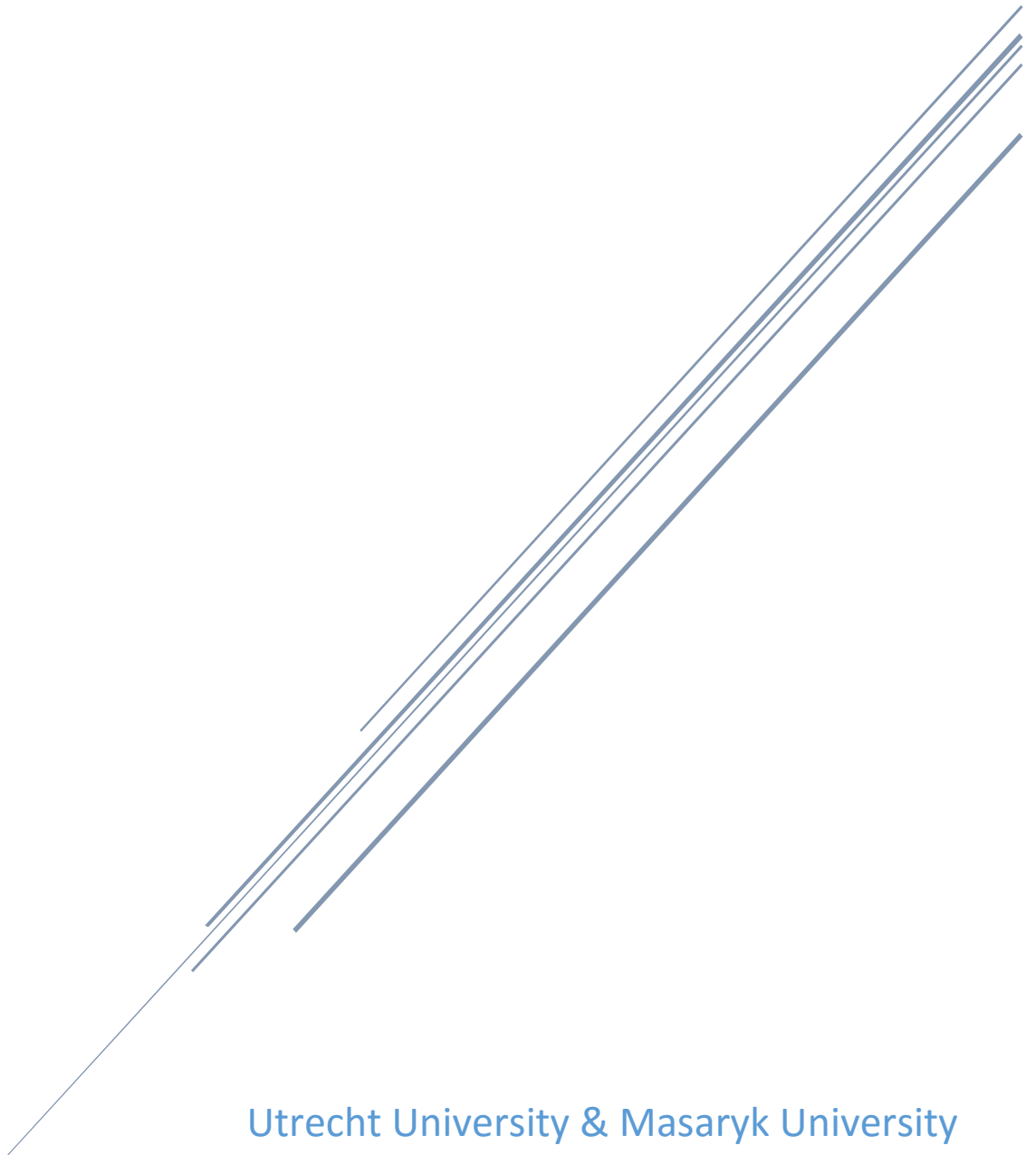


Negotiating the European Multiannual Financial Framework

An assessment of Germany and Poland
in the light of Two Level Games



Utrecht University & Masaryk University
European Governance
Master thesis - Hanneke Pors



Utrecht University



MASARYKOVA
UNIVERZITA

Negotiating the European Multiannual Financial Framework

An assessment of Germany and Poland in the light of Two Level Games

Berlin, July 2018

Name:	Hanna Petronella (Hanneke) Pors
Student number UU:	3933172
Učo MU:	455366
First supervisor:	Mr. dr. A. van den Brink, Utrecht University
Second supervisor:	Mgr. V. Hodulák, Ph.D., Masaryk University
Internship organization:	Embassy of the Kingdom of the Netherlands in Berlin

Preface

In front of you lays the research conducted by Hanna Pors, which is the final step towards finishing the double-degree Master's Program European Governance at Utrecht University, the Netherlands and Masaryk University Brno, Czech Republic. During the last semester of this master, I combined writing my thesis with an internship. As graduate student & intern I worked at the Embassy of the Kingdom of the Netherlands in Berlin, Germany. My dossiers at the economic department covered mainly the German energy transition and the European Economic and Monetary Union (EMU). Especially this latter dossier has my interest, while I am fascinated by the European Union, its politics and mainly the negotiations on EU competences. Getting to know more about this within an embassy in one of the EU's most influential countries, was an extraordinary chance. I decided to write my thesis on the Multiannual Financial Framework (MFF), because these negotiations just started again and these are one of the biggest negotiations within the EU. Furthermore, the negotiations are rather about competences and priorities of the EU than about the economic division of money – which will also be explained later on in this thesis.

Acknowledgements

Before starting off with the content of the thesis, I would like to thank several people for their support on the way towards this final thesis. Firstly I thank my supervisors of both universities, Mr. Dr. A. van den Brink of Utrecht University and Mgr. V. Hodulák Ph.D. of Masaryk University for their role during the process of my thesis. I also want to thank my colleagues and fellow interns at the Embassy of the Kingdom of the Netherlands in Berlin, who helped me through the process, both by means of mental support and useful input for the content of my thesis. Special thanks to Ms. Jansen and Dr. Biessen, who supervised my internship and provided me with knowledge on the MFF and its negotiations. I also want to thank my respondents, Dr. Becker, Mr. Núñez-Ferrer, Mr. Ossowski, Mr. Zuleeg and my anonymous respondent. Furthermore I want to thank my boyfriend, family, friends and fellow students for their support during the last semester, but also during the whole master's program. To every one of you, I would like to say: many thanks for sharing you knowledge, ideas and opinion. Thanks also for listening, for brainstorming, for reading, for everything you contributed to making it to this final version of my thesis. Thank you so much!

Berlin, July 2018
Hanna Pors

Executive summary

Every seven years the European Union decides on a new Multiannual Financial Framework (MFF), which determines the contribution of Member States to the EU budget as a percentage of GNI and it decides on the spending priorities of the EU. For this spending, specific categories decide to what and how much the EU can allocate funding. The research examines the negotiations on this MFF for the framework 2014-2020, in the light of Two-Level Games. This theory argues that international negotiations and domestic politics are strongly entangled and due to this, an international agreement only ends in the way it does, because of the entangled influence. Two-Level Games distinguish two levels: Level I is the international bargaining which leads to a tentative agreement, Level II is the domestic constituency which has to ratify the final agreement. This research thus analyses the MFF 2014-2020 negotiations in light of this theory and specifically focuses on the cases of Germany and Poland, because Germany is net contributor and Poland net beneficiary of the budget. The findings how this theory can explain the positions and strategies of both countries in these negotiations, are then used to formulate expectations on the negotiations of the MFF 2021-2027, which will start this summer.

The operationalization of Two-Level Games is done based on the win-set of negotiating parties, which defines the range of agreements that would be acceptable for that party. It includes an maximum – an ideal agreement, and a minimum – the least best agreement that would be accepted. The research defines three determinants for these win-set: domestic preferences, coalitions and powers; domestic institutions; and international negotiator's preferences and strategies. The research is conducted in a qualitative design, in which documents are analyzed and interviews are conducted. For documents a selection was made out of documents on the EU level (Commission and Council), national level (government's and parliament's positions and parliamentary debates) and newspaper articles. The respondents for the interviews were experts employed at think tanks, diplomats and the German chief negotiator of the MFF.

The results of the research made clear that during the MFF 2014-2020 negotiations, Germany's position at the international table aimed at keeping the EU together and striking a deal on the MFF. They also wanted several funding reforms, new priorities and a limited increase of the EU budget. Regarding the German domestic level, the coalition parties in the parliament backed the government's position. The opposition parties sometimes tried to oppose the government, but that was not successful and the influence of parliament was thus limited.

Analyzing the MFF 2014-2020 negotiations of Poland, it became clear that at the international table they mainly pushed to get more CAP and Cohesion funding. As change they accepted all other aspects of the MFF, which was successful. The national parliament of Poland, the domestic level, did not take a separate position on the negotiations; they shared the government's position. At a certain moment however, one party called for a veto on the MFF agreement if it was not favorable enough. Although this call was voted down, shortly after that the international negotiators agreed on more CAP and Cohesion funding for Poland.

Based on the findings, it became clear that it is hard to define win-sets of Germany and Poland. Firstly because the international negotiations are taking place behind closed doors and thus remain a black box. Secondly because the impact of the domestic parliaments appeared to be really limited; the position of the government was not changed due to influence of the parliament. A third reason is that the maximum is hard to define. It could be the initial position of a government, but it is also possible that they do not take that position, because it is not feasible anyway. The fourth reason is that also the minimum of the win-set is hard to define, because in the end the MFF ended with an agreement. In order to be sure about a minimum, no agreement should be reached or it should be vetoed.

Some elements of the win-set, however, are known. These are for example the preferences (albeit to a various extent per country), the coalitions and powers of Level II. Furthermore, it is also known that both the initial position and the final outcome are part of the win-set. And it is known that the final outcome is in everyone's win-set.

These results led to the conclusion that Two-Level Games can not completely explain the negotiation positions and strategies of Germany and Poland for the MFF 2014-2020, but that some elements of Two-Level Games can be identified.

For the second part of the research question, formulating expectations for the negotiations on the MFF 2021-2027, it was thus not possible to use outcomes of Two-Level Game patterns or clarifications. However, based on interviews and certain documents, expectations could be defined. Germany is likely to again aim at striking a deal, with preferably reforms, new priorities and only a limited increase of the budget. Poland will again put pressure on receiving CAP and Cohesion funding and they will oppose the proposed criterion to make conformation to the rule of law a condition for funding. The domestic levels of both countries are also this time not expected to influence the negotiations significantly.

Based on this conclusion it became clear that the current Two-Level Game theory is not optimal for analyzing European negotiations. The reason is that in the EU Member States political systems, government and national parliaments are not likely to oppose each other. Since the theory is based on the American system, it assumes this opposed position at the domestic level and debates on that. In order to make the theory suitable for analyzing EU negotiations, it is suggested that it would be better to analyze strong domestic regions (like German *Länder*), public opinion, interest groups et cetera instead of the national parliament, as domestic actors. Furthermore it is argued that this limitation of the theory is in general applicable to EU negotiations, while ratification of EU regulations is always subject to these national political systems.

Furthermore it is argued that more transparency at Level I could make analyzing MFF and EU negotiations, based on this theory, easier, because it would give more insight in the negotiator's preferences and strategies. More transparency also contributes to the accountability and legitimacy of EU negotiations. This latter principle is argued as the main societal relevance of this research. With three main actors in this research: the negotiator, the government and the parliament, the latter one should be the one representing citizens. However, due to limited power of the national parliament in these negotiations, the representation of citizens is also limited.

1. Table of contents

Preface	2
Acknowledgements.....	2
Executive summary	3
1. Table of contents	5
2. Introduction	7
2.1 Aim of the research.....	8
2.2 Relevance of the research.....	8
2.3 Research Question	8
2.4 Reader’s guide.....	9
3. Thesis topic	10
3.1 The Multiannual Financial Framework (MFF)	10
3.2 Former Research	11
3.2.1 Research on the Two-Level Game theory.....	11
3.2.2 Research on the MFF	12
3.3 Gaps in existing research	14
4. Theoretical framework.....	16
4.1 Theoretical framework.....	16
4.1.1 Two-Level Games	16
4.1.2 Win-sets	17
4.2 Suitability for this thesis.....	20
4.3 Key concepts	20
5. Methods	23
5.1 Case Selection	23
5.2 Research.....	23
5.2.1 Document analysis	24
5.2.2 Interviews.....	24
5.2.3 Coding	24
5.3 Validity and Reliability.....	25
6. Results	26
6.1 MFF 2014-2020	26
6.1.1 EU proposal 2014-2020.....	26
6.1.2 Germany.....	27
6.1.3 Poland	30

6.2 MFF 2021-2027	33
6.2.1 EU wide	33
6.2.2 Germany.....	35
6.2.3 Poland	38
7. Conclusion.....	41
7.1 Findings	41
7.2 Generalization	44
8. Bibliography	48
9. Appendix	54
9.1 Documents	54
9.2 Respondents	55
9.3 Interview topics.....	56
9.4 Coding	56
9.5 Summaries interviews.....	57
9.5.1 Interview CEPS	57
9.5.2 Interview SWP.....	58
9.5.3 Interview EPC.....	60
9.5.4 Interview Polish Institute	62
9.5.5 Meeting with Mr. Ossowski	63

2. Introduction

The European Union is organized on both intergovernmental and supranational principles. This means that some powers in the European Union are with Member States, while other powers are transferred to EU level. This principle of competences forms the basis of the EU's legislative power and is called: the conferral of powers (Article 5, TEU; Article 2-6 TFEU). This means that primarily all powers are with the Member States and that Member States have to decide in EU Treaties whether or not certain competences are transferred to the European level. The discussion on transferring powers to the European level, is about economic considerations and political discussions. How much power should be transferred to the EU depends on what role the EU should play, according to someone's ideas, beliefs and rational thinking. This makes clear that people who prefer a supranational Europe or even a federal states of the EU, would advocate for more power transfers. On the other hand, people who only want the EU as an international organization will try to keep as much power as possible at the domestic level, and possibly even try to transfer certain powers back from the EU to the national level. What powers the EU has and gets, is about how the EU and its optimal functioning is perceived. These perceptions are subject to debates and negotiations, which results in a decision on the role of the EU.

One of the topics which is also centered around this competence debate, is the financial power of the EU. How much money the EU needs to have, is related to the powers and position they have or ideally should have and that is again related to the political and economic debate. Thus, the negotiations on the EU budget are related to the debate on the competences of the EU. This counts especially for the Multiannual Financial Framework (MFF), which is a financial element of the EU next to the system of own resources and the annual budget. This MFF and the negotiations in order to decide upon the MFF, is the central topic of this thesis. The MFF decides on the yearly contribution of Member States to the EU budget for a time range of seven years. Deciding on the budget and its sectoral allocation is an expression of priorities of the EU and is thus directly related to the question which competencies should be at the EU level. This causes that the negotiations on the MFF – the yearly contribution height and its allocation – every time again takes about two years before an agreement is reached. The negotiations start with quite diverse positions of all Member States and in the end an agreement is reached, which all Member States should support. In order to get some more insight in the negotiations and the changes in positions, this research takes Two Level Games (Putnam, 1988) as theoretical framework. This game takes place in a bargaining situation where national leaders are involved in two negotiations simultaneously: the international negotiation (Level I), wherein the leader seeks to reach agreement with other international actors; and a domestic negotiation (Level II), in which the national leader must persuade his domestic constituency to accept (ratify) the Level I agreement. For negotiations, the problem is that rational moves in the Level I game may prove impolitic at Level II, or vice versa. Thus, according to Putnam's theory, both 'games' are about the same topic and are influencing each other, since the final agreement has to be made internationally, but also has to be ratified domestically. This theory seems to be able to explain the MFF negotiations, because the agreement has to be ratified domestically, but also because the MFF agreement is crucial for both the EU and Member States. For the domestic level the outcome of the agreement is important because the Member States directly experience the consequences: it affects their financial contribution and EU powers affects their sovereignty. For the international level the agreement is crucial because it determines what the EU can do the coming seven years, both financially and on priorities. Thus, both levels have reasons to influence the outcome. Therefore, Two Level Games seems to be a suitable theory to analyze the MFF negotiations.

The next paragraphs of this chapter explain the aim and the relevance of the research, followed by defining the research question and subsequent sub-questions and finishes with a reader's guide for the chapters that follow.

2.1 Aim of the research

This thesis thus analyzes the MFF negotiations in the light of the Two-Level Game theory. The aim of this research is to see whether or not the theory is able to explain the MFF negotiations and to assess how the MFF agreement is adopted. Currently the MFF 2014-2020 is in force, but since a new framework is needed as of 2021 and negotiations takes two years, currently the negotiations are about to start. Last May the European Commission already tabled a proposal. This research focuses specifically on the cases of Germany and Poland in the MFF 2014-2020 negotiations: what were their initial points of view on what that MFF should look like? What agreement was in the end reached and what changes can thus be seen in the positions of these countries during the negotiations in order to reach an agreement? These changes are sought to be explained by the theory of Putnam (1988). Based on these results, this thesis provides expectations for the negotiations and the agreement on the MFF 2021-2027. With the start of the negotiation in the close future, this research provides an interesting outlook.

2.2 Relevance of the research

The relevance of this research for both academics and society is that the MFF is an important element for how the EU will spend its budget in the coming years. This debate and its outcome thus have a lot of impact on the actual setting of policy priorities, implementation of policies and the division of funding. These elements all influence people's lives and therefore the MFF has a big societal relevance.

Furthermore, the aspect of convincing domestic constituents and being accountable to citizens is an important element in the EU. It is often argued that the EU lacks democratic legitimacy. Part of this is being accountable, reliable and transparent to your citizens but also making sure that citizens are represented. Negotiations often start with a firm statement have a different outcome in the end, which have to be explained, especially if citizens were promised something else. Getting more insight in the MFF negotiations, could also provide additional knowledge on legitimacy in the MFF. Knowing the quality of legitimacy and aspects where it could be improved is relevant for society, because only if it's imperfection is known it can be changed.

Finally the relevance of this thesis is found in that it uses a theory which focuses on negotiations as entangled influence from international and domestic levels on the final agreement. This theory seems to be applicable on the MFF negotiations, because these negotiations are taking place on both levels and both levels do have an explicit interest in a favorable outcome. This research could show how the two levels are entangled in the case of the MFF negotiations, which then explains positions, strategies, pattern and the outcome of the negotiations.

2.3 Research Question

The theory used in this research is already shortly explained in the introduction and will be elaborated extensively in Chapter 4 "Theoretical Framework". In order to assess whether or not this theory can explain the MFF negotiations and adoption of the final MFF agreement for the German and Polish Member States, the following research question is defined:

"How can Two-Level Games explain (changes in) positions and strategy of Germany and Poland considering the MFF 2014-2020 and what can, based on these findings, be expected for the MFF 2021-2027?"

In order to answer this research question, there are several sub-questions that should be answered first. These sub-questions are the following:

- What was the initial proposal of the European Commission for the MFF 2014-2020?

Then for Germany:

- What was the initial point of view of Germany for the MFF 2014-2020?
- What was the final position of Germany for the MFF 2014-2020?
- What changes can be seen between these former two questions?
- Can Two Level Games explain these changes?

Then also the same questions for Poland:

- What was the initial point of view of Poland for the MFF 2014-2020?
- What was the final position of Poland for the MFF 2014-2020?
- What changes can be seen between these former two questions?
- Can Two Level Games explain these changes?

This thesis not only analyzes the negotiations of the MFF 2014-2020, but also wants to formulate some expectations for the negotiations and agreement on the MFF 2021-2027, based on the findings of analyzing the MFF 2014-2020. Therefore firstly the initial points of view for 2021-2027 are dealt with:

- What is the initial point of view of Germany for the MFF 2021-2027?
- What is the initial point of view of Poland for the MFF 2021-2027?

Then a big step is made, based on the findings of 2014-2020 and the thoughts of experts:

- What can be expected for the MFF 2021-2027 (based on the experience of the MFF 2014-2020) considering negotiations and outcome?
- How are Two Level Games expected to determine and explain the negotiations, outcome and the changes between initial points of view and the ratified outcome?

2.4 Reader's guide

In order to answer the research question, the content of this thesis is as follows. The next chapter gives a further introduction to the topic of this thesis: the MFF. It furthermore gives an overview on the research that is done before on both the MFF and Two-Level Games. The chapter concludes with identifying gaps in existing research, resulting in why this very research is a relevant addition to the literature. Chapter 4 then explains the Two-Level Game theory in more detail, focusing on the main elements of win-sets and strategies in negotiating. It furthermore explains the suitability of the theory for this research and operationalizes the key concepts of the theory in order to make researching these concepts in the selected cases possible. Chapter 5 deals with the methods of this research. It firstly elaborates the case selection, followed by explaining the research strategy which contains a document analysis and interviews. It also explains the codes used to analyze the documents and interviews. The next chapter presents the results of the research, categorized in the MFF 2014-2020 and the MFF 2021-2027. For both categories the German and Polish cases are presented respectively and related to the key concepts of the theory as defined in Chapter 4. This thesis ends with Chapter 7, which concludes the research and defines the answer on the research question. It also discusses this research, whether the outcomes can be generalized, the academic and societal relevance as well as suggestions for further research.

3. Thesis topic

The Multiannual Financial Framework (MFF) is one of the three financial elements of the European Union. This chapter briefly introduces the MFF, its goals, relevance, procedures and main elements. The second paragraph of this chapter elaborates on research that has been done in the field of the MFF and the theory used for this research. After summing up some of the most relevant researches and through that showing what is already known in this field, the third paragraph elaborates on the missing research and explains why this research fits into filling missing links.

3.1 The Multiannual Financial Framework (MFF)

Every seven years the EU Member States decide on a Multiannual Financial Framework (MFF). This framework decides on the annual contribution of Member States to the EU budget, as a percentage of the Gross National Income (GNI). About two years before the new MFF has to be enforced, the European Commission presents a proposal for the MFF. This proposal is the start of the negotiations, which means that all Member States decide on their position regarding the proposal, after which the negotiations start. When finally, after two years of negotiating, the Member States and the Commission reach an agreement, the Council adopts the MFF after they obtained consent from the European Parliament (European Commission, *no date-a*).

The current MFF is valid since 2014 and will terminate in 2020. This means that the new MFF will be decided for 2021-2027. In May 2018 the European Commission presented the budgetary plans, which can be seen as a starting point for the debate. The debate that follows, is expected to continue until the end of 2019 and maybe even until the first months of 2020. Deciding on the MFF is crucial for the EU: it firstly determines how much Member States will contribute to the EU annual budget and secondly it determines the specific division of the overall budget among different funds and specific budgets. The MFF can thus be seen as an expression of political priorities and as a budget planning tool (European Commission, *no date-a*).

