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Portugal and the Multiannual Financial Framework 2014-2020: another tough battle looming on the horizon?

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In an article published in 2008, looking back to the European Union (EU) negotiations that preceded the approval of the Financial Perspectives 2007-2013, Portuguese ambassador Fernando d'Oliveira Neves – former Secretary of State for European Affairs from 2005 to 2006 – addressed the need to proceed "as soon as possible toward a policy review that allows us to identify our interests at a Community level and define the role of the future Community policies, specially the CAP [Common Agricultural Policy] and Cohesion Policy".[1]

At a time when the EU process leading to the approval of the Multiannual Financial Framework (MFF) 2014-2020 has already begun, little or nothing is known about the Portuguese objectives and strategy for the negotiations ahead.[2] Surprisingly, as if the issue was unimportant, the program of the new centre-right coalition government – between social democrats (PSD) and conservatives (CDS-PP) – does not devote a single line to the issue.[3] The negotiations, however, are one of the main challenges that Portugal will face in the following months.[4] Unfortunately, it should be noted that negotiations come at the worst time possible. In view of the country's dire economic and financial circumstances, Portugal was compelled last April to lodge a request for financial support from the European Commission (EC). In May, caretaker Prime Minister José

1 Fernando d'Oliveira Neves, "Perspectivas Financeiras 2007-2013: o processo negocial" (*Política Internacional*, No. 31, April 2008), p. 27.

2 The Multiannual Financial Framework (MFF) is also known as the Financial Perspectives. The MFF did not have a legal basis in the Treaties or in other Community legislation. It was only the result of an inter-institutional agreement. Since the Treaty on the Functioning of the European Union – i.e. the Treaty of Lisbon – came into force in December 2009, Article 312 confers a legally binding status to the MFF. See Fabia Jones and Helmut Werner, "Fact Sheets on the European Union: Multiannual Financial Framework" (*European Parliament*, October 2010).

3 The government was sworn in on June 21st following Pedro Passos Coelho's victory in the June 5th legislative elections.

4 Another Portuguese foreign policy challenge "in the coming years will be to attract allies in the struggle the country will wage against economic crisis and foreign debt". See Nuno Monteiro, "O desafio de Portas" (*i*, 5 June 2011), p. 3.

Sócrates – as well as the PSD and CDS-PP, the two main opposition parties at the time – signed a Memorandum of Understanding negotiated with the so-called troika of the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB). Thus, the current circumstances imply that in the next two years Portugal's overall bargaining capacity will be highly constrained. The negotiations regarding the Multiannual Financial Framework 2014-2020 will be no exception. In other words, Portuguese Minister for Foreign Affairs Paulo Portas, and in particular Deputy Secretary of State for European Affairs Miguel Morais Leitão, will enter discussions on the new MFF with limited bargaining power.

As it happened in previous Financial Perspectives negotiations, attempts to influence the ongoing process have already started. The first target was the European Commission. On December 18th 2010, Finland, France, Germany, the Netherlands and the United Kingdom signed a joint letter suggesting that "the next multiannual financial framework should not exceed the 2013 level with a growth rate below the rate of inflation".[5] The European Commission was expected to present, later on, its working proposal regarding the start of the MFF negotiations. The "Letter of the Five" called for a EU budget freeze until 2020. On May 30th 2011, just one month ahead of the release of the European Commission's proposal for the MFF 2014-2020, twelve member-states – among them Portugal – called for "an ambitious cohesion policy" with a share in the EU budget "of at least its present level".[6] In practice, roughly speaking this is the reissue of the confrontation – which also occurred during the Financial Perspectives 2007-2013 negotiations – between 'net contributors' and 'net beneficiaries'. On June 8th, a resolution from the European Parliament also stated that "freezing the next MFF at the 2013 level, as demanded by some Member States, is not a viable option", and "at least a 5% increase of resources is needed for the next MFF".[7]

If one bears in mind what happened in previous negotiating cycles, then one should not rule out that the bickering might take longer, with a prolonged give and take exercise beyond 2012. With or without delays in reaching a political compromise, the fact is that the ongoing MFF negotiations will be one of the most important matters that will be dealt with by Portuguese diplomacy in the coming months. If the previous negotiations regarding Financial Perspectives 2007-2013 were tough, the current ones promise to be even more difficult.

