minded**: Austria, the Netherlands, Denmark, Germany, France and Finland. **Non-likeminded**: Hungary, Czech Republic, Romania, Greece, Bulgaria, Italy. **Other**: Estonia, Latvia, Lithuania, Spain, Cyprus, Luxemburg, Belgium, Croatia, Slovakia, Slovenia, Portugal.

being one token of respect and the diplomatic conditions inside the European Union for Sweden, which appear to be solid at this point in time.

Second, there was a tendency to a higher top level accessibility in like-minded countries. Top level access-points were noted for two out of the six like-minded countries (33%), but only for three out of 17 countries (18%). However, the difference is not statistically significant¹⁰, and no firm conclusion can be drawn based on the small numbers. This suggests that like-minded countries in negotiations enjoy relations on a higher official level. One would expect that the countries with similar priorities would be given the highest possible access. However, the difference is not great and from the standpoint of the like-minded Member State, there is simply not much to gain from granting Sweden time to discuss matters related to the negotiations with their top officials. With a solid vote to count on already in their corner, the mind-set of the host state is to devote their attention to Member States whose support might be crucial for their priorities. As an example, one embassy situated in a non-likeminded country gained access to the chief negotiator in the Prime Minister's Office, despite the fact that the two countries had enjoyed lukewarm bilateral relations and are miles apart in their respective positions on the MFF-negotiations. This indicates that there are not simply ideological or position proximity which determines the level of accessibility.

This analysis merely reflects the connection points as excerpted from the reports of the embassies. Diplomacy is an intricate exercise with numerous nodes of connections which include both formal and informal routes. The reports did not disclose the frequency of interactions between the embassy and the host state in MFF-related matters, which is arguably an important yet difficult thing to investigate. This thesis strictly focused on the relations

¹⁰ $p=0.57$ based on Fisher's exact test as described in Fisher, R. A. (1922) On the interpretation of χ^2 from contingency tables, and the calculation of P. Journal of the Royal Statistical Society. 85 (1): 87–94.

between embassies and their governmental relations. Embassies interact with and foster relations with several other actors in society such as civil groups, media outlets and non-governmental organizations. Contacts outside traditional bilateral diplomacy provide opportunities and dynamics, some of which come to fruition in negotiations on the EU level.

5.3.3 Presence

Little evidence was found for the third aspect of the key concept, the *presence* of the embassies in their host states. Except for the information gathering and accessibility, there are no signs in this study that efforts have been made to utilize the embassies in a way of knights, carrying the message and influencing the decision-making in the host state. In many small countries, however, the EU-related matters were exemptions, compared to traditional bilateral matters.

A clear trend inside embassies of Member States of the European Union overall is an increased number of attachés from different ministries in charge of issues such as agriculture, culture, finance and defense. This creates a “mini-permanent representation” inside every Embassy, with the French foreign service as the clearest example (Uilenreef, 2017). Sweden does not have the same level of resources as larger EU Member States which prevents it from restructuring the embassies in this fashion. Previous studies have stressed the strong administrative interconnectedness between representations within the EU and the ministries in their home capital since many of these diplomats are sent directly from their home ministry (Uilenreef, 2013). This lack of diversity when it comes to access points may inhibit a country like Sweden to properly conduct any significant efforts of actuating campaigns.

If the embassies were to serve as influencers of the chief negotiator in Stockholm, would this evidence be present in the embassy reports subject of investigation in this thesis? The

question has to do with the quality of the material examined and the possible explanation may be twofold. First, the embassies generally report their activities back to the Ministry for Foreign affairs on a regular basis. These reports can be cover broad developments in the host state as well as specifics, such as in the case of the MFF negotiations. A second explanation could be that there is a lack of mandate on behalf of the home government. Even though the embassy would have the capacity to do so, it still serves under the Ministry for Foreign Affairs and is subject to political considerations and demands. A lack of desire from the home capital of Stockholm could be the case. Even though the government wants to use the resources available to its disposal to put forward the messaging on its positions, it could also lead to a scattered front towards other Member States. To not forego the possible bilateral contacts taken directly with Member States, a rigid approach appears to be the way, under the mantra of “too many cooks spoil the broth”.

Another plausible explanation to the absence of influence of the embassies inside the negotiations could come down to a lack of expertise inside the embassy. Unlike the interdepartmental group in Stockholm which gathers experts on the MFF from each Ministry, the embassies sometimes consist only of a handful of career diplomats without necessarily a background in economics, for example. This lack of expertise is a factor which inhibits the embassies to fully carrying out the role as “influencers” regarding the MFF. Despite having business promotion activities as an integral part inside the embassies, the work is conducted in an arena far away from policy persuasion.