The importance and necessity of the MFF lays in four elements. Firstly, agreeing on a multiannual framework makes it easier to adopt the specific annual EU budget. Secondly, the figures for a budget cycle that are decided upon, are based on political priorities. This means that the priorities are set for at least five years. Thirdly, when concrete budgets are decided upon for multiple years, Member States can monitor the EU's budgetary actions more precisely and therefore this multiannual framework ensures budgetary discipline due to its clear guidelines. Finally, the multiannual aspect assures that the EU finances are more predictable than when it is decided upon for a shorter time frame (Consilium, 2018).

The yearly contribution of Member States own resources to the EU budget is currently 1,03% of Gross National Income (GNI) (European Commission, 2018a). It is however important to make clear that the total yearly contributions as a percentage of GNI means that all Member States are relatively contributing the same, but that their net contribution differs. This depends firstly on the funding that Member States receives out of the EU budget, like cohesion and structural funds. Secondly, some countries receive a discount on their contribution due to for example disproportional incomes, resulting in high VAT remittance. Balancing payments and income, it becomes clear that some EU countries are net receivers: they receive more money funding than they pay as annual contribution. Other Member States are net contributors, which means that they are contributing more than receiving through funding. This results in unequal net contributions to the EU budget (Consilium, 2018).

The budget of the EU is currently 1087.1 billion euros. The budget is divided among five main categories and it is not unconditionally possible to move money from one budget category to another. The categories are:

- Competitiveness for growth and jobs: 13%;
- Global Europe: 6%;
- Security and citizenship: 2%;

- Administration: 6%;
- Economic, social and territorial cohesion: 34%;
- Sustainable growth: natural resources: 39%.

Figure 1 provides a clear overview of the different budgets and the more detailed allocations of these categories (European Commission, 2018a).



Figure 1: EU budget 2014-2020 in billion euro (source: European Commission, 2018a)

Next to the fact that it is not unconditionally possible to move money from one budget to another, there are so called budgetary ceilings and room for maneuver. These terms mean that there is a maximum allocation of annual budget altogether and per category, a so called ceiling. However, this ceiling is always a little below the maximum budget available. This is done in order to create some standby money, room for maneuver, in case of unforeseen costs (Consilium, 2018).

3.2 Former Research

The EU budget is a highly debated and researched topic, because it is controversial and different opinions, ideologies and perspectives lead to different perspectives on optimal enforcement of the EU budget. This also counts for the MFF, one of the three main financial elements of the EU, although way more research has been done on the EU budget in general than on the MFF specifically. The first paragraph provides an insight in the literature on the theory used and on the available MFF literature.

3.2.1 Research on the Two-Level Game theory

Considering the two-level game theory of Putnam (1988) a lot of research has been done, for example on managing multiple companies (Chai, Chen, Yang & Zhang, 2014), on agricultural policy reform in Uruguay (Paarlberg, 1997), the US Cuba policy (LeoGrande, 1998), the Kyoto Protocol (Lisowski, 2002), the Israeli-Palestinian debate (Shamir & Shikaki, 2005) and the

Treaty of Prüm, the EU and the management of threats in relation to the two-level game (Balzacq, 2006).

On a more European level Büchs (2008) wrote about the Open Method of Coordination as a two-level game. Furthermore on European Union issues, the endogenous domestic institutions and parliamentary oversight of the EU in relation to the Two-Level Game theory was researched by Pahre (1997). Also the agricultural policy reform was examined based on this theory, which was however expanded to a three level-game analysis (Patterson, 1997).

Furthermore of course a lot have research on the EU was conducted based on integration theories and on governance in general and multi-level governance specifically, also considering the EU budget. However, the Two-Level Game theory of Putnam (1988) has not yet been related that much to EU negotiations and not at all to the EU budget or MFF yet.

3.2.2 Research on the MFF

On the EU budget in general and the MFF specifically a lot of research has been done. This paragraph firstly mentions financial and economic research, then research on legitimacy and legality, followed by political discussions and finally research on tactics and theoretical perspectives.

Financial and economic aspects

Firstly, financial and economic aspects of the MFF and EU Budget are researched, for example on redistributive effects (Doménech, Maudes, & Varela, 2000) and EU taxes (Le Cacheux, 2010). In 2004 Cattoir made an assessment of the Tax Based EU own resources. He explained that the discussion on the MFF 2007-2013 revived the discussions on the issue of EU taxes. He presents some pros and cons of giving the EU taxing powers. He examined eight criteria to nine main candidates for EU taxation with the conclusion that there is no such thing as a perfect tax for the EU. The analysis highlights the fact that the choice between one or several EU taxes would critically depend on a political choice as to which criteria should be considered essential and which secondary (Cattoir, 2004).

Legitimacy and legality

Considering the legitimacy and legality of the EU budget and the MFF even more research has been done. Firstly on fiscal federalism (Begg, 2009; Von Hagen & Eichengreen, 1996), but also on deadlocks (Blankart & Kirchner, 2004), possible reforms (De la Fuente & Doménech, 2001; Enderlein, Lindner, Calvo-Gonzales & Ritter, 2006) and reshaping (Begg, 2000).

Furthermore the efficiency and cost-effectiveness of the MFF 2014-2020 was researched under the topic: Best European Value for Less Money (Kölling, 2012). This research shows the impact of the Eurozone crisis on the debates in and about the EU. It shows the conflictive nature of the ongoing negotiations, which however also show a common ground to work towards an EU budget that contributes to growth and employment in line with the Europe 2020 strategy. According to the author this common understanding is a major step in converting the budget into an instrument to overcome crisis and change the nature of the budget. The author analyses the conflictive topics and the negotiation positions and proposals, in order to show the current state of negotiation (Kölling, 2012).

Political discussions - priorities

On more political discussions of the MFF and the EU Budget, research has been done mainly on spending priorities and challenges. With regard to spending priorities Schild (2004) researched how to shift the EU's spending priorities for the MFF 2007-2013. It reflects on financial resources allocated in the budget to underpin the political commitments of the Lisbon Council in 2000, in which it was set as goal to transform the EU's economy to the most competitive knowledge based economy in the world. Schild (2004) argues that shifting financial priorities is about consensus democracy. He shows that the balance of power between net contributors and net receiver has shifted, due to new member states, which are

more net receivers. Furthermore he shows that the coalition of net contributors was very powerful and that competitiveness does not have a strong lobby inside the EU's decision-making process, due to the unpredictable distributive impact of the Lisbon-reforms. He mentions the importance of path dependency, meaning that changes in the budget are small. The two most relevant sources for changing spending priorities are changes in the policy environment and changes in Member States preferences (Schild, 2004).

In 2012 Kölling and Leal wrote about the current state of negotiations and the challenges for the MFF 2014-2020. The authors gave insights in the complex negotiations, by showing the main causes of dissension and the preferences of Member States which had to be solved in order to reach an agreement. They conclude that until then only incremental changes were accepted. Furthermore they see that the long-standing cleavages of the budget structure are prolonged. Finally they also conclude that the contribution is aimed to stay the same, but in order to finance Europe 2020, it means that spending has to be cut (Kölling & Leal, 2012).

In 2013 Richter argued that the EU was perhaps in its most difficult period since European integration, due to consequences of the 2008-2009 financial crisis. As response to these challenges, decisions and steps towards stronger fiscal discipline, safeguarding the Eurozone and introducing a Union-wide banking sector supervisor were proposed. With the extraordinary crisis came extraordinary reforms, however, considering the EU budget these reforms were not initiated. According to the author the long negotiations for MFF 2014-2020 show the contradiction between the unsolved budgetary problems and the rapidly changing environment. This is summarized in the title of his article: "An old construct fit for a changed EU?" (Richter, 2013).

Concerning the MFF 2021-2027 financial tools for European Defense cooperation are discussed by De La Brosse (2017) and Fiott (2016). Both argue that over the last years European Defense Cooperation has been discussed a lot, but little has been done, although the European Commission deployed some incentives to re-boost this cooperation (De La Brosse, 2017). A Preparatory Action was formulated which is a basis for an European Defense Research Program, which could be part of the MFF 2021-2027 (Fiott, 2016).

Furthermore, it is discussed what the role of citizens in research and innovation should be in the MFF 2021-2027 (Galiay, 2018). According to this paper the Commission's expert group advises how to maximize the impact of research and innovation and argues that European citizens should define the future for Europe. Citizens should be involved through co-design and co-creation in research and innovation. In relation to the MFF 2021-2027 it is suggested that this role of citizens needs changes in financing, which could assign citizens involvement a relevant topic in the MFF 2021-2027 negotiations (Galiay, 2018).

Considering the proposal of the European Commission for MFF 2021-2027 that was presented on May 2nd, 2018, Núñez-Ferrer and Gors (2018) argue that the proposal took a long time and was announced with a lot of fanfare, but that it only offered an old-fashioned budget in an old-fashioned presentation. The actual numbers look eerily similar to the MFF 2014-2020 and thus continuity seems to be the radical response (Núñez-Ferrer & Gors, 2018).

Political discussions - challenges

With regard to the political challenges of the EU Budget and the MFF, research is done on the impact of upcoming right-wing parties and right wing governments in relation to agreeing on MFF 2021-2027. Etzold and Tokarski (2015) specifically mention the example of the Finnish government. The authors however do not expect that Finland will cause big trouble in EU issues and integration. All together a lot of research has been done on populism and right-wing parties related to European Integration issues. Considering the fact that those parties often oppose further EU integration and in some cases want to transfer power back from the EU to the national level, it is not surprising that they are expected to increase the complexity of the negotiations on the MFF 2021-2027, especially since they are gaining more power at the negotiation tables.

One extremely important topic that may not be left out here, is the role of Brexit. The next MFF will not contain any financial contribution of the UK anymore, which is a big loss since the UK was a net contributor to the EU budget. A lot of research has been done on what the consequences of Brexit will be: financially, economically, socially and politically. Considering the effect of the Brexit on the MFF 2021-2027 Darvas and Wolff (2018a, 2018b, 2018c) wrote respectively about the hole in the MFF, the impact on principles and the spending priorities of the EU. Núñez-Ferrer and Rinaldi (2016) argued that the impact of Brexit on the EU budget is a non-catastrophic event, mainly because the UK was a very restrictive Member State with regard to the EU Budget.

Tactics and Perspectives

In 2010 Dür and Mateo did research on the Bargaining Power and Negotiation Tactics during the MFF 2007-2013 negotiations. They argue that in intergovernmental negotiations in the EU, large Member States are more likely to resort a hard bargaining strategy than less powerful Member States. This also counts for countries with a good alternative and to governments facing domestic constraints (Dür & Mateo, 2010).

Grochowska and Kosior (2016) 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 furthermore hardly expect any significant transformation in the structure of the EU spending in the coming years. On one hand, Member States recognize the importance of new funding priorities, but on the other hand they do not want to increase the budget. If this is combined, it is possible that the budget has to come from national budgets, which will in the longer term have a negative effect on the position and role of the EU in the world (Grochowska & Kosior, 2016).

Other perspectives used to view the MFF, have for example been the historical-institutionalist view (Ackrill & Kay, 2006) and the actor-centered institutionalism (Stenbæk and Jensen, 2016). This latter research was conducted shortly after the agreement on the MFF 2014-2020. Stenbæk and Jensen (2016) asked how the 2014-2020 agreement was reached. They applied the actor-centered institutionalism of Scharpf, which explains the concept of the joint-decision trap. The authors found that the outcome of the negotiations was made possible by compensating Member States that were worst affected by the policy changes. It also made clear that net contributors Germany and the UK were influential regarding the overall spending level. Furthermore the fiscal and economic crisis created a momentum for reducing expenditures. Member States that were against cutbacks could not avoid them (Stenbæk & Jensen, 2016).

3.3 Gaps in existing research

In the paragraph above it became clear that quite some research is done on the Two-Level Game theory and on the MFF, but not on the combination of these two. The MFF itself is researched mainly on financial, economic, legal and political discussions. Research on the negotiations is done, concluding that preferences remain differentiated (Grochowska & Kosior, 2016) and that long-standing cleavages are prolonged (Kölling & Leal, 2012). Furthermore only incremental changes are accepted (Kölling & Leal, 2012) and significant transformation in the structure of EU spending is not to be expected (Grochowska & Kosior, 2016). This has to do with the path dependency and power balance between net contributing and net receiving countries. Additionally changes are only likely if Member States change their preferences (Schild, 2004). Furthermore large Member States are more likely to have a harder bargaining strategy than less powerful Member States (Dür & Mateo, 2010).

Finally the research on reaching the MFF 2014-2020 agreement by Stenbæk and Jensen (2016) shows that net contributors were most influential and that the crisis created a momentum for reducing expenditures, even though certain Member States (mostly net

receivers) opposed this fiercely. This research thus analysis the negotiations of the last MFF agreement and the balance of power between Member States. However, this research does not look into the reciprocal influence of the international level and the domestic level, the main aspect of Two-Level Games. The question how the Two-Level Game as defined by Putnam (1988) can play a role in explaining the MFF negotiations and its outcome is not yet done and is considered a relevant addition to academic literature, both for knowledge on the theory as on the MFF negotiations.

4. Theoretical framework

This chapter explains the Two-Level Game theory of Putnam (1988) which forms the theoretical basis for this research. Firstly, the theory is explained and after that it is explained why this theory is suitable for this research. Finally this chapter will distillate key concepts out of the theory which will be used as operationalization for empirical investigation.

4.1 Theoretical framework

Domestic politics and international relations are often somehow entangled. It is however very interesting to know exactly how they are entangled and when they are entangled. This interrelatedness is especially interesting in diplomacy and international relations, reaching from organizations to federations. Robert D. Putnam (1988) defined this entangled interrelatedness as the logic of two-level games. Putnam asked himself how certain agreements became politically possible. His conclusion was that certain adopted policies would have had different outcomes in the absence of international negotiations, but that at the same time, the agreement was only possible because each participating government favored an international agreement over a domestic one. Therefore, Putnam (1988) concluded that international pressure is a necessary condition for some policy shifts and, additionally, that without domestic resonance the international forces would not have sufficed to reach an agreement. Thus, neither a purely international nor domestic analysis could explain the outcome. On one hand Putnam (1988) identified domestic causes and international effects, which he refers to as the "Second Image". On the other hand the author identified international causes and domestic effects, which he refers to as "Second Image Reversed". However, according to the author this still refers to an equilibrium instead of to an entangled position of domestic politics of several countries via an international negotiation. Therefore he argues that such general equilibrium cannot account for the simultaneous interaction of domestic and international forces. The author states that existing theories concerning "linking politics", "conflict behavior", "spillover", "bureaucratic politics", "structural factors", "state strength" and "state-centric" do not succeed to sufficiently explain the entanglement he witnessed in different negotiation agreements (Putnam, 1988).

4.1.1 Two-Level Games

Putnam (1988) conceives the politics of many international negotiations as a two-level game. This means that on the national level, domestic groups pursue their interests by pressuring the government to adopt favorable policies. Politicians try to seek power by constructing coalitions among those groups. On the international level, the national governments seek to maximize their own ability to satisfy domestic pressures and at the same time they try to minimize the adverse consequences of foreign development. In the case of independent, sovereign countries negotiating at the international level, both these games are crucial and cannot be ignored by the decision-makers.

This two-level game can thus be perceived as a metaphor of playing chess, however on two game boards simultaneously. The national political leader is playing on both game boards. One game is played at the international table and his opponents there are his foreign counterparts. At his side are diplomats and advisors. The other game board on which the national political leader is playing simultaneously is the domestic table, where he is playing with political parties, parliament, representatives of interest groups and political advisors. The difficulty of playing at both game boards is that certain moves are rational for a player at one board, but may be impolitic for that same player on the other board. However, there are some powerful incentives for consistency between the two games. Next to that, players on both boards will tolerate some differences in rhetoric between the two games.

4.1.2 Win-sets

In his theory Putnam (1988) assumes that each player on both game boards is a chief negotiator, which has no independent policy preferences, but simply seeks to achieve an agreement that is attractive to his constituents. In order to analyze the game better, Putnam (1988) splits the process into two stages:

1. Bargaining between the negotiators. This leads to a tentative agreement. Putnam calls this Level I;
2. Discussions in each group of constituents (separate from each other) about whether to ratify the agreement. Putnam calls this Level II.

Although this division in negotiation and ratification is useful, it is not correct to argue that these phases are taking place separately. In practice, Putnam argues (1988), it is likely that consultations and bargaining at Level II take place to hammer out an initial position for the Level I negotiation. On the other hand, the fact that ratification is needed will influence the bargaining at Level I. The negotiations turn out to be an iterative process, in which negotiators try out and probe possible agreements with their constituents. Furthermore, once a preliminary agreement at Level I is reached, Level II cannot amend this agreement without reopening the negotiations at Level I. In fact, any modification suggested by Level II to the Level I agreement is a rejection of the agreement.

This set of arrangements of Level I and II, enabled Putnam (1988) to define so-called "win-sets". A win-set for a Level II constituency is the set of all possible Level I agreements that would win, thus that would gain majority if voted up or down. These win-sets are crucial to understand the negotiations and agreements on Level I. Firstly, the larger a win-set for a Level II constituency, the more likely an agreement at Level I. This is the case while an agreement must fall within the Level II win-sets of all Level II constituencies. The larger the win-sets, the more likely they are to overlap. Secondly, win-sets are important considering the relative size to all Level II win-sets. The size of the win-set will affect the distribution of the joint gains from the international bargain. The larger the win-set, the more can be pushed by other Level I negotiators. On the other hand, having a really small win-set gives the possibility to argue that a certain agreement will never be accepted in the Level II constituency (Putnam, 1988).

Considering failed ratification there are two possibilities: voluntary or involuntary defection. Voluntary refers to rational egoists who renege in the absence of enforceable contracts. Involuntary defections mean that an agent is unable to deliver on a promise due to failed ratification. If players are expected to meet again, the temptation to defect a ratification will be reduced. Furthermore, there are often concerns about deliverability. The higher the chance of deliverability, the higher also the credibility of a commitment at Level I (Putnam, 1988).

The implication of win-set sizes are summarized in Figure 2, which represents a simple zero-sum game between X and Y.

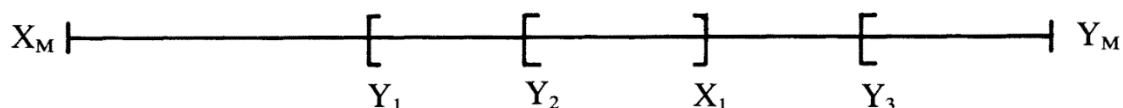


Figure 2: Effects of reducing win-set size (Putnam, 1988, p.441)

X_m and Y_m represent the maximum outcomes, while X_i and Y_i represent minimum outcomes that could be ratified. This means that any agreement in the range between X_i and Y_i will be ratified by both parties. This also means that the minimum of Y would be Y_2 , the feasible outcome would turn in Y's favor. When Y's minimum is however at Y_3 , the negotiations are in a deadlock, while the win-sets no longer overlap.

4.1.2.1 Determinants of win-sets

Putnam (1988) identified three sets of factors which affect win-set size. These are:

- Level II preferences and coalitions
- Level II institutions
- Level I negotiators' strategies

The first factor implies that the size of the win-set depends on the distribution of power, preferences and possible coalitions among Level II constituents. Some examples: the lower the cost of no-agreement for a constituency, the smaller the win-set will be. This also means that different costs of no-agreement among constituencies, will result in different levels of skepticism towards Level I agreements. Furthermore, some constituents may offer either generic opposition or support for Level I agreements, independently from the content, while the constituencies are naturally agreeing to the conditions on the specifics. This is also visible in so-called all-purpose support, which is generally greater in smaller, more dependent constituencies. Additionally also homogeneity and heterogeneity of constituencies play a role. If a constituency is homogeneous, a Level I agreement is more likely to be ratified when the negotiator wins a lot in the negotiation at Level I. However, the discrepancy between expectations and the negotiable outcome are harder to manage if the constituency is more homogeneous. For a heterogeneous group it is however more complicated for the negotiators, while maximizing the chances of ratification does not mean that he can follow the rule of thumb: the more, the better. However, at the same time domestic divisions may improve prospects for international cooperation, while the negotiator does not have to be firmly committed to one single policy, which makes striking a deal more likely. Furthermore, the composition and position of the Level II constituency may vary per issue, which results in tradeoffs across issues in case of a multi-issue negotiation. However, such multi-issue negotiations offers the opportunity of package deals, which opens up an array of strategic alternatives for negotiators. Thus, issue linkage at Level I alters the feasible outcomes at Level II as so-called synergistic linkage. The more interdependence between the levels, the more frequent linkages become.

The second factor that Putnam (1988) identifies to affect the win-set size are Level II institutions. This means firstly that ratification procedures affect the size of a win-set. The stricter ratification - for example two third majority or unanimity - the smaller the scope for international cooperation, since it raises the chance of non-ratification. Sometimes private-sector committees are set-up to improve communication between Level I negotiators and Level II constituents. Considering party discipline Putnam (1988) argues that the strong party discipline with the governing party, increases the win-set by widening the range of agreements that would be backed. Conversely, a weakening party discipline reduces the scope for international cooperation. Furthermore, the greater the autonomy of central decision-makers from the Level II constituents, the larger the win-set and thus the range of agreements that would be backed. However, considering the *ceteris paribus* principle of the two-level game, the stronger autonomy of states from domestic pressures, the weaker its relative bargaining position internationally. The complexity of ratification at Level II is becoming even more complicated when several levels of ratification are required, for example all EU member states have to ratify one and the same agreement.

The third determinant of the win-set size depends on the strategies of the Level I negotiator. The negotiators on this level always have an interest in maximizing the win-sets of Level II constituents, while that makes it easier to conclude an agreement. Assuming that the negotiator wants to encourage ratification and therefore wishes to expand his win-set, he may exploit both conventional side-payments and generic good-will. Side-payments attracts marginal supporters that may come from unrelated domestic sources, or as part of international negotiations. The value of side-payments should be calculated in its marginal contribution to the likelihood of ratification. Good-will refers to political standing at home of the chief negotiator: if this is high, ratification can be won more easily. Good-will cannot guarantee ratification, but it can contribute to a larger win-set, which fosters a Level I agreement. As was

already written above, negotiators have a high interest in a large win-set in Level II constituents, therefore Level I negotiators have a strong interest in the popularity of the Level II negotiators, because popularity increases the size of the win-set. Furthermore negotiators with a high status and popularity are likely to dispose more side-payments and good-will at home, which increases the attractiveness of negotiating with higher level officials, like heads of government, than with lower officials (Putnam, 1988).