On June 29th, the European Commission presented its proposal for the EU budget. The draft budget is in line with the "Europe 2020" growth strategy for the coming decade, and is "an identical five-category expenditure system to the one now in place".[8] Under the European Commission's proposal Portugal might receive the same level of support as it did in the previous MFF – i.e. around €23 billion – bearing in mind that the country still has several regions with a GDP below 75% of the EU average.[9] Thus, the European Commission working proposal certainly did not displease the Portuguese government, even though, more than the total amount, Lisbon is more interested in improving the absorption capacity of the EU funds. Either way, it is almost guaranteed that the signatories of the "Letter of the Five" – or part of them, anyway – will keep constant pressure during the negotiations, focusing in particular on the Cohesion Policy. The "Letter of the Twelve", in turn, was a first indication that at the crucial stages of the negotiations ahead, the group of "Friends of the Cohesion Policy" will have, once again, an active role in defending the national

5 "Letter to President of European Commission" (*Number 10*, 18 December 2010).

6 See Gaspard Sebag, "Twelve member states defend share of cohesion policy" (*Europolitics*, 30 May 2011). The twelve member-states were Bulgaria, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Portugal, Romania, Slovakia, Slovenia and Spain.

7 "Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe" (*European Parliament*, 8 June 2011).

8 Patryk Toporowski and Pawel Tokarski, "The European Commission's Proposal for the Multiannual Financial Framework 2014–2020: More, for the Same" (*PISM Bulletin*, No. 77, 6 July 2011).

9 "Bruxelas propõe imposto sobre os bancos e IVA europeu para financiar envelope 2014-2020" (*Lusa*, 29 June 2011).

interests of the countries that benefit most from the Cohesion Policy.

Some of the initial reactions to the European Commission MFF proposal suggest that the negotiations will take time and be complex. British Prime Minister David Cameron's spokesman described the European Commission's proposal as "unrealistic" and remembered that "Britain and the EU's other largest payers made clear in December that the EU budget should be frozen, and we will stick to that".[10] London's uncompromising stance contrasted with Berlin's more conciliatory approach. The German government criticized the European Commission's proposal because it "significantly exceeds (...) the spending limit" demanded by the "Letter of the Five". On the other hand, the German government considered the European Commission's proposal "as a basis for negotiation".[11] Like Berlin, Paris also took a more conciliatory approach. While emphasizing that "France will not accept a financial framework that does not guarantee the stabilization of the CAP", it also made clear that "some of the Commission's proposals are tracks that France is ready to work on".[12]

The negotiations underway are likely to last at least until the end of 2012. Hopefully, the Danish Presidency, which will take place in the first semester of 2012, will bear the bulk of the bargaining, and the Cypriot Presidency, in the second semester of 2012, will be able to reach a final agreement. However, if one bears in mind what happened in previous negotiating cycles, then one should not rule out that the bickering might take longer, with a prolonged give and take exercise beyond 2012. With or without delays in reaching a political compromise, the fact is that the ongoing MFF negotiations will be one of the most important matters that will be dealt with by Portuguese diplomacy in the coming months. If the previous negotiations regarding Financial Perspectives 2007-2013 were tough, the current ones promise to be even more difficult.

10 See "EU commission budget proposal faces barrage of criticism" (*Deutsche Presse-Agentur*, 30 June 2011); and, "European Commission proposes EU budget rise of 5%" (*BBC News*, 30 June 2011).

11 "First Reaction of the German Federal Government to the Commission Proposal of 29 June 2011 for the 2014-2020 Multiannual Financial Framework" (*Federal Foreign Office*, 15 July 2011).

12 "Propositions de la Commission européenne pour le cadre financier de l'Union européenne 2014-2020" (*France Diplomatie*, 30 June 2011).

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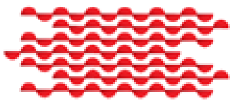
from  and . We
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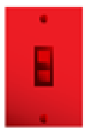
make the  together.
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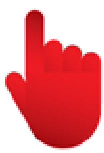
at  www.edp.pt