However, the fact that there was little evidence suggesting that embassies influence their host states in the MFF negotiations does not mean that this is ruled out. There are plenty of other ways of communicating and exerting influence which is not captured by the limited information available for this thesis. There are several reasons for this, primarily two. First,

embassies occasionally act as independent agents, separate from their mothership at the Foreign Ministry. This implies an insufficient information flow and understanding from the capital of what the embassies do. Second, in the age of digitalization, there are a number of new ways to assert influence through “digital diplomacy”. The level of data and access points are plentiful, making it very difficult to keep track of.

5.4 Practical implications and policy prescriptions going forward

This study contributes to the literature on the European Union policy-making process in multiple ways. First, it gives a concrete case of where no attempt has been made to systematically assess how a relatively small member state like Sweden utilizes its embassies in order to punch above its own weight in the policy-making process. Second, it gives important insight to the impact a shift in policy priorities of a small country like Sweden has for the ability of its embassies to foster connections inside their host states.

A common discourse inside the field of diplomacy ever since the fall of the Berlin Wall is that multilateral organizations or intergovernmental such as the European Union have had a significant increase in power and influence, much to the expense of traditional bilateral diplomacy. In a world where multilateral governance and diplomacy appears ever the more indispensable, what room is left for bilateral embassies? The findings in this thesis gives a two-fold answer. First, the case of Sweden indicates that bilateral embassies still play a significant role for regarding the input to negotiations. Information straight from the source of power remains a valuable contribution of diplomatic missions. Second, there is maneuverability on behalf of governments to enhance their utilization of embassies. In the example of Sweden, the untapped potential of applying embassies to influencing campaigns suggest that this is rather done from a central node in the government or in spheres outside the scope of this thesis.

A central aspect of the 2021-2027 MFF negotiations for Sweden is the shift in policy priorities. The strong proposition of two new conditionalities creates a rift between Sweden and its non-likeminded which was not the case in the negotiations six years ago. In the wake of the global financial recession and subsequent Eurozone crisis, three macroeconomic conditionalities were proposed and implemented. Sweden championed these proposals and has stayed on that course since. Fiscal responsibility remains a key priority of Sweden in these negotiations as well but in addition, the conditionalities on migration and rule of law has been pushed as non-negotiable features on behalf of the Swedish side. From a Swedish standpoint, the “courtesy vetoing” of its non-like-minded states, primarily Poland and Hungary, on article 7 proceedings have made the country look elsewhere in the EU policy-making toolbox to accomplish real change. The proximity in position to the two policy conditionality proposals has been a focal point in the information sent from the embassies to the home government in Stockholm.

A next step for future studies is to investigate whether the new priorities have made the task of the embassies more difficult with regards to their access or influence. Only limited evidence can be drawn on this subject based on the findings in this thesis. What can be concluded is that the imposition of the two conditionalities have created a significant rift with the non-likeminded countries of Sweden, to a larger extent than has been the case with other policy priorities. This can be attributed to the explosive subject matter at hand. Proposals to significantly reduce the Common Agricultural Policy or Cohesion Funds simply do not carry the same level of weight as seeming to interfere in the internal matters of another Member State. Which sustainable effects these proposals have for the bilateral relations between Sweden and Poland as well as Hungary in the long term are too early to draw but there are notable examples in the open which suggests that the level of tone has already been shifting to a more confrontative one (The Local, 2019; a&b)

In this thesis, empirical evidence put forward through the studying of embassy reporting helps to shape a unique insight into what signifies bilateral diplomacy inside the European Union. Future studies have to assert if it is fruitful to see this as a development inside the entire Union or not.

6. Conclusions

This study focused specifically on the part bilateral embassies play inside EU-negotiations and their importance in a world of *multiple bilateralism*, a notion stressed among practitioners and scholars alike. In the case of Sweden, the contribution of its European embassies to the 2021-2027 MFF negotiations was evident in several respects.

The utilization of the embassies as a tool for information gathering and network establishment, rather than as a means of influence is one takeaway from this thesis. It sheds a light on an untapped capacity when using embassies as a tool for influence in EU-negotiations. Serving as a direct connection to ministries and networks in their host states, the embassies have the potential to be missionaries of the negotiations, something which was not the case for Sweden in the 2021-2027 MFF negotiations.

An important aspect of the work of embassies is reporting, shows that they first and foremost serve the purpose of providing information and access to the member state. The fact that the embassies do not put forward lobbying or influencing attempts in their reports renders interesting conclusions for future studies. Certainly, investigating the efforts of embassies in a multilateral world is sneery task and possible efforts to assert influence a particularly difficult task. As esteemed French diplomat Talleyrand once said; “A diplomat who says “yes means “maybe”, a diplomat who says “maybe means “no” and a diplomat who says “no” is no diplomat”.