4.1.2.2 Uncertainty and bargaining strategies

Sometimes it is assumed that perfect information allows for uncertainty. Uncertainty can be both a bargaining device and a stumbling block. Firstly, negotiators at Level I want to understand their own win-sets. Secondly, uncertainty about the opponent's win-set increases concerns about non-ratification and makes striking a deal harder, because each negotiator wants to be convinced that the proposed deal lies within win-sets and will be ratified. Furthermore uncertainty can lead to demanding more generous side-payments than would be needed under conditions of certainty. A relevant tactic is to submit a trial agreement for ratification, in order to demonstrate that it is not in the win-set.

Bargaining involves attempts of players to restructure the game and alter perceptions of the costs of no-agreement and the benefits of the proposed agreement. Next to that, governments also seek to expand the win-sets of opponents. In some cases, international pressures "reverberate" within domestic politics, tipping the domestic balance and thus influencing the international negotiations. This can be done both intentionally and unintentionally. Reverberation leads to expanding the domestic win-set and thus facilitates agreement. On the other hand, reverberation can also have effect the other way around, resulting in domestic backlash. It is really hard to predict the precise effect of foreign pressure, but empirically it seems to occur frequently in two-level games. In this case the two levels can thus not be modeled independently (Putnam, 1988).

4.1.2.3 The chief negotiator

Officially the only formal link between Level I and Level II is the chief negotiator. He is assumed to have no independent policy views, but act merely as broker or agent on behalf of his constituents. However, as in the principal-agent theory, it becomes empirically clear that the chief negotiator's preferences may diverge from those of his constituents. Putnam (1988) defines three motives for chief negotiators:

- Enhancing his standing in the Level II game by increasing political resources and/or by minimizing potential losses;
- Shifting the balance of power at Level II in favor of domestic policies that he prefers. The chief negotiator can thus sometimes be enabled through international negotiation to do what they privately wish to do, but are powerless to do domestically;
- Pursue his own conception of international interest in the international context.

It is reasonable for a chief negotiator to give primacy to his domestic calculus, in order to remain his own incumbency. Therefore it is more likely that he supports an agreement in which he does not have to invest his own political capital in order to win approval, but rather is likely to have positive political returns on him (Putnam, 1988).

Furthermore a chief negotiator has a veto over possible arrangements, while his Level II is unlikely to ratify the agreement if he opposes it, even if it was within the Level II win-set. This is the case for both sides of the Level I table, resulting in actually a narrower international bargaining set than the overlap between the Level II win-sets. Empirically this additional constraint have shown to be crucial in outcomes of two-level games (Putnam, 1988).

Another constraint on successful two-level games has to do with the leader's existing domestic coalition. If a proposed deal could be ratified, but therefore requires another coalition, the chief negotiator will be reluctant to endorse it. The greater the potential loss of normal supporters because of the agreements, the greater the reluctance. In effect, the fixed costs of coalition-building implies this constraint on the win-set (Putnam, 1988).

4.2 Suitability for this thesis

The two-level game theory as described above is more often used to explain negotiations - as became clear in "Chapter 3.2.4 Two-Level Game theory". The theory focuses on international negotiations, in which domestic politics influence the international negotiations and vice versa. This entanglement is what becomes clear in EU negotiations all the time, especially in cases of policies that have to be ratified by the Member States.

For the MFF specifically it means that the EU Member States negotiate at the international table on the EU budget and its spending. The Commission tables a proposal and the Council has to reach an agreement unanimously, after consent of the European Parliament. All Member States decide on national positions about what the annual contribution should be and what spending would be desirable. These national positions are drafted by governments, but are influenced, discussed and adjusted by the parliaments. Furthermore both domestic and international pressures can be identified. Firstly, Member States governments can use domestic pressures in order to influence the international negotiations and push the discussions into the domestically desired direction and wishes. Secondly, international pressures can be used to change domestic positions, for example when it is argued domestically that some desired outcome is really not feasible at EU level and in order to get something else done, certain positions have to be compromised on. Finally, the MFF's final agreement has to be accepted by all Member States, since the MFF requires unanimity. It will be hard for a government to agree with something that is totally bullied domestically, thus they need to sell the agreement in their country. This altogether shows that the Two Level Game theory seems to be suitable for analyzing the MFF negotiations and thus for answering the Research Question of this thesis.

4.3 Key concepts

In order to make it possible to analyze the MFF in the light of Two-Level Games, the theory needs to be operationalized. Since the author argued that the games were more a metaphor than a theory to test empirically, it requires some research on how others operationalized these Two-Level Games (Putnam, 1988; Evans, Jacobson & Putnam, 1993). Therefore two other researches are used in which the metaphor of Putnam was operationalized. It should however be mentioned that these two researches had a specific focus on one of the aspects of Putnam's (1988) theory and that they were combined with other theories, which means that the operationalization for this research mixes different aspects in order to distillate a suitable operationalization for this research. The researches on which the operationalization is based, are from Putnam (1988), Evans et al. (1993) and Knopf (1993).

As was explained in paragraph 4.1, Putnam defines three determinants of win-sets. These are: Level II preferences and coalitions, Level II institutions and Level I negotiator's strategies. Knopf (1993) labels these determinants as power and preferences of domestic coalitions, domestic institutions and negotiator strategies. Evans et al. (1993) defines the main elements of Two-Level Games as domestic, international negotiation environment and statesman's preference. These three types of determinants are really closely related and therefore in this research combined into the following determinants:

- Level II: domestic preferences, coalitions and powers
- Level II: institutions
- Level I: negotiator's preferences and strategies

The following parts will explain which characteristics can be related to the determinants, which can then also be analyzed in the cases of Poland and Germany with regard to the MFF negotiations.

For determinant 1, Level II domestic preferences, coalitions and powers, Putnam (1988) and Evans et al. (1993) mention the homo- vs. heterogeneity of the coalitions, their diversity and impact. They also consider the costs for this level if no agreement is reached

and what the relative costs and benefits are of the alternative to the status quo. Therefore, relevant questions concerning determinant 1 are:

- What coalitions can be identified in Poland and Germany domestically?
- What are the characteristics of these coalitions? Are they homogeneous or heterogeneous?
- Are there different coalitions on different aspects of the MFF?
- How is their position in the domestic positioning: are they powerful?
- Did they propose any position or position changes and was this accepted domestically and internationally?
- How does the domestic level rate the proposal of the European Commission and the changes and outcome of the negotiations?
- Did they mention gains and losses?

These questions are summarized in the following central characteristics of the first determinant: preferences, coalitions and the power of these coalitions.

Determinant 2, Level II institutions, is identified by Putnam (1988) and Evans et al. (1993) as institutions at the domestic level like the ratification procedure and the degree of party discipline. Relevant questions concerning the second determinant are:

- What is the role of domestic politics in the ratification of the MFF agreement?
- What kind of majority rule is applicable?
- During negotiations and ratification: were parliamentarians disciplined and voting in line with their party? Or was it hard to expect whether coalitions were followed?

These questions are summarized in the characteristics: ratification, majority and party discipline.

Determinant 3, Level I negotiator's preferences and strategies, deals with the statesman, the chief negotiator who acts at both games. Putnam (1988) and Evans et al. (1993) operationalize these negotiator's preferences and strategies by questioning his freedom to act autonomously. They also mention whether the statesman is able to reshape institutions, to what extent he can use rhetoric to convince others and how much pre-commitment took place at one of the two boards. Furthermore his personal preferences and his ability to veto (or threaten with veto) and his competence of linking issues are relevant. Therefore, questions related to the third determinant are:

- What mandate was given by the domestic politics to the chief negotiator? How much room for maneuver and autonomy can be identified?
- Did the statesman during the negotiations change any institutional rule in one of the two games, in favor of his own success?
- How did the negotiator justify changes in the agreement back home? How was it framed?
- Did the chief negotiator promise certain gains on one of the two boards?
- Has the negotiator threatened with the possibility of no-agreement?
- Did the negotiator somewhere mention his own preferences? If so, can these preferences be found in his negotiation contribution?

These questions are summarized in five main characteristics of determinant three: maneuver, framing, promises, personal preferences and threatening

This research examines the input, negotiation rounds and outcome of the MFF 2014-2020 for Germany and Poland. By looking at these stages, it is observed what the changes are in positions and/or outcome. Following that, these positions, strategies and changes are categorized among the three determinants of the win-set. Based on this categorization it is explained what the win-sets of Germany and Poland were for the MFF 2014-2020.

Table 1 shows the determinants of win-sets and the characteristics of this determinants as described above, which also summarizes how win-sets will be operationalized in this research.

Win-sets	
<i>Win-set determinants</i>	<i>Characteristics</i>
Level II: Domestic preferences, coalitions and powers	<ul style="list-style-type: none"> Preferences Coalitions (+ characteristics) Power of coalitions
Level II: institutions	<ul style="list-style-type: none"> Ratification (majority) Party discipline
Level I: negotiator's preferences and strategies	<ul style="list-style-type: none"> Maneuver Framing Promises Personal preferences Threatening

Table 1: Determinants of win-sets according to Putnam (1988), Evans et al. (1993) and Knopf (1993).

5. Methods

This chapter explains the methodology of this thesis. It starts with the case selection, followed by explaining the type of research, including the interviews, respondents and coding of data.

5.1 Case Selection

As cases for this research Germany and Poland are selected. These cases are a representative choice, while they are equal on many elements, but they also differ on some certain aspects which are crucial ones in the MFF negotiations. This means that two diverse but comparable cases are selected, creating a maximum variance along relevant dimensions (Seawright & Gerring, 2008). These two selected cases are comparable in the fact that they are both EU Member States, taking part in the negotiations for the MFF. Furthermore both have to ratify the agreement and will experience the effect of the outcome on their national budget. On the other hand, the cases differ on certain aspects. Firstly, the countries differ in position in the EU. Germany is a founding member which is ever since an important influencer of EU structure and policy. Poland joined in 2004, as part of the Central Eastern European enlargement and is highly criticized by the European Commission and other Member States for their anti-EU and anti-rule of law actions, and for how they enforce human rights (European Commission, 2017). These differences reflect how both countries are perceived among other Member States, varying on reliability and compliance to EU regulation. Furthermore both countries differ in GDP per capita: in Germany this is about three times as high: 45,552 vs. 15,049 USD in 2016 (Trading Economics, 2018a, 2018b). They also differ in their position towards the EU budget: Germany is a net contributor to the EU budget, while Poland is a net receiver.

Furthermore, it is just good to take notice of some more facts of the two cases. Firstly, the structure of the countries. Germany is a federal state, in which the *Bundesländer* are really influential in the federal policies. Additionally, the *Länder* are really different, for example concerning economic development and industry type. Poland on the other hand is a republic and is mostly centrally governed. A second element to mention is that Poland has had presidency of the Council during the negotiations on the MFF 2014-2020 (Ministerstwo Spraw Zagranicznych, *no date-a*). During their presidency they mostly debated to orient and they evaluated the Commission's proposal in detail. Germany has not had the presidency of the Council in this period of negotiations. However, the impact of the Polish presidency can be marginalized, since it was at the beginning of the negotiations and it does not seem to have influenced the final agreement in favor of the Polish bargaining strategy. Thus regarding this aspect Germany and Poland can be perceived as equal negotiations partners.

5.2 Research

In order to conduct this research properly and academically, the qualitative research method suits best, while it creates the possibility to place information in context, get the deeper meaning, create understanding, open up nuances and understand interpretations. It is an open, subjective, interpretative and dynamic research method. Data for this kind of research usually comes from interviews and observations, which are coded inductive or deductive (Bryman, 2012; Seawright & Gerring, 2008). To analyze the negotiations for the MFF agreement, it is important to get to know the story behind the final agreement. Therefore this research is based both on interviews and document analysis. This diverse types of data collection, both desk research and field research, is called triangulation and increases the validity and legitimacy of this research, due to triangulation (Bryman, 2012). Both types of sources are coded in research program NVivo12 and it will be analyzed which aspects of the Two-Level Game theory of Putnam (1988) can be found in the data. This means that the research is done inductively: it is analyzed how Two-Level Games can be identified in the data of negotiations on the MFF 2014-2020 and if this can be translated into a pattern, resulting into expectations for the negotiations on the MFF 2021-2027.

5.2.1 Document analysis

Researching Two-Level Games in the MFF negotiations is done based on documents. These are documents of the European Commission, Council, Member States governments and parliaments and newspaper articles. For the domestic level this research assumes that parliaments represents the citizens, interest groups views and the countries interest in general. Therefore, to analyze the domestic level, it will be sufficient to have a look at the parliamentary level and relevant data is included in the above mentioned types of documents. Conducting a document analysis for the MFF 2014-2020 is better than just using interviews, while the negotiations were finished four years ago, resulting in the fact interviews would be mainly based on people's memory. Documented information, however, will provide most details and nuances, separate from people's memories and biases. Documents used for the MFF 2021-2027 contains the Commission's proposal and the first reactions and positions of Germany and Poland. Appendix 9.1 provides a list of used documents.

5.2.2 Interviews

Next to the analysis of documents, interviews are conducted. These interviews mainly aimed at collecting information and expectation on the MFF 2021-2027, but in practice also dealt with the MFF 2014-2020 and the MFF in general. The interviews were conducted with experts who do have an plausible argumentation for what to expect during the upcoming negotiations. These opinions are be combined with conclusions on the research of the MFF 2014-2020, which makes it possible to formulate some expectations on the negotiations and possible outcomes of the MFF 2021-2027 and the role of Two-Level Games in these negotiations.

The interviews are semi-structured, which means that all respondents will be talking about the same topics, but the order and precise content can be adjusted to the expertise and response of the respondent. This also enables to post questions which came up due to answers on former questions (Bryman, 2012).

An overview of respondents with whom the interviews are conducted are listed in Appendix 9.2. All respondents are specialized on the topic of the MFF and it was a deliberate choice to select a mix of experts. Some of them were diplomats, others researchers as think tanks and even the German chief negotiator has contributed to this research. The choice to also select researchers of think tanks was a deliberate one. These researchers are able to reflect on the MFF negotiations, without being negotiator for one of the selected countries or feeling the need to give diplomatic responses and holding back some information. These researchers are expected to be objective, especially compared to diplomats and negotiators of the selected countries. It became clear that interviews with people from the Polish Institute and the German Ministry of Foreign Affairs were more strategic: they did not show all their cards and they were more subjectively trying to convince why their position is reasonable.

As written above, the interviews were conducted in a semi-structured way. This means that all respondents were asked about the same topics, but that the questions were adjusted to the position, knowledge and former comments of the respondent (Bryman, 2012). This has the advantage that the interview was shaped around the answers of the respondent, which also enabled the interviewer to ask further, based on the content. The topics that were leading and discussed with the respondents are listed in Appendix 9.3.

5.2.3 Coding

For analyzing both documents and interviews, research program NVivo 12 was used. In this program all data was labelled according to certain codes. This coding covered the labels as shown Appendix 9.4. The decision for these codes was firstly based on structuring documents. Therefore a categorization was made between the MFF 2014-2020, the MFF 2021-2027. Within these timeframe labels were made for Germany, Poland, the Commission and the final agreement. Within these categories it was labelled whether it was about an initial position, change or outcome. For Germany and Poland this last categorization also showed whether it was a government or parliament position.

Next to these labels there were of course the labels of the operationalization of the Two-Level Games. The categories were: Level II preferences, coalitions and powers; Level II institutions; and Level I negotiator's strategies. Within these labels, separate coding was done for the characteristics. These thus existed of preferences, coalitions, powers, ratification, majority, party discipline, maneuver, framing, promises, personal preferences and threatening.

All this labelling was done to make the analysis easier. For each time frame, in each case and for each actor it was collected in one clear and comprehensive overview. These outcomes were all labelled as one of the concepts and characteristics of Two-Level Games. This approach enabled to get clear insights in the various data, and immediately gave insight in the content of the results.

5.3 Validity and Reliability

As was explained above, for this research data was collected according to triangulation, which increases the validity and reliability of the outcomes (Bryman, 2012). Furthermore, the document selection was collected from many different sources and the respondents for interviews were of different organizations and positions. Despite this diversity of collection, the content of the documents and interviews appeared to be very overlapping, which shows that saturation occurred. This saturation confirms the validity and reliability of the data and the results (Bryman, 2012). Furthermore, data coding was done more than once, in order to make sure that no useful information was left out or wrongly categorized. This carefulness also increases the reliability of the results, according to Bryman (2012). The fact that all documents are still available, including the coded versions, and the available recordings of the interviews also increase the reliability of the outcomes, because the correctness of the used content can be verified (Bryman, 2012). Furthermore the comparable, but diverse case selection with two cases at the more or less extremes of the EU Member States spectrum, increases the validity of generalizing the research conclusions (Seawright & Gerring, 2008). Finally, something should be said about the operationalization, as defined in Chapter 4.3 "Key concepts". This was not so straight-forward available, because the theory was never operationalized completely and solely based on this theory. However, using three sources in order to operationalize the theory, which all three clearly overlapped and stuck closely to the original theory, increases the validity of the chosen operationalization.

6. Results

This chapter presents the results of the research. It first summarizes some general remarks of the respondents, with regard to the MFF negotiations. After that it deals with the outcomes on the research regarding the MFF 2014-2020 for Germany and Poland and after that focusses on the MFF 2021-2027.

According to several interviews, the MFF negotiations are highly political, and hardly economical. The big question in MFF negotiations always is: what should the EU do? Answering this question will determine priorities and division of the budget. Despite the fact that the big question is always political and pointing at what the EU should and should not do, Becker (Interview Becker, 29-05-2018) argues that the MFF negotiation always follow a certain script: country blocks, coalitions and arguments and positions are not that surprising anymore. The most clear coalition is according to all respondents the net receiver and net payer coalition. Furthermore the respondents argued that coalitions during the MFF negotiations are formed based on the different issues and priorities that are in negotiated (Interview Becker, 29-05-2018; Interview Zuleeg, 29-05-2018).

With regard to the MFF negotiations in general the respondents explain that the negotiations take place behind closed doors, which means that countries only share the top layer of the content of the negotiations. This makes it a little unclear and vague for citizens, but on the other hand it enables the negotiators to frame the final agreement in such way that it is perceived as winning and a good deal - which all Member States will try to do. This however requires from national negotiators that they are a little bit flexible in their initial statements. When too big demands are communicated to the citizens, it will be harder to sell the final deal back home. According to Becker (Interview, 29-05-2018)

Zuleeg (Interview 29-05-2018) explains that an ambitious proposal is always hard because of the rule of unanimity. As long as one Member State can veto the whole MFF agreement, the outcome will be close to the status quo and, as Ossowski (Meeting, 06-06-2018) said, only incremental changes can be achieved

6.1 MFF 2014-2020

The paragraph on the MFF 2014-2020 shows the proposal of the European Commission regarding this MFF. Following that, the initial point of view of both Germany and Poland are explained. After that the changes in positions of both countries are highlighted, by looking at the final outcome of the agreement. For both cases it is then examined how Two Level Games can explain the negotiations, changes in position and final agreement on the MFF 2014-2020.

6.1.1 EU proposal 2014-2020

On June 29th, 2011 the European Commission presented their first proposal for the MFF 2014-2020. After that two years of negotiation followed (Siekierski, 2012). The proposal of the commission aimed to reach the goals of Europe 2020 and this resulted in an increase of the budget, which meant 1,05% of European GNI for commitments and 1% of EU GNI for payments (Ministerstwo Spraw Zagranicznych, *no date-b*). Additionally 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 (Proczek, 2015). Furthermore the EU wanted to increase flexibility by putting several instruments outside the framework and they wanted conditionality within the budget. The Commission proposed cuts in the Cohesion and Common Agricultural Policy (CAP) funding. 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 (Ministerstwo Spraw Zagranicznych, *no date-b*). 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 (Proczek, 2015).

6.1.2 Germany

Considering the organization of Germany, it is relevant to mention that the MFF is officially part of the duties of the Ministry of Foreign Affairs, which also means that the chief negotiator of Germany comes from this ministry. However, the Ministry of Finance also has a central role in the German position on the MFF.

6.1.2.1. Germany in Level I

Considering the initial point of view from Germany regarding the Commission Proposal, Bundesministerium der Finanzen (2012) stated that the Treaties need to be the basis for the negotiations, and this should stay like that. The fact that this is not clearly stated in the proposal of the Commission is worrisome. Germany writes: is it the intention of the Commission to change Treaties? Germany argues that sticking to Treaties is crucial and not open to discussion, which also means that the EU does not have taxing competences (Bundesministerium der Finanzen, 2012). Germany also expects EU tax to be rejected by the other Member States (Bundesministerium der Finanzen, 2013). Therefore, Germany advises to have strict expenditures limitations and to stick to the traditional own resources and the collection of GNI (Bundesministerium der Finanzen, 2012). They argue that GNI is a good system, while it is standardized and transparent and it takes the economic power of Member States as starting point. In line with this argument Germany also advises against instruments outside the MFF, because that decreases transparency and unity and makes effective control harder. Furthermore they emphasize the importance of financial discipline and conditionality (Bundesministerium der Finanzen, 2012).

With regard to the funding, Germany argues that the net receiving countries of the Cohesion fund should be tested on content whether or not they need this many. They also observe that CAP and Cohesion are proposed to become smaller shares of the budget, but still they are the biggest. The small increase on funding for research, technology, domestic and judicial affairs are limited. Furthermore Germany sees the importance of more cross-border action on energy, transport and telecom (Bundesministerium der Finanzen, 2012).

Germany emphasizes the relevance of more efficiency of the MFF. They therefore mention the importance of congruent expenditures and income, but also of focusing on more efficiency in relation to new priorities. Furthermore Germany mentions the importance that the EU only should spend money on issues which have a European added value and/or a strong integration stimulating function. This means that subsidiarity has to be the key question in allocating the budget. Germany realizes that subsidiarity is also confronted with spill-over, which sometimes means that transferring competences to the EU level is inevitable. Additionally, more political integration would also have implications on the EU finances, which are all elements that influence the final MFF agreement (Bundesministerium der Finanzen, 2012). Germany clearly states that the MFF is an expression of political priorities (newspaper 25042012).

Considering the proposals for economic growth and job creation, Germany observes that Member States are of different opinions whether or not the proposals are the right one. Furthermore they also argue that the EU does not need as much money for regulation as was proposed (Bundesministerium der Finanzen, 2012). They also favor a stronger future-minded MFF than is currently proposed (Bundesministerium der Finanzen, 2013). They do not understand the increased budget, so Germany, together with other net contributors Sweden, Austria, Finland and the Netherlands (the countries of 1%), rather observe a savings potential than a need for increasing the EU budget (Siekierski, 2012; Wirtschaftsblatt, 25-04-2012). Although all Member States are of very different opinions, Germany is convinced that all actors are interested in the goal of reaching an agreement, while this is the prove that the EU is capable to act (Bundesministerium der Finanzen, 2014). Considering the fact that in the end an agreement has to be accepted by all Member States, Germany argues that the volume of the MFF 2014-2020 will be approximately in the middle between the proposal of the Commission and the offer of the net contributors, which will be

around 1.050 billion euro (Bundesministerium der Finanzen, 2013). Moreover, the cornerstones of the MFF 2014-2020 will be closely to the status quo, while big changes will not be accepted by all Member States (Bundesministerium der Finanzen, 2013). Furthermore, the agreement will be decided upon concerning short term consequences and consequences on the net budget, because this is what Member States are sensible for. Consequently the structural and long term proposals of the Commission will be moved to the background (Bundesministerium der Finanzen, 2013).

6.1.2.2 Germany in Level II

With regard to the domestic level of Germany and the domestic discussions on the MFF 2014-2020, in 2011 the parties CDU/CSU and FDP, who together formed the government coalition in the German parliament, took the following position. Both parties argued that Europe is the future of Germany, also in the sense of peace and security. The European internal market is the main basis for Germany's prosperity. According to the coalition partners the MFF 2014-2020 has opportunities for reforms and a needs better focus on priorities and efficient structures, which works best with a continuous budget. The EU and the new MFF should also be able to deal with new challenges in the EU, without raising the budget ceilings. The current amount of money should rather be used more efficiently and with a clearer goal. CDU/CSU and FDP ask the government to fight for a stable EU with transparent budget structures. Above all it is really important that not more money is transferred to the EU, but that the EU makes better use of its resources, and the contribution to the EU budget thus remains 1% of GNI. Furthermore CDU/CSU and FDP emphasize the importance of the subsidiarity principle and conditionality. Additionally they support reforming the CAP in line with Europe 2020 goals and reform of the Cohesion funding should lead to more convergence among EU Member States. Furthermore, more money has to be allocated to future priorities than is proposed by the European Commission. EU tax, albeit direct or indirect, is rejected by CDU/CSU and FDP. According to them there is no problem in financing the EU, but only with allocation efficiency. Increasing transparency of the budget through decreasing rebate-systems is welcomed by CDU/CSU and FDP (Deutscher Bundestag, 2011a).

The SPD delegation in the *Bundestag* argued with regard to the MFF 2014-2020 that this new agreement is extra important, while it is the first after the crisis. The EU Budget has to be credible and a cornerstone for economic growth and should aim to reach the goals of Europe 2020. SPD emphasizes the importance of balancing contributions and payments. In their opinion it is possible to finance the EU's priorities with a contribution of just 1% GNI. However, the budget should be allocated in the right way, in order to create economic growth and prosperity. SPD urges to reform the spending categories of the EU budget. More money has to be allocated for economic growth, jobs, foreign and security policies, domestic and judicial affairs and convergence among Member States. The CAP needs to be reformed dramatically and the Cohesion fund needs to have a clearer European Added Value. The moderate increased money allocation for education, research and development is welcomed by the SPD. Any financing instrument outside the EU budget is not favored by the SPD (Deutscher Bundestag, 2011b).

6.1.2.3 Germany and the agreement

With regard to the final MFF decision, Chancellor Merkel defended the MFF agreement in the *Bundestag*. She mentioned that the EU budget would not be expanded, but even be reduced to 960 billion Euro (1,03% of GNI in commitments instead of 1,12% in 2007-2013). The SPD replied to the decision that the structure and financing do not correspond with the Strategy Europe 2020. They also warned that all Member States need to have confidence in the future of the EU, in order to make further integration possible. The CDU/CSU welcomed the measures taken in the MFF. They see the potential of the agreement to make Member States more equally strong. The FDP welcomed the reduced EU budget, but at the same time stabilizing the Euro has to stay priority. The Linke criticized the Chancellor, by arguing that

she damages the EU fundamentally by agreeing to this MFF. The Grüne argued that the MFF agreement is a wrong answer to Europe: saving money in times of crisis is a wrong signal, it would be better to act counter-cyclical and thus invest (Deutscher Bundestag, 2013).

6.1.2.4 Germany and Two-Level Game key concepts

The two paragraphs above provided information on the position of Germany regarding the MFF 2014-2020, both on Level I and Level II. It also shows information on the determinants of the win-set of Germany, which is summarized below.

Level II preferences, coalitions and powers

Concerning the first determinant of the German win-set for the MFF 2014-2020, the characteristic “preferences” shows that domestic politics asked for reform of the budget, specifically on CAP and Cohesion. They prefer to spend more money on new challenges, new priorities and future-minded EU priorities. Europe 2020 goals should be the aim of the MFF 2014-2020 allocation. Furthermore, Germany does not want to contribute extra money to the EU -first reform, modernization and efficiency is needed- and they want to increase the transparency of the budget and its allocation.

With regard to the coalitions, it seems to be in line with the government coalition. CDU/CSU and FDP are coalition partners and are also sharing opinions on the MFF 2014-2020. Other coalitions are not clearly identified. The power of this CDU/CSU and FDP coalition is quite logical: the government decides on the German position which is expressed at Level I, but this position is likely to be in line with their parliament delegation’s position.

Level II institutions

Considering the second determinant and its characteristics, the German *Bundestag* has to ratify the MFF agreement with a majority. In case tax reforms are part of the MFF, it has to be ratified with a two-third majority in both the *Bundestag* and the *Bundesrat*. With regard to voting results and party discipline it is less clear, while it was not possible to find any outcomes of ratification of the MFF. However, it seems like the coalition partners are sticking together, also in the sense of party discipline. There are no sources which makes it likely that their positions are internally opposing each other.

Level I negotiator’s preferences and strategies

The third determinant is about the preferences and strategies of the Level I negotiator. The characteristics are maneuver, framing, promises, threatening and preferences. However, it is a little bit complicated to elaborate on these preferences and strategies, while the debates at level I happen behind closed doors. However, considering the fact that Level II preferences overlap with the position at level I, I would argue that the negotiator has freedom to negotiate within the lines of this position, since majority of the parliament (at least the coalition parties) will accept outcomes in line with this.

Furthermore, I would argue that the personal preference of the German negotiator at Level I is not different from the initial position and the Level II preferences, because the final outcome of the agreement fits smoothly into this. Therefore it is not likely that the negotiator tried to change the German position and the final outcome. The central and leading position of Germany in the EU is an arguable clarification for its power and good results.

Germany’s win-set and its success

It can be concluded here that the initial position of Germany at the Level I negotiations, was practically overlapping with the main positions of the Level II *Bundestag*, especially for the government coalition. The outcome of the MFF 2014-2020: less money for CAP and cohesion, restructuring these funds, focused on Europe 2020 goals and no increase of the budget, show that Germany actually got a lot of their priorities accepted. Their priorities were however also not that controversial with the EC proposal - only the total contribution differed. We can thus

conclude that Germany did not have to give in a lot on their position during the negotiations. This means that they could stay to closely to their initial position.

6.1.3 Poland

This section explains the positions and strategies of Poland with regard to the MFF 2014-2020. Firstly Level I is discussed, after that Level II and finally the win-set is defined.

6.1.3.1. Poland in Level I

For Poland the MFF negotiations are to be characterized as a multi-level process, in which discussions are political and legislative (PISM, 2013). In these negotiations formally all Member States are equal, but in practice Germany, France and the United Kingdom appear to be most important: without complete acceptance of the MFF by any of those countries, the agreement will not be reached (PISM, 2013). According to Poland the EU budget is about the future of the EU and its goal should be to catalyze, initiate and direct national policies towards common goals (Ministerstwo Spraw Zagranicznych, *no date-b*).

Considering the proposal of the European Commission for the MFF 2014-2020 Poland thought it a good basis for further negotiations. They support growth policies and aiming at the goals of Europe 2020. However, they observe that the EU budget lost its weight between 2000 and 2010, while the Member States budgets rose with 61,5% and the EU's budget only grew with 37,5%. Furthermore they argue that the EU should not have a savings logic, like the Member States (Ministerstwo Spraw Zagranicznych, *no date-b*). Apart from that, they however support cuts in administration. They also recognize the importance of sound budgetary management, no moving between sections and they argue that conditionality is important (Ministerstwo Spraw Zagranicznych, *no date-b*).

With regard to the more detailed content of the Commission's proposal for the MFF 2014-2020, Poland is in favor of maintaining the EU investment expenditures and current co-financing levels, postulates unification of VAT eligibility, observes the need for continuous implementation of infra structure projects, additional environmental effects, funds for food and safety, increased competitiveness of SME's, more funding for education, training, youth, sports, better neighborhood policies and they accept funding for migration and internal security. They also support the reform of the EU own resources, the use of financial indicators and the wider use of repayable instruments. Overall they also value the social impact assessment of the MFF as positive (Ministerstwo Spraw Zagranicznych, *no date-b*).

It are however not these points which are most relevant for Poland; the Cohesion and CAP funding are way more crucial. These are also the topics which are mostly criticized in the position of Poland regarding the Commission's proposal. Firstly they oppose cutting on these two funds. Considering the cohesion fund they argue that it should remain one third of the total EU budget allocation. They thus also oppose any suspension or cancellation of payments. Furthermore they oppose the idea of top-down setting of percentages regarding fund allocation, but rather advocate that the Council, not the Commission, should decide on the final criteria of cohesion funding. They do however support the idea to concentrate stronger on thematic funding for the cohesion policy. Additionally, the cohesion fund should cover all EU regions, but remain focused on the least developed ones. With regard to the CAP they support the idea to simplify the CAP, its rules and procedures. They also favor the proposal to reduce administrative costs on the CAP, to restructure the sector, to limit support for the largest farms and to increase funding for research and innovation in this sector. Furthermore they advocate consistency between the new budget for the CAP and the scope of new tasks and challenges (Ministerstwo Spraw Zagranicznych, *no date-b*).

With regard to the Central and Eastern European (CEE) countries, Poland argues that all of them are net beneficiaries of the EU budget and thus have interest in high transfers from the EU. They are mainly interested in those high transfers because it fosters development, gives and impetus on the economies, reduces the competitiveness gap with the other EU countries and it increases competences of the CEE countries. Although all CEE countries have different structured economies and all are allocating the funding differently, Poland sees

the importance of defending the level of allocation for cohesion policy together (PISM, 2013). Not only the CEE countries are interested in the cohesion funding, thus being Bulgaria, Croatia, Czech Republic, Estonia, Greece, Spain, Lithuania, Latvia, Poland, Romania, Slovakia, Slovenia, Hungary, but this also counts for Cyprus, Malta and Portugal. Together these friends of cohesion are 16 Member States, which is more than 50% of the total EU Member States. However, Poland argues that these friends do not have decisive forces in the MFF, while the most influential countries in this negotiations are Germany, France and the United Kingdom (PISM, 2013). The difficulty of solidarity among the cohesion-friends was also clear during these negotiations, when Poland at a certain point agreed on funding for themselves, after which they just accepted everything else in the negotiations - even though the other CEE countries were not convinced about the cohesion funding yet. This was, logically, not appreciated by the other cohesion-friends.

During the negotiations on the MFF 2014-2020 the President of the Council, Herman van Rompuy, proposed to reduce the EU budget by 81 billion euro's in relation to the Commission's proposal. Poland still thought this proposal to be quite favorable for CEE countries. They mainly welcomed his proposal on cohesion, while that was more favorable than the Commission's proposal. However, his proposal on the CAP was totally unacceptable for Poland (Siekierski, 2012; Ministerstwo Spraw Zagranicznych, *no date-a*).

According to Becker (Interview, 29-05-2018) Poland has big demands regarding the MFF and communicates this actively, for example in the media. This, according to Becker (Interview, 29-05-2018) is however the result of putting ideology over common sense and has a negative effect on the ability to sell the tentative agreement back home.

6.1.3.2 Poland in Level II

The domestic politics of Poland have of course also dealt with the MFF 2014-2020 and the desired positions. However, not a lot of information was available on the positions of the parliament. This was confirmed in one of the interviews: the Polish parliament, the *Sejm*, is not that much involved in positions with regard to the MFF 2014-2020 (Interview Anonymous, 01-06-2018). One of the documents which was already extensively used in the paragraph above, *Ministerstwo Spraw Zagranicznych (no date-b)*, was however written in name of the Polish Senate and the *Sejm*. This thus implies that the position of Poland at Level I is the same as the domestic position. Without repeating too much of that what already was written, it can therefore be concluded that the domestic politics of Poland favor a MFF that is focused on the future of the EU, aims at goals of Europe 2020, which cuts in administration and which is performed as a sound budgetary management. Most important for domestic politics are of course the positions on the CAP and Cohesion funding. They oppose cuts in these funding for Poland, but want it to stay one-third of the EU budget, which is then allocated to the least developed EU countries. They do however agree that the funds should be simplified and allocated more thematically, which will also increase consistency of these funds.

Interesting addition on the domestic influence on the negotiations was a call of the PiS (Law & Justice Party) to veto the MFF agreement, if it was unfavorable for Poland. However, the majority of the *Sejm* did not support this call and thus decided not to veto the MFF 2014-2020. They argued that the Polish government should support the MFF agreement if it is a fair compromise (Lex, 2012).

6.1.3.3 Poland and the agreement

When finally the agreement at Level I was reached, Poland argued that the decisions and solutions about the CAP and Cohesion funding were made in the last phases of the negotiations. Although that the complete budget was cut by 34,2 billion Euro and most budget headings were cut (Ministerstwo Spraw Zagranicznych, *no date-a*), with largest cuts in the CAP (Siekierski, 2012), Poland managed to stay the largest beneficiary of the EU budget in general and the fifth largest beneficiary of CAP (Siekierski, 2012). Furthermore they even managed to increase their amount of funding compared to 2007-2013. Cohesion funding increased with 3,9 billion euro, from 69 to 72,9 billion. The CAP funding increased from 26,9

to 28,5 billion, meaning an increase of 1,6 billion Euro. Additionally Poland managed to maintain favorable criteria for fund absorption (Ministerstwo Spraw Zagranicznych, *no date-a*). Moreover they also got accepted by the other negotiating partners that the mid-term review could not influence the division of previously allocated money (Ministerstwo Spraw Zagranicznych, *no date-a*). Overall Poland receives 3,1% of funding with the following labels: regional development, cohesion, CAP, fisheries and rural areas (Proczek, 2015).

Poland furthermore welcomes the agreement on its aspects of transparency, inter-institutional cooperation and the eligibility of VAT, which Poland sought to increase by 7 billion Euro (Siekierski, 2012). Overall Poland reflects on the MFF 2014-2020 negotiations as one in which they were really successful in receiving what they wanted to gain (Proczek, 2015). Consequently they argued to be willing to use the gained resources effectively and to guarantee effective absorption. With the funding they want to aim at economic development and civilization (Ministerstwo Spraw Zagranicznych, *no date-a*).

6.1.3.4 Poland and Two Level Game key concepts

The paragraphs above gave some insight in the Polish position towards the MFF 2014-2020. This part explains the win-set determinants and it's characteristics for the Polish position, and with that defines their win-set as far as possible.

Level II preferences, coalitions and powers

The preference of the domestic Polish politics clearly emphasizes the importance of the CAP and Cohesion policy for Poland. It shows that they do not want cuts in these funds. The domestic coalitions on this topic are not that clear, while limited information is available. However, it at least seems to be the PiS which is not that in favor of the MFF proposal and agreement. The other parties of the *Sejm* seem to be more in line with the government and their position at Level I. Regarding the power of Level II it does not appear to be that big. The idea of a veto is threatening, but since it is not supported by a majority, domestic politics apparently only have limited power. Also because they do not have a clearly opposing position towards the government's position. However, it should be observed that although this veto was voted down, Poland managed to get more CAP and Cohesion funding, so probably this threat of veto strengthened Poland's bargaining power at Level I. Additionally, this veto can also have been domestically important. It could have been a move from the PiS to show its citizens that they really put pressure on the government to strike the best deal possible.

Level II institutions

The Polish Parliament, the *Sejm*, plays a vital role in the governmental system of Poland. According to the Polish Constitution, Poland's system is based on the separation and balance of powers. Next to the *Sejm* the Senate and the President do have power to. The first two share the legislative function. However, this competence is not symmetrical, because the Parliament has a dominant role. Regarding the ratification of international treaties however, the Constitution does not provide either the *Sejm* or the Senate superiority (*Sejm, no date*)

For the ratification of international agreements the *Sejm* needs an two-third qualified majority. After that, the Senate also needs to vote for the agreement with a two-third majority. Another option for ratification is a general referendum. The choice for either form is with the *Sejm* and this decision has to be supported by an absolute majority of the *Sejm* (Przybojewski, 2015).

Considering party discipline in Poland, it is not that clear how parliamentarians vote. However, according to two respondents, Poland is all about party politics and parties are quite powerful and predictable. This suggests that parliamentarians are disciplined to agree with the arguments of their party (Interview Becker, 29-05-2018; Interview Anonymous, 01-06-2018).

Level I negotiator's preferences and strategies

At Level I Poland's negotiator mainly pushed on CAP and Cohesion funding. Poland simply did not want to receive less. This resulted in the fact that the CAP and Cohesion budgets were

cut, except for Poland – for them the funding even increased. The negotiator did not seem to have a lot of room for maneuver in this area, but he could give in on other issues. This is what happened and it resulted in increased CAP and Cohesion funding. Back home this strategy was apparently excepted, since the PiS call for a veto was voted down. Although the negotiations in Brussels happen behind closed doors, it is quite likely that this veto-call fostered the acceptance at Level I to increase the funds of Poland. On the other hand: the framing of the negotiator of what would be “favorable” for Poland could have led to acceptance domestically. The negotiator won the most important aspect and thus Poland maybe had to accept to give in on other points.

Poland's win-set and its success

With regard to the win-set of Poland it can be concluded that CAP and Cohesion funding were most important for them. Their initial position was not to accept any cuts in their funding, which they also managed to get: it even increased. On this point they absolutely did not have to give in on their win-set. The group of cohesion friends however, did not all get more funding, which Poland thus gave in on. The funding of their friends was apparently less crucial than their own funding and worth minimizing in their win-set.

6.2 MFF 2021-2027

Based on the interviews and documents that were analyzed, this part explains what could be the expectations and possible outcomes of the negotiations on the MFF 2021-2027. Firstly it shows some expectations for both countries, strategies and positions. After that it analyzes the gathered information and results based on the Two Level game of Putnam (1988).

6.2.1 EU wide

Considering the MFF negotiations in general, it firstly becomes clear that the EU proposed a MFF which sets new priorities for the EU budget. With the title: A Modern Budget for a Union that Protects, Empowers and Defends, the priorities are clearly explained. On the 2nd of May 2018 the European Commission presented its proposal for the MFF 2021-2027. The priority of the new MFF is to provide security and stability in an unstable world (European Commission, 2018b). The Commission argues that current levels of funding have to be increased due to new and pressing priorities, but that at the same time it is examined where savings and efficiency can be improved. Criterion for allocating funding is the European Added Value, which means that European spending needs to have more impact than national spending. This results in a proposal to reduce the funding on CAP and cohesion moderately, with 5%, and to modernize these funds in order to serve new priorities and to deliver more with less money. For the complete budget the Commission proposes a yearly contribution of every Member State of 1,11% of GNI, which results in 1,135 billion Euro in commitments (European Commission, 2018b).

Within the proposal the Commission mentions the importance of a modern, simple and flexible budget. Modern means cutting red tape, coherence within the budget, a single rule book, clear objectives and focusing on performance. Simple is meant to create a clear and prioritized budget, which also means reducing programs and instruments, from 58 to 37. This will not only simplify the budget, but also increase its transparency. This transparency is also created through a new architecture of policy clusters. Concerning flexibility the Commission points at the current limitations on flexibility; the new MFF has to react quickly and effectively (European Commission, 2018b).

The Commission thus proposes a more coherent, focused and transparent framework, with a clearer structure which is also more closely aligned to the priorities of the EU. With these reforms the Commission also wants to create a stronger link between EU funding and the rule of law. What they propose is to suspend, reduce or restrict access to funding, proportionate to the nature, gravity and scope of the rule of law. Additionally, they want to 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. Furthermore they want to reduce customs revenues from 20 to 10% and they also want to modernize and simplify the financing system. This latter thing means that they want to diversify sources of revenue, which means they want to reach 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).

All these proposals aim to create a modern budget which matches the ambitions and priority areas of the EU. This means an increase in the following sections, with respect to the current MFF:

- 1,6x Research, innovation and digitalization;
- 2,2x Youth;
- 1,7x Life climate and environment;
- 2,6x Migration and borders;
- 1,8x Security;
- 1,3x External action;
- 1,6x Climate (European Commission, 2018b).

Figure 3 shows the pie chart which was published by the Commission, showing the MFF 2021-2027 and the categorization.

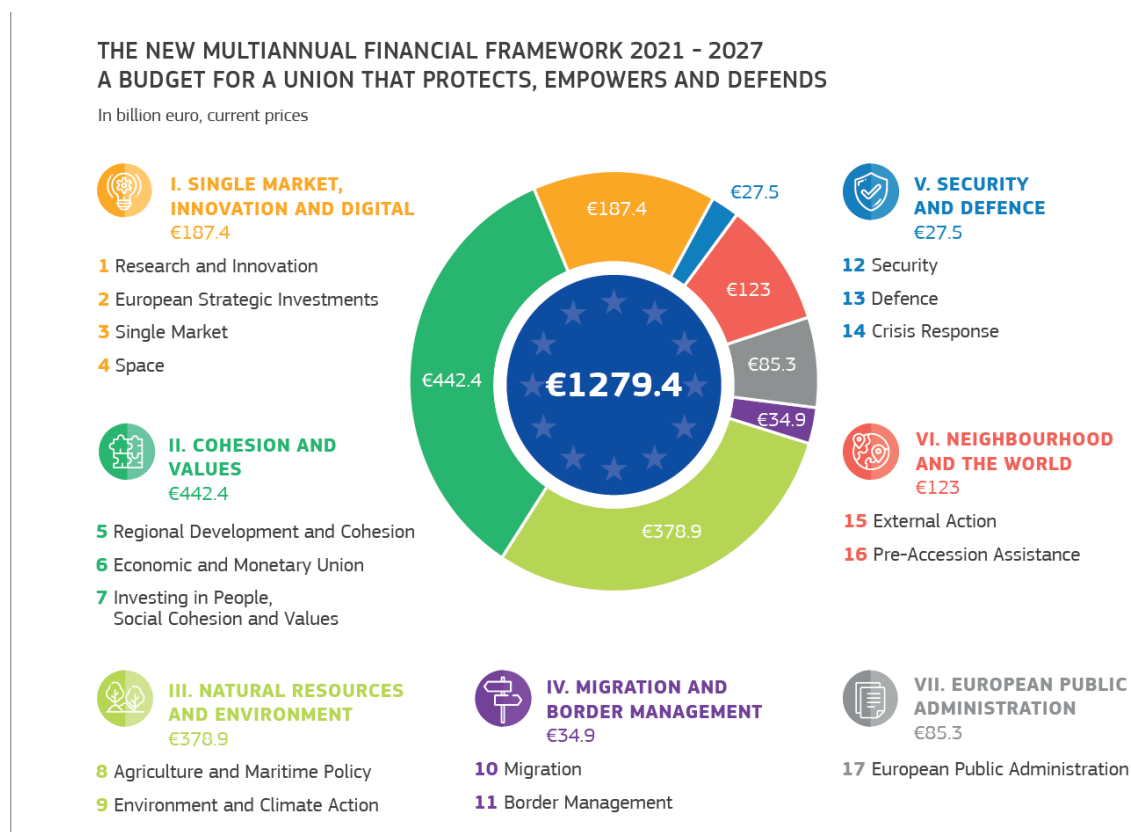


Figure 3: Proposal for the MFF 2021-2027 (Source: European Commission, 2018a).