European integration is one factor which influences bilateral diplomacy between Member States of the European Union. No significant demotion of accessibility was shown in the results depending on the proximity in position of the host country to the Swedish ones. This probably reflected a frank and open discussion on the issues at hand, opening up whether or not this distance in position actually fosters diplomatic relations instead of hurting them.

The impact of Brexit means that Swedish positions are not as guarded by the UK anymore, and has led to a shift in the alliances. When analyzing the Swedish contacts with other EU nations, a modern Hanseatic League appears to take form, despite being not as holistic as the like-minded group Sweden enjoyed during the negotiations six years ago. Alliances aside, the withdrawal of the UK from the European Union also have significant implications of the Swedish priorities. Having previously been part of a group championing fiscal responsibility and budget conditionalities, Sweden now struggles to sustain the status quo. The fiscal conditionalities are by no means a top agenda point for Sweden in this round of negotiations and the country has shifted focus towards conditionalities on migration and the rule of law, creating new networks of influence in an effort to gain broader appeal. In an abundance of studies on the ramifications of Brexit, this thesis provides an early insight into a concrete example of its effects in a substantial round of negotiations within the Union.

The **functionary** aspect of the embassies as a source of unbiased and trustful information was found as the main value from the Ministry at home. The qualitative evidence put forward in this thesis suggests that the added value of embassies in the context of EU-negotiations is to deliver sound information on the positioning as well as giving indications of possible “red lines” with the other negotiating parties, providing situational awareness. The fact that the emphasis of the Embassies was to deliver information to the Ministry back home renders important lessons which are useful when analyzing other negotiations. Unlike previous

studies who have found that there has been a re-gearing towards the Permanent Representatives of the European Union as a source of information, the embassies still serve as a significant source of information.

Accessing the circle of decision-makers in the host states is another key component where the embassies may prove valuable by not only passing on information but clearly identifying the relevant negotiating parties and help establish networks of contacts inside the host state. Interestingly, the study found evidence which supports the notion that the embassies can provide important conclusions about the networks of the host states which is then passed on to Stockholm. Some support for a divergence between like-minded and non-like-minded member states when it came to accessibility was found but differences were not substantial. The case study of Sweden regarding multiple bilateralism during the MFF negotiations presented here shows that the Sweden utilized a network of bilateral relations in order to coordinate its coalition-building efforts. Through their nodes of access, the embassies managed to give a clearer view of the perspective from the host state capital than their negotiators in Brussels, going directly to the source of their mandate. Accessibility is not only a source for dialogue and exchanges of views, it remains a marquee for influence according to the “rules of diplomacy”.

There has been significant research conducted on the fact that embassies do not manage to fully conduct the communication of the mother state due to limited resources and other deficiencies. This study falls in line with the conclusions that these resources are not adequately deployed in the case of Sweden. It is possible that embassies will employ a role which to a larger extent expands as a policy entrepreneur in their home countries in the future, with the rise of directly posted diplomats from respective ministries inside the home government. However, this level of **presence** was not something this thesis gave support for.

There were several areas of activity for embassies outside the scope of this thesis. The specific role of representatives from ministries in areas such as trade, culture and military play important roles outside the realm of negotiations over EU-related matters when it comes to facilitating trade promotion, consular assistance as well as nation-branding of the country. A devotion of interest in the role of bilateralism within the process of European integration - whether it is called multiple bilateralism, embedded bilateralism or intra-EU diplomacy - will hopefully lead to further theoretical and empirical studies. Fruitful results could be generated by specifically dissecting the ways in which European integration is encapsulated in bilateral relations. The most prominent example to date has been the Franco-German bond which has been a focal point of many studies, but important lessons can be drawn from other negotiations involving different symmetries in the European sphere. This would give valuable insight into the coalition-building during negotiations as well as the formal and social networks inside the EU-28. Future studies may also have an opportunity to account for the frequency of interaction between embassies and their host states as well as with their capital and the permanent representation in Brussels.

The contact with other capitals and through embassies can be active during the negotiating process and Sweden enjoyed generally good accessibility to policy and decision-makers inside the host countries of where the embassies were situated. The embassies certainly provide valuable input ahead of the negotiations and something to build upon when interacting with other member states. However, this thesis did not investigate the potential output from the embassy reports which the home capital of Stockholm could generate. These potential gains will have to be subject of future studies which further explore which emphasis is given to the input of the embassies to their home capitals into the negotiations inside the European Union.