According to all respondents, this proposal of the Commission is a really good basis for the negotiations, a proper starting point. However, Becker (Interview, 29-05-2018) and Núñez-Ferrer (Interview, 29-05-2018) define the proposal as unambitious. Furthermore, Becker (Interview, 29-05-2018) argues that global dynamics are increasingly important for the EU, for example considering trade. Additionally the role and impact of populism within the EU negotiations is changing. These are examples of new variables that will influence the MFF

negotiations. Moreover, this proposal is, like the title already says, about new priorities on migration and security. This topic will revive the debate about EU competences more fiercely than normally during the MFF negotiations (Interview Becker, 29-05-2018; Interview Núñez-Ferrer, 29-05-2018; Interview Zuleeg, 29-05-2018).

Considering the field of influence of the MFF negotiations, Núñez-Ferrer (Interview, 29-05-2018) points out what other EU members will try to conclude. Firstly, he argues that Italy is currently in such a chaotic state, without coordination and a clear policy. This will limit the influence of Italy on the negotiations. Due to all this the usual coalition bond with France is also not that likely to occur this time. With regard to Spain their coordination is not considered to be coherent and they are expected to accept the MFF the way it comes. Greece will make strong arguments for co-financing and debt-reduction, but furthermore they will not oppose any agreement. Austria wants the budget to go down and they will not accept any MFF with a contribution of 1,11% of GNI per Member State. The impact of Brexit will be experienced, although Núñez-Ferrer (Interview, 29-05-2018) argues that it will be limited, because they would always want to restrict the EU budget and to reinforce the CAP.

With regard to EU institutions, it is argued by the different respondents that the timing of the MFF is not perfect. The Commission states 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, according to all respondents, this deadline is not realistic; a more reasonable timeline would be the start of 2020. One main reason why the deadline is not likely, has to do with “selling the agreement back home” (Interview Becker, 29-05-2018). If Member States agree to soon on a certain agreement which is not in line with the initial positions of Member States, it sounds unbelievable for the society back home that everything was done to reach the best agreement. Considering the impact of the European Parliament elections, Zuleeg and Becker (Interviews, 29-05-2018) argue that they will only have marginal influence. The Parliament is legitimately not in the position to influence the process too much - while it will otherwise reinforce the discussion on their legitimacy. Becker (Interview, 29-05-2018) states that the Parliament can probably influence some detailed policies, but definitely not the figures. Considering the change of Commission President, Becker (Interview, 29-05-2018) argues that the new president will not be likely to have completely other priorities than current President Juncker. Therefore, only minor shifts can be expected within the policies agreed on in the MFF. The role of the new Commission President will however also be smaller, while the most important function of the Commission is to present the proposals and the concrete background policies concerning these proposals. After that the role of the Commission is limited and thus the successor of Juncker will have limited influence. The role of the Council President, currently Tusk, is quite undefined in the MFF negotiations. According to Becker (Interview, 29-05-2018) it would be good if he aims at active diplomacy, comparable to what Van Rompuy did in the same position during the euro crisis. However, Tusk will probably be candidate for the national elections, which makes it a little more unclear what is position during the MFF negotiations will and could be (Interview Becker, 29-05-2018; Interview Zuleeg, 29-05-2018). One goal of the Commission is to get most flexibility possible in the MFF agreement, while that gives them more room for maneuver.

6.2.2 Germany

This section describes the expectations for Germany's negotiation strategies and positions for the MFF 2021-2027, for both Level I and II.

6.2.2.1 Germany in Level I

Germany posted its priorities for the MFF negotiations, in which they state that it is important to prepare for the future, which will face challenges like digitalization and geo-political changes. They welcome the proposal of the Commission, which is considered a good starting point for the negotiations. Furthermore it is welcomed that the structure of the budget slightly changed, anticipating on current challenges in the EU. The idea to lower the total amount of

programs from 58 to 38 is also really positive, mainly because it limits bureaucracy and contributes to transparency. For Germany it is important that the MFF is a balanced agreement between modern and coherent. Additionally they underline the importance of structural reforms and dealing with challenges like demographic change, neighborhood policy, terrorism, migration and climate. Furthermore the rule of law should be an important principle among all Member States, which includes also the need for ex post conditionality. Fundamental for this is a basis of solidarity and cooperation, what should be reflected in the MFF agreement. Finally they also mention the importance of fair burden-sharing, considering the contribution to the budget and the reduced fares (Meeting Ossowski, 06-06-2018).

According to different respondents it is true that Germany said an increase in contribution would be fine. However, Becker argued that an increase to 1.11% would be too much: it would mean an increase of 49% of the German contribution. It should be considered that with keeping the contribution at 1%, it would already be more than the last years, due to growing GNI (Meeting Ossowski, 06-06-2018). Ossowski added that the quality of the agreement is crucial: the accepted increase of contribution depends on the content of the agreement. For example new priorities like safety, defense and innovation would be more welcomed by Germany than keeping the former priorities and high budgets for CAP and cohesion (Interview Becker, 29-05-2018). In the document of the Bundesregierung (2018b) Germany argues that the EU has new challenges for the MFF 2021-2027, which are: conflict solutions, terrorism, migration, climate, energy, research and technology. A news article with the title "Germany and France lead EU budget concerns" (EU Observer, 03-05-2018) quotes Foreign minister Maas and minister of Finance, Scholz, who argue that German is ready to take responsibility for strengthening the EU, but that it requires fair burden-sharing of all Member States. German is the biggest net contributor to the EU budget and with the current proposal of the Commission, the German contribution will rise with 10 billion Euro per year. Germany says to be reluctant to use its wealth for a deeper monetary union. Additionally, Germany does not understand why the budget should rise with 192 billion Euro, while there will be one country less in the EU due to the Brexit (EU Observer, 03-05-2018).

Additionally it is important to mention that Germany has the aim to keep the EU together. They would try to reach an agreement which is acceptable for all Member States. This because they want to preserve the EU and prevent further exits of Member States, also because they know that in order to have an important position in the world economy, they need the EU. Therefore they will also be more lenient in giving in on their strongest goals and wishes for the MFF agreement, in order to reach an agreement (Interview Anonymous, 01-06-2018). Germany has always been an important steering member of the EU and this is also visible during MFF negotiations: they want to keep control over the agenda and the agreement. However, it sometimes seems that Germany domestically faces difficulties. In Germany the Federal Ministry of Foreign Affairs (Auswertiges Amt) and the Federal Ministry of Finance (Bundesministerium der Finanzen) are both dealing with the MFF and their positions are often contradictory. Furthermore the Green party (Bündnis 90/Die Grünen) has strong positions on the EU budget, which was one of the reasons why the so-called Jamaica coalition did not succeed in autumn 2017. It was expected that the new German minister of finance, Olaf Scholz, was less conservative than the former minister debating the MFF 2014-2020, because Scholz is member of the SPD, while Schäuble was member of the CDU. However, minister Scholz appears to be quite rigid too and therefore it is sometimes unclear what the Germans exactly want for the next MFF agreement. Additionally there are domestic difficulties due to the federal structure. Among the *Länder* the positions on the MFF are diverse and this makes the German position in the MFF negotiations more complicated and obscure (Interview Becker, 29-05-2018; Interview Núñez-Ferrer, 29-05-2018).

During former negotiations Germany often formed the "good cop - bad cop" alliance with Britain, meaning that Germany was always the good one and Britain the bad one, which functioned together ending in an agreement which was acceptable for both. Also in discussions with France, Germany used Britain as an excuse to have certain positions. However, with the Brexit Germany lost this bad cop, but in the meantime it became clear that this bad cop position is taken-over by the "Nordics" consisting of 8 countries: Denmark,

Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands and Sweden. Together they form quite a strong block in the EU and they push on Eurozone reforms as well as limiting the increase of contribution to the EU budget. Germany will be likely to use this front as the “bad cop” instead of the UK (Interview Becker, 29-05-2018).

Furthermore, as Germany also stated for the MFF 2014-2020, they will probably use the same arguments as for the MFF 2021-2027, namely that all EU Member States are in the end willing to reach an agreement, while that proves that the EU is capable to act (Bundesministerium der Finanzen, 2014). This also means that, due to ratification of all Member States, the agreement will be close to the status quo, focused on short-term consequences, path-dependent and somewhere in the middle of everyone’s position (Bundesministerium der Finanzen, 2014).

6.2.2.2 Germany in Level II

In a statement of the *Bundestag*, delivered in June 2018 (Deutscher Bundestag, 2018), several parliamentarians argue that the proposal of the Commission with regard to the increasing budget and yearly contribution of Member States, is simply unacceptable. The Bundestag realizes that the EU has big challenges in the year to come. Despite that, reforms are not correctly operationalized and not all Member States are confirming to debt ceilings. Moreover the migration crisis puts pressure on the EU, and even damages trust in the EU. Working together is crucial. Brexit realizes that EU skepticism exists strongly and threatens EU cohesion. According to Germany the EU is a peace project, a guarantee for freedom, rule of law and prosperity. European integration is a success story which they want to continue. Therefore a successful MFF 2021-2027 is really important. It is important to be flexible, to focus on new priorities and challenges and to think about the added value for citizens and Member States (Deutscher Bundestag, 2018).

The *Bundestag* thus requires the government to strictly stick to the European Added Value, try to complete the agreement before May 2019, demands a good clarification for higher annual contribution, forbids debts of the EU, wants more transparency, supports quitting all rebates, and also supports the coupling of funding to rule of law (Deutscher Bundestag, 2018).

6.2.2.3 Win-set of Germany

Without mentioning details here on the precise position of the Bundestag, it becomes clear that yet at the very start of the negotiations, shortly after the presentation of the proposal, the German domestic politics already act on this negotiations. Although at the time of writing this research, the official initial position of the German government is not yet known, but the *Bundestag’s* statement and the information from respondents, enables to formulate some expectations on the German position.

Level II preferences, coalitions and powers

The preferences of Germany’s *Bundestag* with regard to the MFF 2021-2027 are firstly that they do not oppose an increase of the budget, however it should be a limited increase. Additionally, the accepted increase depends on the type of reforms, new priorities and restructuring of the CAP and Cohesion funds within the MFF. Taking into account that during the last negotiations, the main Level II coalition was formed by the government coalition parties, it is expected that this will also be the coalition in the upcoming negotiations. This means that CDU/CSU and SPD together will form a coalition in the *Bundestag* and back the government’s position at the EU negotiation table. However, with the current state of affairs a remark should be made on the stability of this coalition. Over the last weeks a crisis was going on between CDU and CSU regarding the migration crisis (Politico, 02-07-2018). Considering the title of the new MFF proposal, which shows that migration will be a hot topic during the negotiations and possibly in the funding allocation, it could be that the *Bundestag* coalition will not stick together as closely as in the negotiations for the MFF 2014-2020. Finally the power of this coalition; if they are backing the government’s position, it is likely that the coalition in the Parliament itself is not that powerful, but anyway receives what it prefers, because that is

equal to the government's preferences. The opposition will again be rather non-influential. They will probably argue a lot – especially the right-wing AfD which is currently the biggest opposition party and criticizing the EU – but the chance that they influence the government's position is rather unlikely, based on experience of the former negotiations.

Level II institutions

The institutions in Germany, which refer to the ratification procedure of the MFF, are not expected to be changing during the coming negotiations. This means that also for this ratification an absolute majority is required, and for tax regulation a qualified majority. With regard to party discipline, there is again a link with what was written above about the CDU/CSU crisis. It could be that these tensions lead to divergence among the CSU parliamentarians. Probably some of them back minister Seehofer (CSU), while others back the CDU and Chancellor Merkel. Furthermore there is no reason to expect party discipline to change compared to the last negotiations on the MFF.

Level I negotiator's preferences and strategies

With regard to the preferences and strategies at Level I, Germany is not expected to perform differently than during the last negotiations. The negotiator's freedom to act autonomously will again be within the acceptance of the government coalition. Since the government's position is expected to equal the parliamentary coalition party's position, the negotiator will have considerable freedom to act autonomously. Compared to the previous negotiations, the only limitation on this freedom will be influenced by the chance that some or more CSU parliamentarians will not back every tentative agreement. According to several interviews the German government always tries to keep the EU together and to strike a EU-wide deal. This will be used as a strategy at the international table, but also as framing to convince citizens and parliamentarians back home that the deal is a good one. Furthermore, they are not expected to promise a lot to their domestic constituent yet, in order to make it easier to sell the tentative agreement at home.

6.2.3 Poland

This section describes the expectations for Poland's negotiation strategies and positions for the MFF 2021-2027, for both Level I and II.

6.2.3.1 Poland in Level I

For Poland the MFF negotiations are not financial, but political. This counts specifically for the MFF negotiations that are about to start. Whereas the MFF until 2014 can be seen as more economic agreements - due to dealing with crises - the MFF negotiations are currently more political, which is strengthened by the new priorities in the proposal of the Commission concerning migration and internal security. For Poland these issues are controversial to decide at EU level (Interview Anonymous, 01-06-2018). According to Poland these issues firstly require an agreement on the expectations of the EU and on what the EU should and should not do. Such an agreement or at least understanding is needed before any financial agreement can be reached. According to the respondent, the European Commission currently takes a political role, while that should not be the case, since the EU is not a nation with a government. Unifying policies and transferring more power to the EU is not based on any treaty and thus does not reflect the expectations of European Union societies (Interview Anonymous, 01-06-2018).

Considering the proposal of the European Commission to increase the contribution to the annual budget, Poland is not opposing. They are willing to pay more, but only under the condition of equal burden-sharing. This burden-sharing should take into account a country's development level. This implies the continuation of Cohesion funding and CAP for the CEE countries. The respondent even argues that funding should increase instead of being cut, because there are new and additional challenges, which require extra funding. It is underlined

that Poland wants to preserve the EU - as does Germany. However, the difference is that Poland does not want to preserve the EU for every price (Interview Anonymous, 01-06-2018).

Although Poland does not want to preserve the EU for every price, it is false to argue that Poland currently considers to leave the EU. However, due to their emotional, accusing, uncivilized politics and nationalist parties, it sometimes seems like they are imposing everything in the EU. But actually they are aware that they need the EU, which is however not reflected in the media – the media does not show the facts and reality. Actually, the respondent argues, Poland is a stable country, which has a good finance system. This became extra clear during the financial crisis, when Poland had no losses (Interview Anonymous, 01-06-2018).

Regarding the proposal of the Commission for the MFF 2021-2027, Poland argues that it is not a good basis for negotiations. The proposal does neither meet reality nor the European Treaties. With the big cuts in both CAP and Cohesion funding the EU is said to confirm their path of further integration and transfer of powers rather than changing it (Anonymous, 01-06-2018). According to other respondents the Polish strategy is ambiguous and only resulting in an unclear position (Interview Becker, 29-05-2018; Interview Núñez-Ferrer, 29-05-2018; Interview Zuleeg, 29-05-2018).

As was already written above, Poland is a net receiver of EU money and mainly receives CAP and Cohesion funds. With the other CEE countries, Poland forms the so-called “cohesion-friends” coalition. According to Becker, Zuleeg and Nuñez (Interviews, 29-05-2018) these countries often demand a lot but in the end have little influence on the final outcome. The only thing they want to make sure is the fact that they get funding. However, since they did over the last years not use all funding, and additionally lacked democratic performance, CEE countries are said to be dependent and an easy target, which makes it hard for themselves to stay friends. The fact that Poland left their cohesion-friends during the last negotiations after they got their own funding guaranteed, will also make it harder to win trust again within the friends of cohesion (Interview Becker, 29-05-2018).

Finally it is important to mention the proposal of the Commission to create the condition of rule of law in the MFF. This proposal is about strengthening the EU budget from financial risks related to deficiencies with regard to the rule of law in Member States. If such deficiencies threaten sound financial management or the protection of financial interests of the EU, it should be possible to draw consequences for EU funding. With the rule of law principle in Article 7 TEU and its current imposition on Hungary and Poland being discussed, Poland is one of the possible targets of the Rule of Law proposal in the MFF. According to Núñez-Ferrer (Interview, 29-05-2018) the impact of such principle in the MFF agreement will be very limited, while it only aims at financial risks and not at democratic principles in general. Furthermore Zuleeg (Interview, 29-05-2018) and Becker (Interview, 29-05-2018) argue that due to unanimity of the MFF agreement, the rule of law proposal has to be softened, while otherwise Poland will probably veto the whole MFF agreement. Furthermore Becker (Interview, 29-05-2018) argues that this proposal is actually an unbalanced condition, because it does not focus equally on all Member States. This will be a difficult issue, while balancing and fair burden-sharing is so important in the EU. Polish ministers reacted sanguine to the Commission’s plan and downplayed the threat of rule of law, by saying that the Commission only “heard things” (EU Observer, 03-05-2018).

6.2.3.2 Poland in Level II

On the MFF 2021-2027 the domestic politics of Poland did not yet deliver a position or any parliamentary questions. Considering that during the last negotiations the *Sjtem* shared a position with the government, it is to be expected that this will be the case again. Furthermore it seems like the PiS, who called for a veto last time, increased its influence on the governing parties (The Jerusalem Post, 03-01-2018). This current position of the PiS combined with the strong element of party politics in Poland, makes it not unlikely that the PiS again opposes the MFF agreement. They already objected the rule of law proposal, which emphasizes that this condition has a veto potential. Furthermore it is currently hard to say anything specific about the domestic position, because positions are not yet delivered.

6.2.3.3 Win-set of Poland

The information described above, gives some tools to define the win-set of Poland for the MFF 2021-2027, which is done in this section.

Level II preferences, coalitions and powers

With regard to the preferences of the Polish domestic constituency, it is expected that again the CAP and Cohesion funding are the main priorities of the *Sejm*. This is what they argue to be important for Poland, in order to reach the same development level as the other EU Member States. That position is also widely supported among citizens. Therefore, it is expected to be again the main priority of Poland's parliament. Additionally however, the proposal on the rule of law as a criteria for funding, will be heavily opposed. Whereas the country also follows its own path, regardless the infringement of the Commission with regard to their rule of law, they are also expected to not accept the rule of law principle in the MFF agreement in the way it was proposed by the Commission. With regard to the coalitions at the domestic level of Poland, there is no reason to assume that this will differ from the MFF 2014-2020 negotiations. It could be the case again that PiS calls for a veto, but other than that coalitions are not expected to play an important role. Thus, also this time the power of the domestic level will be limited. The only option for them to be more influential, seems to be to accept the call for a veto. On one hand, the current stronger influence of the far-right PiS party over the ruling political parties, could increase the chance of voting up a call for veto. On the other hand however, without knowing how the CAP, Cohesion and rule of law proposals evolve, it is hard to calculate the chance of a veto being accepted.

Level II institutions

As was written in the win-set of Poland for the MFF 2014-2020, the ratification procedures of the *Sejm* and the Senate differ for national and international agreements. It also became clear that the rules for this ratification are written down in the Constitution. Over the last years, the Polish constitution did not change and there is also no reason to expect that this will change during the upcoming negotiations. Therefore, it is reasonable to assume that Level II institutions will equal those of the last negotiations. Considering party discipline it is also not expected to change, in respect to the last negotiations. Party politics in Poland is still strong and maybe even stronger than seven years ago. Therefore it can be expected that parliamentarians vote in line with their party's position.

Level I negotiator's preferences and strategies

Although the MFF negotiations 2014-2020 at the international level mainly took place behind closed doors, it became clear that Poland fought for Cap and Cohesion funding and once they got that promised, accepted all other elements of the MFF. Considering the fact that the Polish government, parliament and citizens value the CAP and Cohesion that much and that they still are not at the development level of other Member States, it is likely that they will again fight for CAP and Cohesion funding as their main – and probably again, only – priority. Taking into account the call for a veto domestically, the positive international reply to that (rewarding more funding) and the knowledge out of interviews that Poland want to keep the EU together but not for every price, makes it quite probable that Poland will play the hard game at the EU negotiation table. According to them the Treaties are the basis if the negotiations, which also includes the converging development level of Member States. This is crucial for Poland and therefore the CAP and Cohesion funding should just be guaranteed. The negotiator will have quite some freedom to act, under the condition that the final agreement results in a better CAP and Cohesion funding for Poland than proposed. A possible veto can again be a threat of the negotiator at the EU table and the framing will definitely be based on the treaties and the converging development level.

7. Conclusion

The results as presented in “Chapter 6: Results” made an assessment of Germany and Poland in the MFF negotiations of 2014-2020, for both Level I and II. It also gave an outlook towards the upcoming MFF 2021-2027 negotiations. This chapter will mention the main findings, which enables to answer the research question. After that other relevant findings are added, followed by generalization of the outcomes, including societal and academic relevances.

7.1 Findings

For the MFF 2014-2020 the results for Germany were as follows. At Level II it became clear that the parties forming the government coalition shared the same position as the government. The initial position of the SPD, one of the opposition parties, was also in line with this. In all documents found on the initial positions of Germany’s Level II, it was mentioned that the EU and the MFF are important for the future, prosperity and economic growth of Germany. It was also argued that it is essential to reform the EU budget, which means that more efficiency will be reached and that no more money should be contributed by Member States to the EU. Furthermore especially the CAP and cohesion funds should be reformed and other challenges of the EU should get more priority, Furthermore no taxing competence is preferred to be conferred to the EU level. Finally the importance of subsidiarity and conditionality is mentioned.

Level I of Germany stated the importance of a more efficient budget, instead of more budget and tax collection. Next to more efficiency, reforms in the CAP and Cohesion funds were needed, and these two funds also had to be cut. On the other hand spending on research and technology had to increase, which is part of their argument to create a future minded MFF. The German government also emphasized the subsidiarity principle, adding that all EU spending needs to have a European Added Value. Furthermore they mentioned the importance of reaching an agreement, which probably ends up somewhere in the middle of all positions, quite close to the status quo.

Considering the outcome of the MFF negotiations: the smaller EU budget was in line with the German preferences and also specifically on CAP and Cohesion cuts took place. The German government thus was happy and also the coalition parties in the Parliament were happy. The opposition tried to criticize the final agreement a little, but they could not change anything anymore. Thus, it seems that Level I and the coalition parties of Level II were sharing the same position, but that the opposition had reservations. This shows limited power of the Level II. Overall Germany does not seem to have given in a lot on their initial position, in order to reach the final agreement.

With regard to Poland, it becomes clear that their Level II is not that much publically involved in the MFF negotiations. This is concluded because not many documentation can be found on this and also because the position of the Polish government is written in name of the Polish Parliament and Government together. The only clear point were the Polish Level II tried to have some influence, was the proposal of the PiS to veto the MFF agreement if it was not favorable for Poland. However, also here their influence stayed limited, while the call for a veto was voted down.

Poland’s Level I position emphasizes the importance of growth-minded policies, reforms and new priorities, combined with conditionality and cuts in administration costs. However, way more important was their call for high transfers to CEE countries, in order for them to reach the same development level as the other EU Member States. Their most important statement in the MFF negotiations was the need for CAP and Cohesion funds. These were crucial for Poland and no cuts were accepted. They agreed with simplification and administrative reforms, but not with transfer changes.

With the outcome it appeared to be a successful negotiation for Poland: CAP and Cohesion transfers for them were not cut, but even increased. However, their cohesion-friends were not all better off and Poland did not really care about that anymore after they stroke the deal for their transfers of funding. They ended the negotiations as the biggest EU funding

beneficiary. Poland thus has been really successful in their negotiations. Considering the relation between Level I and II however, it became clear that their opinions are shared and that Level II separately does not really have power.

Based on these findings, the research question: "How can Two-Level Games explain (changes in) positions and strategy of Germany and Poland considering the MFF 2014-2020 and what can, based on these findings, be expected for the MFF 2021-2027?" can be answered. With the operationalization of defining the win-set it became clear that this is quite hard in the case of Germany's and Poland's MFF negotiations. There are four reasons.

Firstly, It is hard because little is known on the content of the negotiations at Level I. It is quite a black box, because the negotiations mainly take part behind closed doors. Furthermore, considering Level II, this level seems to have limited power. For the case of Germany this is clear because the coalition parties just back the government and the opposition is quite powerless and do not get response on their reservations. For the case of Poland it became clear that Level II does not have an own position on the MFF negotiations. However, one of the parties called for a veto, which is quite a statement of Level II. However, at the same time this veto-threat was voted down, so that was also not effective.

Furthermore the win-set principle defines a minimum and maximum of the win-set, which means that an agreement can only be reached if it ends up somewhere in the middle. However, considering the maximum it is quite hard to know for sure what it is. It could be assumed that the initial position is the maximum of what someone wants to reach. However, it could also be argued that the government actually wanted an extremer maximum, but already moderated it, because a too irrational position could lead to undesirable frictions at the start of the negotiations.

Finally, considering the minimum of the win-set, that is even harder to define than the maximum. For the minimum it means a breaking point, which implies that a constituent absolutely would not accept the agreement anymore. Such breaking points become clear if an agreement is vetoed or if no agreement is reached in the end. However, the MFF negotiations always resulted in an agreement, which was ratified by all member states. This is quite logical: all Member States voluntarily take part in the European project and all want to show the capability to act as a Union. This however also results in the fact that defining win-sets minimums is really hard, because the real breaking point is never shown. It could be argued that a country threatening with a veto is at its minimum, but still, without veto being reality, one could never know for sure if the real minimum was reached. Additionally, what counts for both defining the maximum and minimum, this win-set is not written in stone. Due to influence of other negotiators in the negotiating rounds, negotiators and constituents can change their range of possible agreements and thus change their win-set.

Although these four points show that Two-Level Games, operationalized in win-set determinants cannot explain the MFF negotiation strategies and positions of Germany and Poland, there are some elements which can be identified. The determinants: Level II preferences, coalitions and institutions can be identified, albeit to a different level of clarity. Furthermore both the initial position and the final outcome are known and it is also known that these are both located somewhere in the win-set of the countries. Additionally the outcome has to be part of the win-set of both countries.

Overall, the research question can thus be answered as: Two-Level Games can explain certain elements of the MFF negotiation strategies and positions of Germany and Poland. However, the most crucial element: defining the win-set cannot be done optimally, and thus Two-Level Games lacks to explain the MFF negotiation strategies and positions of Germany and Poland optimally.

The second part of the Research Question asks what, based on the results on the MFF 2014-2020, can be expected for the MFF 2021-2027 negotiations. As was described in "Chapter 6: Results", Germany is expected to keep pressing on the need of reaching an agreement, keeping the EU together, steering the negotiations and controlling the agenda. Content wise, they will try to lower the contribution to the EU budget, compared to the Commission's proposal. Depending on the intensity of reforms, priorities, spending funds and

focus on new challenges they will decide how many percentage of their GNI they are in the end willing to contribute to the EU. Also this time it is expected that the coalition parties in the Parliament will back the government, although the current tensions between CDU and CSU on migration, could influence this common position, especially because migration is one of the negotiation issues for the MFF 2021-2027. With regard to Poland and the MFF 2021-2027 negotiations, they are likely to accept an increase of contribution to the EU budget, but only if they are again not cut on the CAP and Cohesion funding. These funds will also this time be crucial and they are expected to again accept other issues, as change for the funding. With regard to the proposed rule of law, they are likely to oppose and soften the rule of law, while this issue will otherwise be likely to be a potential for vetoing. They will play the hard game: they want to join the EU, but not for every price and that includes maintaining the CAP and Cohesion fund. The final outcome of the MFF negotiations is expected to be again somewhere in the middle and close to the status quo, due to the unanimity rule for the MFF agreement ratification. The CAP and Cohesion funds are likely to be cut, but Poland will probably manage again to strike a good deal on that specific issue. Also new priorities and budget reforms will be decided upon. To which extent is hard to argue: several countries with decisive power, among which is Germany, will use this as a hard requirement, but at the same time only incremental change is likely. Furthermore, the agreement is likely to be reached before it has to be enforced, but not before May 2019.

Next to the findings answering the Research Question, some findings are worth it to be highlighted. This firstly points to the differences in Level I that are identified between Germany and Poland. Germany showed and said during the negotiations of the MFF 2014-2020 that it wanted to strike a deal, in order to show the capability of the EU to act. Additionally they mentioned the value of keeping the EU together, for both their own prosperity and the EU as an important global actor. Germany also admits that it wants to take the lead in the negotiations and control the agenda. On the other hand, Level I of Poland showed a more individualistic appearance. They could not care that much about many MFF issues and in the end even not about their cohesion friends; they only fought for their own CAP and Cohesion fund and as soon as this was reached, they said to be accepting the rest and let their cohesion-friends fight on their own. The Level I difference between Germany and Poland is thus mainly found in the orientation: Germany wants to reach an EU-wide agreement, which keeps the EU together. Poland wants to keep the EU together, but not for every price. They have an overall priority for their own benefits, which results in a hard and individualistic strategy.

A second relevant finding is the difference between Germany and Poland in Level II. For Germany it was found that the government coalition parties in the government, back their government's position fully. Because this also means a majority in parliament if the agreement is voted up or down. Although the opposition has some different positions on the MFF negotiations and the (desired) outcome, their position is more or less neglected, resulting on little influence. This shows that in Germany the power of Level II to change the strategy or position of Level I is limited. Considering Level II of Poland, it becomes clear that they do not really have a position separate from the government, which implies limited power. However, the call for a veto during the last negotiations, was definitely a sign of the Parliament to show their possible power, to the government, the citizens and the EU. After that they managed to get a more favorable MFF agreement, which could be the result of this veto threat. It should however be taken into account that the probability of a veto call is higher in Poland than in Germany, if seen from the Level I goal, which is likely to be shared by the Parliament. Germany wants to reach an agreement and thus vetoing would not be likely. Poland has a more individualistic position, which increases the possibility to call for a veto. This on one hand thus shows the possible power of Level II, but it also shows that Level I and II are entangled. These limitations of the power of Level II are directly touching upon the legitimacy issue of the EU. Legitimacy, amongst others, requires proper citizen representation. The national parliaments are supposed to perform this role, but if they are not able to influence the government's position and in this case therefore also not the final MFF agreement, it is quite likely that a part of the citizens (who voted for those unheard parliamentarians), were not represented properly.

An unequal playing-field for coalition and opposition of national parliaments, especially in EU issues, raises the legitimacy question. An thus, limited power at Level II increases the worries about EU legitimacy.

7.2 Generalization

This research specifically focused on the MFF negotiations strategies and positions of Germany and Poland for the MFF 2014-2020 and based on that provided an outlook to the MFF 2021-2027. However, several outcomes of this research are not only relevant for Germany and Poland, but can be seen in broader context of the MFF negotiations. Other findings are even relevant for EU negotiations in general. This section therefore generalizes the findings of this research.

Findings that are relevant for the MFF negotiations in general, is first and foremost the division between net contributors and net payers. As became clear in this research, the most relevant coalition in the MFF negotiations splits the Member States according to their financial position. Regardless the specific issues and priorities of the MFF, the net contributors and net beneficiaries always say the same and more or less stick together and therefore forms the most important coalition in the MFF negotiations. At the basis of this division lays the development level of the Member States. In case they are less developed, they are more likely to be a net beneficiary than a net contributor. Consequently, their development level also influences the priorities of a country. Countries that need to develop further, are likely to prioritize funds that foster this development – like the CAP and Cohesion funding. Countries that would not benefit of these funds, because they are already behind that development level, are more likely to prioritize funding for other goals and priorities – like research, technology and innovation.

Secondly, the research showed that the power of Level II in Germany and Poland is limited and that the government's and parliament's position are not often really opposing. With the case selection of this research which considered two comparable but diverse cases, at the opposite ends of the EU spectrum, it would be reasonable to argue that the power of the Member States Parliaments are limited in more cases than only Germany and Poland.

Furthermore, there are also several findings which are not only relevant to the MFF negotiations in Germany and Poland, and the complete MFF negotiations, but also to EU negotiations in general. This firstly is the principle of unanimity. The MFF agreement and several other EU decisions have to be decided upon by unanimity, which means that all Member States have to vote in favor of the agreement. Findings of this research made clear that unanimity however mostly forces the agreement to find a middle way, in order to get it accepted by all Member States. This also means that the outcome is often close to the status quo, because only then it is likely that all countries support the agreement. Sticking close to the status quo means that changes are only incremental.

Secondly, it was emphasized by both Germany and Poland that it is important for the MFF agreement that it has a European Added Value. This means that the EU should only decide to act when that would be more efficient and thus favorable than national action on that topic. This is closely related to the subsidiarity principle, which states that the EU has to prove for every action whether acting at the EU level is more favorable than acting at the Member State level. The principle is based on that every power to act initially is with the Member States and that action should be conducted at the 'lowest level' possible. This need for European Added Value is thus not purely a principle for the MFF, but one of the main EU principles which is even in the Treaties.

This subsidiarity principle and European Added Value are closely related to the debate about EU competences. What should the EU do? What should they not do? According to several sources of this research, it became clear that the whole debate about the MFF is about prioritizing EU policy rather than about purely allocating money. Consequently, the MFF negotiations are perceived to be political rather than economic. This shows that also the MFF, which seems to be so financial and economic, actually decides on priorities, policies and thus

what the EU should do, which then again means that the negotiations are about competences of the EU.

Finally, the legitimacy issue is an issue that emphasizes the societal relevance of this research. EU priorities and thus the spending of EU budget have impact on the Member States and on their citizens. Since the principle of legitimacy in the EU is really important, it should also be reflected in this MFF agreements, because the MFF has impact on citizens lives. Legitimacy is about accountability, reliability, transparency and representation of citizens. As was already mentioned above, in case that a part of the citizens is not having a voice, simply because they are neglected or not takes seriously in the negotiations and positions of the government, it can be questioned whether the outcome of the agreement is legitimate or not. Since this research shows that the power of Level II constituents are limited and often entangled with the government positions, this legitimacy issue is undoubtable one that is raised in the MFF negotiations. The fact that these negotiations decide the EU priorities and spending for the coming seven years and which is quite impossible to change during this period, makes it even more worrisome: probably legitimacy lacks in these negotiations and this outcome has a longer time-period than elections do. This is however also not only applicable to the MFF negotiations, but to the EU functioning in general. It is often discussed whether the EU is legitimate or not. This includes accountability, transparency and citizen representation. In this debate it is often argued that the Member States citizens are not properly represented, mainly because the European Parliament lacks power within the EU institutional system. Although the accent in this research was on citizen and society representation via the national parliament instead of the European Parliament, the outcome was about the same. The power of the national parliaments in the MFF negotiations is limited and therefore citizens are underrepresented in the MFF negotiations. And thus the legitimacy issue is also questioned in the MFF negotiations, next to many other EU negotiations in which it is an hot topic too.

The answer on the research question made clear that actually the Two-Level Games are not able to properly explain the MFF negotiations in the cases of Germany and Poland. The reason of this mainly was about the black box considering Level I negotiations and the limited power and influence of the national parliaments, due to being entangled with their government's position. This raises the question if this is purely the case for the MFF negotiations, or if that can also be identified at the EU level. In order to reflect on this, it is necessary to take step backwards and to take a helicopter view of this theory, which simultaneously shows the academic relevance of this research..

Putnam defined the Two-Level Games by referring to the Bonn summit conference of 1978, in which a coordinated program of global reflection had been proposed to foster Western recovery from the first oil shock. This program was led by to "locomotive" economies of the United States, Germany and Japan (Putnam, 1988). Putnam, being an American himself, wrote this metaphor of Two-Level Games based on the American political structure. Within the American structure, the role of the national negotiator and his position towards the domestic constituent is way less entangled than in the EU. America's President really has to win votes in the Congress in order to get a tentative agreement ratified. Being backed by the Congress members which are of the same political party as the President himself, is not a given. The national negotiator in the American system is thus likely to be scrutinized and hold accountable for his delivery at the international table and the domestic consequences.

If this is compared to the political systems in the EU, the difference is clear. Most European political systems are representative democracies in which the government is formed based on the Parliament elections, which means that also the Head of State is chosen based on these elections. This results in that government coalition parties in the Parliament are mostly backing the government – although they are not obliged to and even have the duty to control the government. However, in practice this role is thus limited and mostly those party's positions are in line with the government's positions.

This difference between the political systems of the United States and the EU Member States, seems to be the reason why the Two-Level Games – which are based on assumption

of the US system – is not really suitable for analyzing European negotiations. It can be generalized from the MFF negotiations specifically to EU negotiations which are subject to Member States ratification in general. This is the case because all these tentative agreements, which need to be ratified domestically are thus subject to the domestic political systems of the Member States.

Consequently, it is interesting and relevant to discuss how the Two-Level Games could be a way to examine European negotiations and domestic ratification. It was thus concluded that the political system of the United States and the European Member States are different, which results in the fact that Level II discussion in order to ratify the tentative agreement are in the European system not likely to have influence on the negotiations as much as in the United States. This makes it reasonable to rethink the Level II construction, in order to make Two-Level Games fit for analyzing European negotiations. In this research it was assumed – in order to operationalize the theory – that Level II domestic actors could be defined as the national parliaments, since they are supposed to represent their society. Public voices, business positions, interest group's positions: all these should somehow be voiced in the parliament. Even the dominance of these different voices in parliament should reflect the degree of presence of these voices in society. However, considering the fact that parliament and government in the Member States political systems are entangled, due to the structure of the systems, it is probably not the optimal choice to consider the parliament as umbrella domestic actor – although taking the American Congress when analyzing the Level II in American negotiations would be reasonable. In order to make Two-Level Games fit for EU analysis, it would thus probably be better to consider all domestic actors separately. Level II would then consist of the government on one hand and on the other hand the domestic actors like: public moods and opinion, position of interest groups, business, activists, media, et cetera. For Germany it would also be interesting to see if the strong *Länder* are influencing the government's position – and thus are more influencing than the *Bundestag*. Considering the parliament it could possible work to incorporate them at the government division in Level II, although it could also be an option to include the opposition in the parliament at the domestic actors, while the coalition parties are considered to be with the government. This new way of operationalization is also the first suggestion for further research.

With regard to the black box of negotiations at Level I and the maximum and minimum of win-sets, this is mainly about transparency. If it would be more clear what the Level I negotiations in detail were about and what strategies were used, it would be easier for Level II to hold the negotiator accountable and it would be easier to define the minimum and maximum of the win-set. Although it is easy to call on the EU for more transparency, it will be hard to reach this. The easiest way to achieve transparency would be if all Member States, who negotiate the tentative agreements in the Council, want more transparency themselves. However, if other parties would just call for more transparency, it is less likely to be achieved.

Next to operationalizing the Level II domestic actor as the parliament, which probably in the EU case was in hindsight not the best choice, the operationalization of the win-set is also something that gave some difficulties. As was written in the Chapter 4.3 "Key concepts", in which key concepts were defined and operationalized, there is no clear model, formula or other way to operationalize Putnam's theory. Other researchers that used Two-Level Games, always focused on one specific element of the theory and either supplemented it with another theory or adjusted Putnam's ideas. In this research descriptive characteristics of win-sets were chosen, but creating a proper model or formula would probably have been better. Therefore a second suggestion for further research is to conduct an extensive research and elaboration on a suitable operationalization on this theory. It would really be a useful addition to literature, especially if it would also be suitable to the EU political system. This would enable researchers to use the Two-Level Games as a real model, instead of a metaphor which is only partly operationalized into an empirical model.

A third lead for further research is to make an analysis of MFF negotiations of more than two Member States. Although the case selection of this research were diverse cases along the extremes of the EU Member States spectrum, and although there are quite some results that seem to be applicable to more or all Member States, it would be interesting to see

in more detail how all different Member States behave in these MFF negotiations, what the similarities and differences are and if patterns can be found in strategies.

8. Bibliography

Ackrill, R., & Kay, A. (2006). Historical-institutionalist perspectives on the development of the EU budget system. *Journal of European Public Policy*, 13(1), 113-133.

Balzacq, T. (2006). *Security and the two-level game: The Treaty of Prüm, the EU and the management of threats* (No. 234). CEPS.

Becker, P. (2012). Lost in Stagnation. *Die Verhandlungen über den nächsten mehrjährigen Finanzrahmen der EU (2014-2020) und das Festhalten am Status quo*, SWP-Studie, Berlin.

Begg, I. (2000). Reshaping the EU Budget: Yet another missed opportunity?. *European Urban and Regional Studies*, 7(1), 51-62.

Begg, I. (2009). Fiscal federalism, subsidiarity and the EU budget review.

Blankart, C. B., & Kirchner, C. (2004). The deadlock of the EU budget: An economic analysis of ways in and ways out. *A constitution for the European Union*, 109-138.

Bryman, A. (2012). *Social Research Methods*. New York: Oxford University Press Inc.

Büchs, M. (2008). The Open Method of Coordination as a 'two-level game'. *Policy & Politics*, 36(1), 21-37.

Bundesministerium der Finanzen (2012). *Ein Haushalt für Europa*. Retrieved from: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Europa/EU_auf_einen_Blick/EU_Haushalt/2012-11-23-Stellungnahme-Finanzrahmen-EU.pdf;jsessionid=460AE3CD791F00062CFA5CE53504DC52?__blob=publicationFile&v=3 on 25-03-2018

Europäischen Union. Retrieved from: <https://www.bundesfinanzministerium.de/Content/DE/Monatsberichte/2013/12/Inhalte/Kapitel-3-Analysen/3-5-neuer-mehrjaehriger-finanzrahmen-der-eu.html> on 25-03-2018

Bundesministerium der Finanzen (2014). Der Mehrjährige Finanzrahmen der EU 2014-2020. Retrieved from: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Europa/EU_auf_einen_Blick/EU_Haushalt/2012-02-26-mehrjaehriger-finanzrahmen-der-eu-2014-2020.html on 25-03-2018

Bundesregierung (2018a). Positionen der Bundesregierung zum Mehrjähri- gen Finanzrahmen der EU (MFR) post-2020. Retrieved from: https://m.bundesregierung.de/Content/DE/Anlagen/2018/02/2018-02-22-mehrjaehriger-eu-finanzrahmen.pdf?__blob=publicationFile&v=1 on 30-03-2018

Bundesregierung (2018b). *Was ist der Mehrjährige Finanzrahmen der EU?* Retrieved from: <https://www.bundesregierung.de/Content/DE/Artikel/2018/02/2018-02-22-finanzrahmen.html> on 25-03-2018

Cattoir, P. (2004). *Tax-based EU own resources: An assessment* (No. 1). Directorate General Taxation and Customs Union, European Commission.

Chai, B., Chen, J., Yang, Z., & Zhang, Y. (2014). Demand response management with multiple utility companies: A two-level game approach. *IEEE Transactions on Smart Grid*, 5(2), 722-731.

Consilium (2018). *Shaping EU expenditure: the multiannual financial framework*. Retrieved from: <http://www.consilium.europa.eu/en/policies/multiannual-financial-framework/> on 25-03-2018

Darvas, Z., & Wolff, G. B. (2018a). The hole in the post-Brexit Multiannual financial framework (€bns).

- Darvas, Z., & Wolff, G. B. (2018b). What budget for the EU?—Principles, spending priorities and the impact of Brexit.
- Darvas, Z., & Wolff, G. B. (2018c). Rethinking the European Union's post-Brexit budget priorities. Bruegel Policy Brief ISSUE 1| MARCH 2018.
- De La Brosse, G. (2017). Deploying financial tools in support of European Defence cooperation. *Armament Industry European Research*, (14).
- De la Fuente, A., & Doménech, R. (2001). The redistributive effects of the EU budget: an analysis and proposal for reform. *JCMS: Journal of Common Market Studies*, 39(2), 307-330.
- Der Standard (07-03-2012). *Budget berücksichtigt Rettungsfonds nicht; Neuer Finanzrahmen zu tief angesetzt – Streit um Umsetzung des Fiskalpaktes*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=329118&docNo=232 on 05-04-2018
- Der Standard (18-01-2013). *Verhandlungen zu EU-Finanzrahmen kurz vor Abschluss*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=151&resultsUrlKey=0_T27380096398&backKey=20_T27380096399&csi=329118&docNo=182 on 05-04-2018
- Deutsche Verkehrszeitung (22-02-2013). *Verbände sagen „Ja, aber“ zu EU-Finanzplan*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083140&format=GNBFI&startDocNo=0&resultsUrlKey=0_T27380083157&backKey=20_T27380083158&csi=153976&docNo=28 on 05-04-2018
- Deutscher Bundestag (2011a). *Antrag der Fraktionen der CDU/CSU und FDP*. Retrieved from: <http://dip21.bundestag.de/dip21/btd/17/077/1707767.pdf> on 25-06-2018
- Deutscher Bundestag (2011b). *Antrag der Fraktion der SPD*. Retrieved from: <http://dip21.bundestag.de/dip21/btd/17/078/1707808.pdf> on 25-06-2018
- Deutscher Bundestag (2013). *Merkel verteidigt Einigung auf EU-Finanzrahmen*. Retrieved from: https://www.bundestag.de/dokumente/textarchiv/2013/43029347_kw08_de_regierungserklaerung/211000 on 25-06-2018
- Deutscher Bundestag (2018). *Entschließungsantrag*. Retrieved from: <http://dip21.bundestag.de/dip21/btd/19/029/1902996.pdf> on 25-06-2018
- Die Presse (05-07-2011). *Deutschland will einen höheren Nettoszahlerabatt*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=274856&docNo=236 on 05-04-2018
- Doménech, R., Maudes, A., & Varela, J. (2000). Fiscal flows in Europe: the redistributive effects of the EU budget. *Review of World Economics*, 136(4), 631-656.
- Dür, A., & Mateo, G. (2010). Bargaining power and negotiation tactics: the negotiations on the EU's financial perspective, 2007–13. *JCMS: Journal of Common Market Studies*, 48(3), 557-578.