This thesis brings exploratory evidence on the part bilateral embassies play in the European Union for diplomatic networks as well as in the policy arena during a time in which the EU faces some mounting challenges. Addressing the effects of global warming, enhanced security threats inside Europe and at the external borders, providing a robust and competitive economy and deal with the immediate consequence of the withdrawal of the United Kingdom from the European Union are all crucial problems to tackle. This means that a long-term budget must be committed to allocating funds to fulfill these priorities, much like an embassy in relation to its home state capital.

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8. Appendix

Appendix I. Embassy reports on the Multiannual Financial Framework 2021-2027

Document type	Document name
Embassy report: Austria	”Österrikes ståndpunkter avseende EU:s fleråriga budgetramverk (MFF)”
Embassy report: Belgium	”Belgien om förhandlingarna om EU:s fleråriga budgetram (MFF)”
Embassy report: Bulgaria	”Bulgarien om MFF”
Embassy report: Cyprus	”Cypern om förhandlingarna av EU:s fleråriga budgetram (MFF)”
Embassy report: Czech Republic	”Tjeckien om EU:s fleråriga budgetram (MFF) – svar på beställning i D-post: SB/2019-03-05/1051”
Embassy report: Denmark	”Danmark och förhandlingarna om EU:s fleråriga budgetram (MFF)”
Embassy report: Germany	”Tyskland om förhandlingarna om EU:s fleråriga budgetram (MFF)”
Embassy report: Estonia	”Estland om EU:s fleråriga budgetram (MFF) 2021-2027”
Embassy report: Greece	”Grekland om EU:s fleråriga budgetram (MFF)”
Embassy report: Spain	”Spanien om förhandlingarna om EU:s fleråriga budgetram 2021-2027”
Embassy report: Finland	”Finland och förhandlingarna kring EU:s långsiktiga budgetram”
Embassy report: France	”Frankrike om MFF: svar på beställning från SB”

Embassy report: Croatia	”Kroatien om EU:s långsiktiga budgetram.”
Embassy report: Hungary	”Ungern om EU:s mångåriga budgetram (MFF) 2021-2027”
Embassy report: Italy	”Farnesia om EU:s fleråriga budgetram”
Embassy report: Latvia	”Lettland om EU:s fleråriga budgetram 2021-2027”
Embassy report: Lithuania	”Litauen om förhandlingarna av EU:s fleråriga budgetram (MFF) 2021-2027”
Embassy report: Luxemburg	”Luxemburg om förhandlingarna om EU:s fleråriga budgetram (MFF)”
Embassy report: Netherlands	”Nederländerna om MFF: svar på beställning från SB”
Embassy report: Portugal	”Portugal om förhandlingarna om EU:s fleråriga budgetram (MFF)”
Embassy report: Romania	”RO om förhandlingar om EU:s fleråriga budgetram (MFF)”
Embassy report: Slovenia	”Beställningssvar – Sloveniens ståndpunkter avseende EU:s fleråriga budgetramverk (MFF)”
Embassy report: Slovakia	”Beställningssvar Slovakien ståndpunkter avseende EU:s fleråriga budgetramverk (MFF)”

Appendix II. Access points of 23 Swedish embassies with regards to the 2021-2027 MFF negotiations

Level of access	other	Like-minded	Not like-minded
Top	Responsible for MFF (prime minister's office and ministry of finance) (EE), Assistant minister in Ministry of Finance (HR)	DE, Chief policy director for MFF (MFA) EU-advisor for PM as well as MFF-chief coordinator at PM office (NL).	Deputy Minister of Finance (BG)
High	BE Cheif of economic affairs in the MFF team (prime ministers office) (ES), Talks with responsible players inside the MFA, OM Office and Ministry for Finance. Director-general for international	Advisor inside the Federal Chancellery (AT) Finnish equivalent to PM office (FI) EU-coordination office (SGAE) (FR)	The office of the Prime minister and Ministry of Finance (CZ) Swedish-Finish circle with responsible actors inside the MFA and ministry for Finance (EL) Deputy director General for MFF-

	<p>cooperation inside Ministry for finance (LT)</p> <p>Director-general at Ministry for Finance and EU-director inside MFA (LU)</p> <p>Director-general for EU Budget at Ministry of Finance and CRP II chief at MFA (LV)</p>		<p>matters (EU- secretariat, PM- office) (HU).</p> <p>Director General responsible for MFF and GAC at MFA (RO).</p> <p>Talks with responsible players inside the MFA with group of member states (IT)</p>
Medium-low	<p>CY, members of the MFA</p> <p>PT, Deputy director Ministry for Finance and MFA</p> <p>SI: Ministry for Finance and MFA</p> <p>SK: Deputy director Ministry for Finance and MFA</p>	DK, Ministry of Finance	