Enderlein, H., Lindner, J., Calvo-Gonzales, O., & Ritter, R. (2006). The EU budget: how much scope for institutional reform?. In *Designing the New European Union* (pp. 129-159). Emerald Group Publishing Limited.

Etzold, T., & Tokarski, P. (2015). New Centre-Right government in Finland: economic and European challenges and perspectives.

EU Observer (03-05-2018). *Germany and France lead EU budget concerns*. Retrieved from: <https://euobserver.com/economic/141740> on 03-05-2018

EuroNews (08-02-2013). *Merkel und Cameron verordnen EU Sparkurs*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=101&resultsUrlKey=0_T27380102618&backKey=20_T27380102619&csi=277172&docNo=150 on 05-04-2018.

European Commission (2017). *Press release - Rule of Law: European Commission acts to defend judicial independence in Poland*. Retrieved from: http://europa.eu/rapid/press-release_IP-17-5367_en.htm on 15-04-2018

European Commission (2018a). *EU Budget for the Future – Where does the money go?* Retrieved from: https://ec.europa.eu/commission/sites/beta-political/files/where-does-the-money-go_en.pdf on 15-04-2018

European Commission (2018b). *Press release- EU budget: Commission proposes a modern budget for a Union that protects, empowers and defends*. Retrieved from: http://europa.eu/rapid/press-release_IP-18-3570_en.htm on 03-05-2018

European Commission (no date-a). *Overview MFF 2014-2020*. Retrieved from: http://ec.europa.eu/budget/mff/index2014-2020_en.cfm on 18-03-2018

Evans, P. B., Jacobson, H. K., & Putnam, R. D. (Eds.). (1993). *Double-edged diplomacy: International bargaining and domestic politics* (Vol. 25). Univ of California Press.

Fiott, D. (2016). A 'Game Changer'? The EU's Preparatory Action on Defence Research. *Browser Download This Paper*.

Galiay, P. (2018). Citizen science on the rise. *Research World*, 2018(68), 40-42.

Grochowska, R., & Kosior, K. (2016). EU budget negotiations in the shadow of the juste retour rule.

Knopf, J. W. (1993). Beyond two-level games: domestic–international interaction in the intermediate-range nuclear forces negotiations. *International Organization*, 47(4), 599-628.

Kölling, M. (2012). The Multiannual Financial Framework 2014–20–Best European value for less money?.

Kölling, M., & Leal, C. (2012). The Negotiation of the Multiannual Financial Framework–Budgeting Europe 2020 or Business as Usual?.

Le Cacheux, J. (2010). Funding the EU budget with a genuine own resource: the case for a European tax. In *Report on the State of the European Union* (pp. 132-159). Palgrave Macmillan, London.

LeoGrande, W. M. (1998). From Havana to Miami: US Cuba policy as a two-level game. *Journal of Interamerican Studies and World Affairs*, 40(1), 67-86.

Lex (2012). *Sejm nie będzie zmuszał rządu do weta ws. budżetu UE*. Retrieved from: <http://www.lex.pl/czytaj/-/artykul/sejm-nie-bedzie-zmuszal-rzadu-do-weta-ws-budzetu-ue/print/> on 25-06-2018

Lisowski, M. (2002). Playing the two-level game: US President Bush's decision to repudiate the Kyoto Protocol. *Environmental Politics*, 11(4), 101-119.

Main-Taunus-Kurier (08-02-2013). Erst der Finanzrahmen, dann die Details; EU-GIPFEL Staats- und Regierungschefs ringen um EU-Budget bis 2020 und steuern auf Kompromiss zu. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=151&resultsUrlKey=0_T27380096398&backKey=20_T27380096399&csi=339128&docNo=151 on 05-04-2018.

Małuszyńska, E., & Sapała, M. (2012). Wieloletnie ramy finansowe Unii Europejskiej na lata 2014–2020.

Ministerstwa Rolnictwa i Rozwoju (2018). *Priorytety Ministerstwa Rolnictwa i Rozwoju Wsi na lata 2018-2019*. Retrieved from: <https://www.minrol.gov.pl/content/.../Priorytety%202018-2019.pdf> on 01-04-2018

Ministerstwo Spraw Zagranicznych (no date-a). *Wieloletnie Ramy Finansowe*. Retrieved from: https://www.msz.gov.pl/pl/c/MOBILE/polityka_zagraniczna/zagraniczna_polityka_ekonomiczna/wieloletnie_ramy_finansowe/ on 01-04-2018

Ministerstwo Spraw Zagranicznych (no date-b). *Projekt Stanowiska RP*. Retrieved from: <https://www.msz.gov.pl/resource/620888e6-006a-4fc8-b077-b36c1b0af7a7:JCR> on 01-04-2018

Núñez-Ferrer, J., & Gros, D. (2018). The Multiannual Financial Framework, where continuity is the radical response. CEPS Commentary, 4 May 2018.

Núñez-Ferrer, J., & Rinaldi, D. (2016). The impact of Brexit on the EU budget: A non-catastrophic event.

OIDE (2018). *Wieloletnie ramy finansowe 2021-2027*. Retrieved from: http://oide.sejm.gov.pl/oide/images/files/pigulki/wrf_2021_27.pdf on 01-04-2018

Paarlberg, R. (1997). Agricultural policy reform and the Uruguay Round: Synergistic linkage in a two-level game?. *International Organization*, 51(3), 413-444.

Pahre, R. (1997). Endogenous domestic institutions in two-level games and parliamentary oversight of the European Union. *Journal of Conflict Resolution*, 41(1), 147-174.

Patterson, L. A. (1997). Agricultural policy reform in the European Community: a three-level game analysis. *International organization*, 51(1), 135-165.

PISM (2013). *Nowe Wieloletnie Ramy Finansowe Unii Europejskiej 2014-2020 z perspektywy państw Europy Środkowo-Wschodniej*. Retrieved from: https://www.senat.gov.pl/gfx/senat/userfiles/_public/k8/ue/wyszehrad/temat_1_ekspertyza_3_pl.pdf on 03-03-2018

Politico (02-07-2018). *Merkel and Seehofer make fragile peace*. Retrieved from: <https://www.politico.eu/article/merkel-and-seehofer-strike-refugee-deal/> on 03-07-2018

Proczek, M. (2015). WIELOLETNIE RAMY FINANSOWE UE NA LATA 2014-2020 ZNACZENIE DLA POLSKI. *Kwartalnik Kolegium Ekonomiczno-Społecznego Studia i Prace/Szkoła Główna Handlowa*, (2), 111-141.

Przybojewski, J. (2015). Relations of the European Union law with Polish legal order. *Law and Administration in Post-Soviet Europe*, 2(1), 26-33.

Rheinische Post Duesseldorf (05-07-2011). *Deutschland will Rabatt bei Überweisungen an EU*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=322400&docNo=237 on 05-04-2018

Richter, S. (2013). *The EU's Multi-Annual Financial Framework for 2014-2020: an Old Construct Fit for a Changed EU?* (No. 019). FIW.

Schild, J. (2008). How to shift the EU's spending priorities? The multi-annual financial framework 2007–13 in perspective. *Journal of European Public Policy*, 15(4), 531-549.

Senat (2013). *Sprawozdanie na temat unijnego budżetu na lata 2014-2020*. Retrieved from: <https://www.senat.gov.pl/senat-i-ue/sprawozdania-stalego-przedstawiciela-kancelarii-senatu-przy-ue/inne-sprawozdania/> on 03-04-2018

SDA (18-06-2013). *EU-Regierungen und EU-Parlament streiten um EU-Finzen*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=101&resultsUrlKey=0_T27380102618&backKey=20_T27380102619&csi=222305&docNo=126 on 05-04-2018

Sejm (no date). *Sejm in the system of power*. Retrieved from: <http://www.sejm.gov.pl/english/sejm/sejm.htm> on 25-06-2018

Shamir, J., & Shikaki, K. (2005). Public opinion in the Israeli-Palestinian two-level game. *Journal of Peace Research*, 42(3), 311-328.

Siekierski, C. (2012). WIELOLETNIE RAMY FINANSOWE. (BUDŻET) UE 2014-2020*. Retrieved from: <http://journals.pan.pl/Content/97404/mainfile.pdf> on 01-04-2018

Spiegel Online (03-11-2012). *Merkles Mission Mittelweg*. Retrieved from https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=258501&docNo=212 on 05-04-2018

Stenbæk, J., & Jensen, M. D. (2016). Evading the joint decision trap: the multiannual financial framework 2014–20. *European Political Science Review*, 8(4), 615-635.

Stuttgarter Nachrichten (19-10-2010). *Die Schlacht um EU-Gelder beginnt; Finanzrahmen bis zum Jahr 2014 steht zur Debatte – Rabatt für London auf dem Prüfstand*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=277901&docNo=249 on 05-04-2018

The Jerusalem Post (03-01-2018). *Polish far-right gains influence over ruling political party*. Retrieved from: <https://www.jpost.com/International/Polish-far-right-gains-influence-over-ruling-political-party-532694>) on 01-07-2018.

Trading Economics (2018a). *Germany - Economic Indicators*. Retrieved from: <https://tradingeconomics.com/germany/indicators> on 28-04-2018

Trading Economics (2018b). *Poland - Economic Indicators*. Retrieved from: <https://tradingeconomics.com/poland/indicators> on 28-04-2018

Von Hagen, J., & Eichengreen, B. (1996). Federalism, fiscal restraints, and European monetary union. *The American Economic Review*, 86(2), 134-138.

Welt Aktuell (26-03-2012). *Berlin im Streit um EU-Haushalt weiter hart*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=365572&docNo=231 on 05-04-2018

Welt Kompakt (01-11-2012). *Franzosen und Briten drohen mit Veto gegen EU Haushalt; Auch Berlin pocht auf Nachbesserungen*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=353679&docNo=217 on 05-04-2018

Welt Online (19-11-2013). *Parlament stimmt EU-Budget für sieben Jahre zu*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=101&resultsUrlKey=0_T27380102618&backKey=20_T27380102619&csi=353180&docNo=105 on 05-04-2018

Wirtschaftsblatt (25-04-2012). *Poker um Hunderte Milliarden für das EU-Budget beginnt; VORGESCHMACK EU will für Haushalt 2013 mehr Geld – Nettozahler wegen Folgen für EU-Finzen bis 2020 alarmiert*. Retrieved from: https://www-nexis-com.proxy.library.uu.nl/results/enhdocview.do?docLinkInd=true&ersKey=23_T27380083172&format=GNBFI&startDocNo=201&resultsUrlKey=0_T27380096328&backKey=20_T27380096329&csi=168526&docNo=229 on 05-04-2018

9. Appendix

9.1 Documents

The table below shows the documents used for the document analysis in this research.

Country	Timeframe	Document
Germany	General	Bundesregierung (2018b). <i>Was ist der Mehrjährige Finanzrahmen der EU?</i>
	2014-2020	Becker, P. (2012). <i>Lost in Stagnation. Die Verhandlungen über den nächsten mehrjährigen Finanzrahmen der EU (2014-2020) und das Festhalten am Status quo</i>
		Bundesministerium der Finanzen (2012). <i>Ein Haushalt für Europa</i>
		Bundesministerium der Finanzen (2013). <i>Der neue Mehrjährige Finanzrahmen der Europäischen Union.</i>
		Bundesministerium der Finanzen (2014). <i>Der Mehrjährige Finanzrahmen der EU 2014-2020</i>
		Stuttgarter Nachrichten (19-10-2010). <i>Die Schlacht um EU-Gelder beginnt; Finanzrahmen bis zum Jahr 2014 steht zur Debatte – Rabatt für London auf dem Prüfstand.</i>
		Die Presse (05-07-2011). <i>Deutschland will einen höheren Nettozahlerrabatt.</i>
		Rheinische Post Duesseldorf (05-07-2011). <i>Deutschland will Rabatt bei Überweisungen an EU.</i>
		Der Standard (07-03-2012). <i>Budget berücksichtigt Rettungsfonds nicht; Neuer Finanzrahmen zu tief angesetzt – Streit um Umsetzung des Fiskalpakt</i>
		Welt Aktuell (26-03-2012). <i>Berlin im Streit um EU-Haushalt weiter hart.</i>
		Wirtschaftsblatt (25-04-2012). <i>Poker um Hunderte Milliarden für das EU-Budget beginnt; VORGESCHMACK EU will für Haushalt 2013 mehr Geld – Nettozahler wegen Folgen für EU-Finanzen bis 2020 alarmiert.</i>
		Welt Kompakt (01-11-2012). <i>Franzosen und Briten drohen mit Veto gegen EU Haushalt; Auch Berlin pocht auf Nachbesserungen.</i>
		Spiegel Online (03-11-2012). <i>Merkles Mission Mittelweg</i>
		Der Standard (18-01-2013). <i>Verhandlungen zu EU-Finanzrahmen kurz vor Abschluss.</i>
		Main-Taunus-Kurier (08-02-2013). <i>Erst der Finanzrahmen, dann die Details; EU-GIPFEL Staats- und Regierungschefs ringen um EU-Budget bis 2020 und steuern auf Kompromiss zu.</i>
		EuroNews (08-02-2013). <i>Merkel und Cameron verordnen EU Sparkurs.</i>
		Deutsche Verkehrszeitung (22-02-2013). <i>Verbände sagen „Ja, aber“ zu EU-Finanzplan.</i>
		SDA (18-06-2013). <i>EU-Regierungen und EU-Parlament streiten um EU-Finanzen.</i>
		Welt Online (19-11-2013). <i>Parlament stimmt EU-Budget für sieben Jahre zu.</i>
	2021-2027	Bundesregierung (2018a).

		<i>Positionen der Bundesregierung zum Mehrjähri- gen Finanzrahmen der EU (MFR) post-2020.</i>
Poland	General	Ministerstwo Spraw Zagranicznych (no date-a). <i>Wieloletnie Ramy Finansowe.</i>
	2014-2020	PISM (2013). <i>Nowe Wieloletnie Ramy Finansowe Unii Europejskiej 2014-2020 z perspektywy państw Europy Środkowo-Wschodniej</i>
		Senat (2013). <i>Sprawozdanie na temat unijnego budżetu na lata 2014-2020.</i>
		Proczek, M. (2015). <i>Wieloletnie Ramy Finansowe Ue Na Lata 2014 2020 Znaczenie Dla Polski</i>
		Siekierski, C. (2012). <i>Wieloletnie Ramy Finansowe. (Budżet) Ue 2014-2020*.</i>
		Małuszyńska, E., & Sapała, M. (2012). <i>Wieloletnie ramy finansowe Unii Europejskiej na lata 2014–2020</i>
		Ministerstwa Rolnictwa I Rozwoju (2018). <i>Priorytety Ministerstwa Rolnictwa i Rozwoju Wsi na lata 2018-2019</i>
		Ministerstwo Spraw Zagranicznych (no date-b). <i>Projekt Stanowiska RP</i>
	2021-2027	OIDE (2018). <i>Wieloletnie ramy finansowe 2021-2027</i>

9.2 Respondents

This table gives an overview of the respondents who were interviewed in order to collect data on the MFF in general and the negotiations, strategies and positions for the MFF 2021-2027 specifically.

ORGANIZATION	NAME	FUNCTION	DATE	SESSION
Centre for European Policy Studies	Jorge Núñez-Ferrer	Senior Research Fellow	29-05-2018	Interview
Stiftung für Wirtschaft und Politik	Dr. Peter Becker	Senior Associate EU/Europe	29-05-2018	Interview
European Policy Centre	Fabian Zuleeg	Chief Executive and Chief Economist	29-05-2018	Interview
Polish institution	Anonymous	Economic dossiers	01-06-2018	Interview
Auswärtiges Amt	Thomas Ossowski	Special Representative for MFF	06-06-2018	Event
Dutch Embassy Berlin	Dr. Guido Biessen, Aino Jansen	Head & Deputy Head of Economic Department	Multiple	Documents and talks

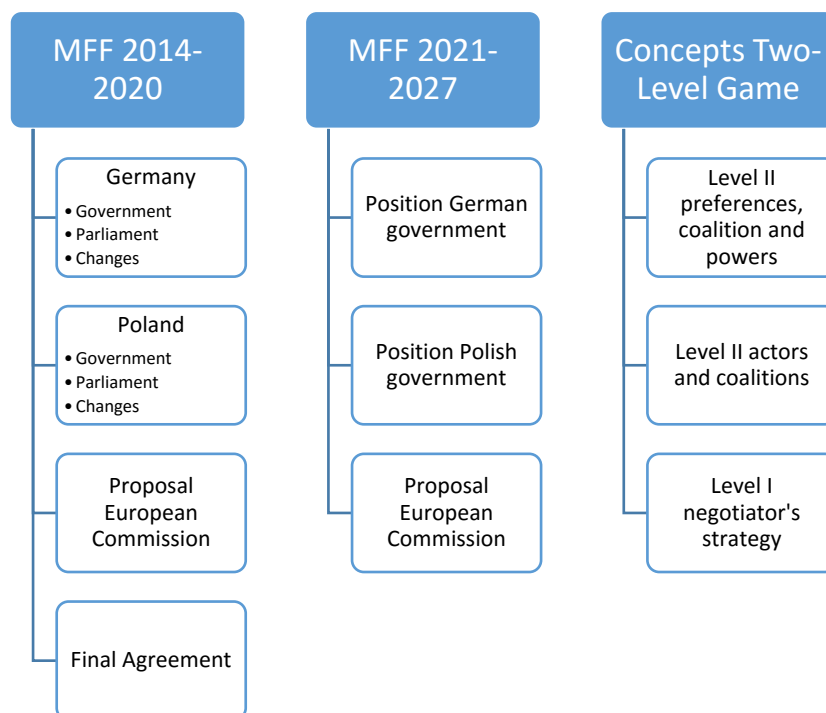
9.3 Interview topics

The interviews were conducted as semi-structured ones. Therefore, there were no specific questions, but only topics that have been discussed with all respondents. The topics were the following ones:

- Character of the MFF negotiations: political and/or economic
- Coalitions that can be identified among Member States negotiating at Level II
- Negotiations, outcome and practices of the MFF 2014-2020
- Proposal of the European Commission for the MFF 2021-2027
- Position and strategy of Germany in negotiating the MFF 2021-2027
- Position and strategy of Poland in negotiating the MFF 2021-2027
- Strategy of the European Commission for the MFF 2021-2027
- Role of European Institutions and upcoming elections
- Role of uncertainty as a strategy for negotiations
- Hot potatoes in the proposal and upcoming negotiations
- Feasible outcome of the MFF 2021-2027

9.4 Coding

The documents and interviews that are data for this research, are analyzed in the digital research program NVivo12. The diagram below shows the codes that were used for labelling, categorizing and analyzing the collected data.



9.5 Summaries interviews

Voice recordings of the interviews (with exception of the anonymous interview) are available.

9.5.1 Interview CEPS

This interview took place with Mr. Jorge Núñez-Ferrer, Senior Research fellow at the Centre for European Policy Studies in Brussels, specialized in EU budgetary and financial instruments. Due to the distance, it was a telephone interview, which took place on Tuesday the 29th of May at 10.00 am. The views expressed were on a personal note.

Mr. Núñez-Ferrer stated that the proposal of the European Commission for the MFF 2021-2027 was unclear and unambitious. He really doubts if it will work in the way it is currently proposed. He does not understand why the High-level groups were organized, if after that acted is only regardless this conclusions. The proposal is too straight forward, it would have been better if the Commission gave options instead of a clear cut package. The Commission decided everything themselves and Mr. Núñez-Ferrer blames this to Commissioner Oettinger.

Considering the Central Eastern European (CEE) countries, Mr. Núñez-Ferrer argues that they do have very little power in this process. This is firstly due to the fact that they did not spent all the funding. Additionally, also their performance is criticized. Considering the CAP it becomes clear that they are also fighting themselves: they are not sharing one position. Also the cohesion funding issues are a weak spot within the CEE countries. Since they are dependent, they are an easy target. Another aspect of the MFF proposal which influences the CEE countries, is the rule of law element. According to Mr. Núñez-Ferrer, this is however a questionable tool. It can only be linked to financial management, since it belongs to the MFF, which weakens the possibilities of this tool. The respondent expects that CEE countries will do some concessions and give in on some cohesion funding. Regional problems and the CAP will ask for reallocation.

The increase and changes in research, migration and security as proposed by the European Commission will be limited, while some Member States will argue that it has to be financed nationally. Furthermore there are several dynamics, which can also increase conditionality. Important to keep in mind: governments are not drivers and they are not in the middle.

Considering different Member States Mr. Núñez-Ferrer argues that the Dutch just want to play a role, preferably as a driving force, rigid and pro-EU. Prime-minister Rutte was just angry that he was not involved, but rather sidelined, which resulted in losing face at home. Austria does not provide facts or good arguments, they only say where they want to go. The overall budget will go down, because Austria simply requires this. Germany and France are in favor of higher contribution. Italy will have little influence. They will focus on the SGP and the country specific recommendations, but furthermore they will not have a clear policy, nor coordination. Due to the political catastrophe they will be out of the picture. Spain will not have a coherent position either. They will go with anything. Portugal will try to have some influence, but it will be really limited to most likely stabilization issues. Greece will push on co-financing and reduction in their debt.

In the proposal, the European Commission proposed several new priorities, for which they want to allocate a lot of money. This will of course be discussed and bargained, leading in the end to less money for new priorities than proposed. Germany will be supporting these new priorities.

The impact of Brexit will be rather limited according to Mr. Núñez-Ferrer. This while they always asked for more CAP and less overall contribution. They would disrupt the negotiations, if there was no money for ongoing programs. Besides, the respondent argues that the role of the EIB has increased over time, concerning amounts of money which are not comparable to Brexit.

Germany wants to be a driver over EU budget and the MFF negotiations. But somehow they have to be with France. They try to show control over the agenda, but it is unclear where exactly. In German politics the positions on EU budget are inconsistent. The Greens do want

extra money and control over the EU budget, while the CDU does not want that. But also within the current GroKo the positions are unclear. Seems that Merkel had to take some steps back in order to reach the coalition agreement. This is completely opposite to Macron - he is very clear about what France wants. In Germany both the AA and BMF ministries (foreign affairs and finance) are dealing with the MFF and their positions are completely opposite. That also happened in the negotiations on the MFF 2014-2020. Although that currently an SPD minister leads BMF, which is a significant move away from Schäuble, is the current minister Scholz also rigid. According to Mr Núñez-Ferrer this complexity and uncertainty about Germany's position could be a bargaining strategy.

All countries use different political strategies and in the and the German - French agreements are part of the game. This can only be changed if the rule of unanimity is also changed. The goal of the European Commission to reach an agreement before May 2019 has very low chance, because it never happened that the aimed deadline of the Commission was reached. However, the chance is not zero, what was the case before. But still it is not expected to succeed before May 2019.

The power of the European Parliament in this negotiation is quite unclear. This is also because the Member States and European Parliament have asymmetric competences. Currently the way the EP functions is not right. How will the EP change after the new elections? Eurosceptic trends in the EU are changing: some countries stronger, in others they lost elections. This is a good trend for the EP, but Member States actually do not really care about the EP. In the end the influence of the EP on the MFF is marginal. They make some noise, but if they involve too much, the legitimacy issue will again be reinforced, while the EP lacks legitimacy.

Juncker will probably be leaving, while a new EC president will be elected. Would it be reasonable for countries to wait for that, before striking a new deal? That could be the case, but the power struggle is more likely to have impact than the budget – that is there.

National positions will be difficult, while it is about EU funds. But they are more complex than ever. But global dynamics are becoming even more important than EU funding, which is the case since the crisis. The golden structure of the EU disappeared by then. Furthermore there is more influence of migration and security than of funds and finances. The influence of populism makes the added value of the EU even more questionable. New variables are becoming more important.

9.5.2 Interview SWP

The interview took place with Dr. Peter Becker, Senior Associate EU/Europe at the Stiftung für Wirtschaft und Politik in Berlin. Dr. Becker's research mainly covers the principles of European integration and the EU budget and financing. The interview took place on Tuesday the 29th of May 2018, at 02.00 pm.

Dr. Becker mentions with regard to the political and economic dimension of the MFF, that the priority is with the political dimension. The EU budget is really small, so the economic impulse is of minor importance. The political debate is way more relevant, although the MFF negotiations are often close to the status quo, which means that it is known who is on which side of the table. The whole negotiations are a script; beforehand it is clear who will say what and for what reason. The question is: who pays for what and for whom. It thus is about a power game rather than about economic rationality.

Concerning coalitions in the MFF negotiations, the first and most dominant coalition are the net payers and net recipients. A second coalition is those of the like-minded net payers, which are the bigger versus the smaller countries. Thirdly a division line can be identified between France and Germany, mainly because Germany contributes more. A fourth coalition is the friends of cohesion. The fifth is about conflicts between old and new policies, for example the CAP and Cohesion funding. Furthermore tensions can be identified between the three European Institutions – the Commission, Parliament and Council. These predictable coalitions contribute to the predictability of the negotiations: it explains beforehand who will do what and

at what moment. For example: the pressure on net recipient countries increases when the deadline for an agreement is coming closer. Because: if the agreement is not in time reached, the seven years already start and the countries miss out on funding. A late agreement thus means a smaller budget. The whole negotiation is thus about tactics – predictable tactics.

The proposal of the Commission consists of a strategy with two aims. Firstly, the Commission wants to keep the proposal on the table, in such way that it functions as a reference point for the negotiations. This was a lesson learned from the previous negotiation, when the proposal was too big and unrealistic. Therefore the Commission now wants a realistic and pragmatic proposal. The second interest of the Commission is a second, hidden agenda. The Commission does not want any more funds, but they want more flexibility to use the funds. This means that they want tools and instruments inside the programs that create political autonomy and leeway for the commission. Thus, it is all about flexibility. Member States will firstly look at the figures and numbers of the positions: how expensive will it be? After that is settled, they will look at side-issues like flexibility, autonomy et cetera. The Commission however, rather looks to the structures than the figures. Dr. Becker expects the Commission to be clever enough to get their flexibility agenda accepted, while in the end all Member States favor flexibility. However, not in the sense of the Commission, which perceives flexibility as less influence for Member States.

The Commission proposed an annual contribution of 1,11% of GNI. For Germany this means an increase of 10-12 billion Euro per year. Currently the contribution is 30 billion a year, so an increase of 10-12 billion would be really big. Germany already said that they were willing to pay more – something that is not considered really clever by Dr. Becker. In the GroKo coalition agreement was also written that they are willing to pay more. However, 10 billion is too much. Dr. Becker expects that an increase of 10% would have been acceptable. He predicts that the final agreement will be somewhere between 1% and 1,14% of GNI – between the proposal and the interest of the net paying countries.

Poland also said that it is willing to contribute more. However, this is logical; due to the Brexit every Member State has to contribute more. Furthermore Poland has to keep the friends of cohesion together. In 2013 the Polish were clever: they used to friends of cohesion to get their interest through, received their funding and then did not negotiate for the other members of the friends of cohesion anymore. This made the other friends of cohesion very unhappy, especially since Poland was leading the group. Dr. Becker expects that it will be difficult for Poland to keep this group together during the coming negotiations. Furthermore for Poland the rule of law conditionality will be a minor point. This proposal is of course not in their interest. However, Dr. Becker perceives this proposal more as a symbol of the Commission. According to him the Commission could not really use this instrument, while the European Court of Justice would not allow the commission to. Furthermore the proposal is too unspecific and additionally it would only have weight during the negotiations, while after the agreement is reached, money is allocated and the pressure is over. The second minor point of interest of Poland will be the position of Donald Tusk as President of the Council. The Polish government Peace Party is not interested in allowing Tusk strike the MFF deal. Therefore it would not be surprising if Poland claims time, in order to reach an agreement after Tusk left, which will be in 2020. This has however nothing to do with international relations, but purely with domestic politics.

Reaching an agreement before May 2019 is not really realistic. It was a time table proposed by the European Parliament, which is understandable, because it will allow the current Parliament to finalize the deal before the new elections. There are however some arguments in favor of this time schedule. It is quite unclear what the outcome of the next Parliament election will be. What if the Eurosceptic party becomes bigger? Would it then be harder to reach an agreement? However, Member States do not seem to be interested in this argument. They will play the normal game and get the deal done in the end of 2020. The influence of the European Parliament depends on the size of the center parties (EPP & S&D) and if they do not save the majority, if they are able to create a grand coalition with ALDE and the Greens. However, the Parliament would anyhow not be able to change the figures of the MFF agreement.

With the new Parliament, also a new Commission President will be elected. This gives the opportunity to make the package deal bigger. The budget can be combined with personality of the new president. Not only of the Commission, but also the new Council and ECB Presidents. This could be an advantage, but it can also make the agreement harder.

The most important question for Member States is: how big will the volume be. And secondly: how is it divided among Member States and funding categories. The distribution of the money influences how much Member States are paying to the EU. For Germany the structural funds are more important than often realized, because the *Länder* have a strong interest in cross-payments of this structural funds and a bit of CAP.

For Germany it will be a difficulty that the Brits are no longer there during the negotiations. The Brits were always the harsh, bad cops, while Germany were the pushing, realistic and good cops. Probably the Nordic countries will take over this bad-cap position, but Dr. Becker argues that the weight of these countries in the EU negotiations is way less than the weight of the UK. Germany appreciates to have such bad cops. But in the end all Germany want is a compromise, albeit with a more or less good deal. Important is to keep the EU-27 together.

The final agreement in the end will only contain minor changes. These changes will be rather in policies than in volume. Changes are incremental and the agreement will be close to the status-quo. The whole MFF is subject to path-dependency. The domestic impact on the MFF outcome will be limited due to supranational character of the EU, lacking domestic instruments to influence EU negotiations and the pressure to ratify all or nothing.

9.5.3 Interview EPC

This interview took place with Mr. Fabian Zuleeg, Chief Executive and Chief Economist at the European Policy Centre in Brussels. His research focuses amongst others on reform of the Eurozone and economic governance, as well as the EU budget. This interview was conducted via a telephone call, due to the distance. The interview took place on Tuesday the 29th of May at 04.00 pm. The views expressed were on a personal note.

The MFF negotiations do have economic elements, but they are mainly political. They are about money, but Member States mainly have to show at home that they stoke a good deal. Within the negotiations at the EU level, there are different coalitions. The most stable, clear and issue overlapping is the net payer vs. net contributor coalition. Per MFF issues there are different coalitions.

The MFF negotiations of 2014-2020 had a difficult start, mainly on Member State level. The EU only has a smart role. The outcome of the negotiations were a limitation of the EU budget, but reforms in the budget were hardly decided upon. For the MFF 2021-2027 the Commission managed to propose something which is considered a good starting point – at least better than last time. Although not everyone is happy with the proposal, the basis is overall a good one.

The role of Brexit according to Mr. Zuleeg is mainly that it can make the whole negotiation easier. The reason for this is that the United Kingdom always was the most restrictive country, trying to limit the EU budget as much as possible. This is no longer the case, but it seems like the Nordic countries are taking over this role. Furthermore, Mr. Zuleeg expects, based on experience, that France and Germany are willing to compromise.

Considering Germany's position, it is expected that they see the need to finance new priorities like security and defense. Not all countries agree on the need to transfer this competence to EU level, but Germany does and is willing to. With regard to old spending like CAP and Cohesion Germany is however more skeptical. Instead of this funding, Germany would rather spend money on increasing support of innovation. This debate on priorities shows again the political aspect of the MFF negotiations.

The position of Poland is more difficult and less straight-forward, because Poland itself is not unified. Politically a division can be observed between following the line of the PiS leader Jarosław Kaczyński or more general priorities. Undoubtable however is that Poland

recognizes its need for and dependence on EU funding, of which the CAP is most important. The Commission's proposal to include the rule of law as a condition for EU funding is extremely opposed by this PiS leader Kaczyński, but is currently not yet really objected by the government. Mr. Zuleeg expects this condition to be softened during the negotiations, because all Member States have to ratify the agreement. The respondent emphasizes the potential of a veto if this democratic condition is not softened. However, he adds that this potential is not only the case in Poland, but also other countries, for example Hungary. He argues that even more governments want to soften this criteria, but that they hide behind Poland and Hungary, because they are most likely to object. These countries contain for example Bulgaria. The objection of those countries will be that this criterion is not legitimate. All funding conditions have to be balanced and thus the same for all countries, however that is not the case for this condition, because this proposal only hits one side of the Member States.

With regard to the position of the EU, Mr. Zuleeg argues that the role of the Commission is mainly to write the proposal. After that the Member States take over and the influence of the Commission is less. Just after the proposal the Commission continues with details and options: what to do with the money, very concretely, specifically on the new areas. Mr. Zuleeg argues that more reform would be better. The influence of the EP elections on the MFF negotiations, is that the elections are not ideally timed. The aim to reach an agreement before these elections in May 2019 is unlikely, but Mr. Zuleeg argues that it would be good if they manage to. It is however not likely, because if Member States agree too quickly, it could face more resistance back home. If they tried everything – and thus took a long time – it is easier to sell the tentative agreement back home. With regard to the new President of the Commission, it is hard to imagine that he has totally different priorities, so it is also unlikely that he or she has totally different ideas about the MFF. The role of the European Parliament will anyway be really small. The role of the President of the Council, Donald Tusk, is currently still a more or less undefined job. During the last negotiations, the President (Herman van Rompuy) interfered and he did that in a good way, which made his role really useful. His role of active diplomacy would be a good one for Donald Tusk too, however this role and its success also depends on the character of the person.

The process of negotiation is defined by Mr. Zuleeg as 'ultimate dealing', which takes place behind closed doors and of which only the top layer is publically known. Also the preferences and the bargaining strategies of Member States are mostly unknown. The whole process requires bargaining skills of the Member States. In the end all countries have to win something, in order to point at these elements while selling the deal at home. But also because they all want to win something, they are not open about their range of acceptable agreements, because that makes the likelihood of winning most, smaller. According to Mr. Zuleeg it is most clever if a Member States is flexible, which is created if the government does not make any promises or commitments until the agreement is tentative. Germany is a good example of this: they are not concrete and try to compromise others, which probably creates winning on more elements. Poland however is subject to other processes, for example pressure from back home to win on specific elements. The demands of Poland are big. This also becomes clear in their negotiating style, which shows ideology over common sense. This makes it hard for them to sell an agreement back home which does not meet the big demands.

The Commission proposed a GNI contribution of 1,11% per year. The final agreement will be below that percentage, but above the current contribution. Mr. Zuleeg expects something around 1,05%.

The final remark of Mr. Zuleeg is about the required unanimity for the MFF agreement. He says to be arguing already for years, that the whole MFF agreement and its negotiations could be way more rational. However, to realize that, the style of negotiations and the rule of unanimity needs to change. Currently, due to unanimity, all agreements will be close to the status quo.

9.5.4 Interview Polish Institute

This interview was conducted with an anonymous respondent of a Polish institute, who is expert on economic dossiers, including the MFF. The interview took place on Friday the 1st of June, at 10.00 am. The views expressed were on a personal note. Due to preferred anonymity a recording of this interview is not available.

The MFF is both about financial and political aspects, which are equally important. Politically it is about how the MFF specifically and the EU in general are perceived by people. The financial aspect is not about the resources, because that's not the problem: we all have enough money. The problem is, like Germany says, the debate on the future of the EU and how should the EU work. An agreement on what is expected from the EU to be or to do and what is wanted from the EU. Such agreement should be reached first, before the financial agreement can be reached..

Until 2014 the MFF was more economic than political. After that, what we also see clearly now, is that internal security is an important issue, together with migration. It is a controversial and complicated issue. We need understanding of each other position, which does not definitely mean that we reach an agreement. First understanding is needed and tasks should be defined. For example deciding on who is coming as a migrant, should not be decided by someone else. Unanimity is needed to make these decisions. According to Poland, the non-compliance to the agreement of autumn 2015, makes cooperation on migration even less reliable. Agreeing is not enough; conducting the agreement is necessary.

One of the main questions is: to what extent do we desire transfer of power to the European level? And: how is the European Commission working? According to the respondent currently its role is too political, they are acting like a EU government, while they do not have any power or competences to do so. Poland does not want a EU nation. Further unifying of the EU and transfer of power has no legal fundament, but is also does not meet the expectations of societies. Poland just wants the EU to fulfill what they signed up for during accession and nothing more. Sticking to the cooperation written down in the EU Treaties is essential.

The MFF is not just about money. Poland is willing to contribute more to the EU budget, but they require equal burden-sharing (which is also stated in the treaties), which should be decided based on the development levels of Member States. The MFF should reflect this principle. Considering the new challenges and additional challenges, Poland argues that the EU should pay more funding to the less developed countries, instead of cutting their funding.

The main coalition within the MFF negotiations is the division between net beneficiaries and net contributors. That will always be the same. According to the respondent, there is a general feeling in the EU that a deep discussion on the EU's competences is needed. A straight-forward discussion. But France does not seem to be so open for this. Although maybe in practice they will be a bit more pragmatic. Poland and Germany share the position that the EU should be preserved. However, the difference between Germany and Poland is that Germany wants to preserve the EU for every price, while Poland says: not for every price. Both will however show effort to preserve the EU.

For Germany preserving the EU is even more important, because according to the respondent, they need the EU to be something in the world. Therefore, Germany will be flexible in the negotiations and accept a wide range of agreements. Germany would also not be negative about the MFF negotiations or tentative agreement and they would definitely not block it. Germany argues that the whole EU system should work, anyhow. They will struggle to get a whole package accepted.

For Poland however, the MFF negotiations and the discussion on this (and the EU in general) domestically, is way more emotional, accusing, focusing on general statements and not showing reality. In fact, the respondent argues, the discussion in Poland is unrealistic. This is caused by the uncivilized politics. This is the result of the society's feeling that Poland is not an equal partner in the EU. Poland is the biggest of CEE countries in filling gaps, but they are still accused. Does Poland need the EU? Media does not show the fact. During the financial

and economic crisis, Poland did not have any losses, due to their good finance mechanism. The fact that the EU was not able to deal with this crisis properly, led to disbelief in Poland. But regarding the MFF and its implications, Poland realizes that it needs to be in the EU. But they will also fight for the same rights and defend their own interests.

Germany knows about this Polish position, but they are actually really afraid of more exits after the Brexit. This makes that Germany will more easily accept requirements from Poland and other Member States, for example also from France on CAP and Cohesion funding. According to the respondent, Germany is not even that unhappy about cohesion funds, because in the end they also benefit economically from cohesion funding. The cost-benefit analysis is thus not as black-white as it sometimes seems to be. During the MFF negotiations the positions of Germany and Poland will not be completely opposite.

The negotiation of Poland with the European Commission will be way harder, because the European Commission tries to create its own policies through the MFF agreement and not the Member States. Besides, Poland does not perceive the current MFF proposal as a good basis for the negotiations. There are too much critics, which does not meet reality. Furthermore the cuts in CAP and Cohesion funding are way too big. By proposing this MFF, the EU actually only confirms what it did before, instead of changing it. The Commission should be aware that these proposals makes societies angry. Therefore, Poland will have a tough and rough position. The EU needs *Fingerspitzengefühl*, but currently that lacks completely.

9.5.5 Meeting with Mr. Ossowski

This data collection took place during a lunch meeting with Mr. Thomas Ossowski, special representative to the MFF negotiations, of Germany's Ministry of Foreign Affairs. This meeting was organized by the German Institute for European Politics and therefore I could not ask my own questions. However, since he negotiates for Germany at the EU table, I thought it interesting to take his remarks as source for this thesis. The meeting took place on Wednesday the 6th of June, at 01.00pm in Berlin.

Mr. Ossowski started off by saying that the position of the EU is a deliberately chosen way, which prepares for the future. This future will be about digitalization and new geo-political relations. Deciding on the new MFF is an big challenge, because it has to be an answer on new challenges, which require new strategies.

According to Germany the Commission proposal is a good negotiation starting point. Many aspects of the proposal are relevant for Germany and many Member States share this opinion. The proposed 1,11% GNI annual contribution is really a lot. The most important question for Germany is however: how will this budget be divided among the different categories? The proposal offers a slightly different structure than the current one, which is welcomed by Germany. The decrease of programs from 58 to 38 is also welcomed by Germany: it decreases bureaucracy and increases transparency. However, in the proposal the CAP is still the biggest category although it is decreasing. Germany does not want any financial instruments outside the MFF.

Germany's own priorities are firstly to create a correct balance between a modern and a solidary framework. Current crises make it even more important to find the right balance. The crisis between north-south is about money, west-east about migration and overseas there is a trade crisis going on with the USA. Germany emphasizes the importance of structural reforms in Member States and the necessity to support these reforms. Other challenges that are recognized by Germany are changing demography, digitalization, neighborhood, terrorism, security, migration, climate and energy. Furthermore, policies should aim at economic convergence among Member States. Important in the MFF negotiations and outcome is reciprocal solidarity. It is important to cooperate, take responsibilities together, especially on the topic of migration. This has to be reflected in spending plans. Furthermore, Germany emphasizes the importance of fair burden-sharing. It is important that Member States are not experiencing too much pressure with regard to the height of their contribution. However, ending the rebates programs is supported by Germany.

With regard to the contributions, Germany made the following calculations. In case that the contribution would stay at the current level, there would already be an increase in contribution, due to the Brexit. In that case, Germany would pay 33% more, Poland 40%, the Netherlands 50%, Spain 26% and France 22% more. If the contribution is altered according to the proposal of the Commission, the increases will be: for Germany 49%, Poland 56%, the Netherlands 65%, Spain 40% and France 37%.

However, the big question is of course: how much money will a Member State receive out of EU funds. That gives a fairer insight in the net increase of contribution. Concerning the Cohesion funding, regional funding will be the largest fund. On these subsidies, Germany has to give in on four billion Euro, Poland needs to give in on 25% and Italy and Spain respectively 5 and 6%. Funding for climate, migration and unemployment will increase, which is welcomed by Germany. Also the demographic changes need EU involvement and financial support.

With regard to the EMU the Commission proposes to create a fiscal capacity with a stabilizing function. They also propose a reform support program based on the European Semester and the country-specific recommendations. The CAP funding will be cut with %5, and reforms will include more flexibility for funding use in the Member States, according to national strategies. Environment and climate protection will take over 40% of the CAP.

During the meeting of the European Council on June 28-29, a time schedule is expected to be decided upon, which will be supported by Germany. Germany welcomes time pressure, because it has a positive effect on negotiations. Furthermore it is important to involve the European Parliament in an early stage and very intensively, because they do have increased power in reaching an agreement, while they have to give consent to the Council.

Considering the proposed midterm review, Germany sees the relevance and also emphasizes the need for more flexibility. However, the budget ceilings are strict and are a political compromise, which cannot be changed during the midterm review.

Germany is one of the countries that during the last negotiations was part of the “1%-club”, which was successful. If Germany would contribute 1% during the next period, it would already be more than it was the last seven years. Most important for Germany is however the quality of the agreement. If it is really good, Germany is willing to contribute more, but in that case the agreement should not be like the status quo. The discussion on the quality of spending is thus priority over the volume of spending.

Mr. Ossowski emphasizes that not everything that is desirable is realizable. Other Member States do want other spending priorities – mainly for example the CEE countries who want help through the CAP and Cohesion funding. Germany understands their point of view. CAP has always been important, but it is currently in need of reforms and not just incremental changes.

With regard to the rule of law condition for funding, Mr. Ossowski argues that this should be about justice mainly. The idea to vote on these issues with a reversed qualified majority sounds reasonable to Germany. The first impression is positive, but the details still have to be considered.

The aim of the Commission to finish the agreement before the new European Parliament elections are welcomed by Germany. Everything should be done to reach this aim. Germany do want more changes and reforms than proposed; it does not go fast enough – according to Germany. However, EU politics is about incremental changes, thus we should not expect big changes. Mr. Ossowski expects the agreement on the contribution to end somewhere between 1 and 1,05% of GNI.