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THE ECONOMIC CRISIS AND ESDP: FRIENDS OR FOES?

Amelia Adams

European Security Defense Policy (ESDP) exists as long as individual member states support collaborative defense. The matter of ESDP raises many questions such as: is it necessary, does it truly help further the EU's mission of peace through diplomacy, should it be reformed, is it cost effective? These are all good inquiries but there is a more prevalent concern, one that threatens the very life-line of ESDP, the current economic crisis. In light of the 2008 economic crisis, have member states' attitudes toward ESDP changed in favor of pooled resources and capability sharing under the EU framework or are member states turning away from a common European defense policy? Many intellectuals fear this crisis will lead member states to cut back on military spending, thus limiting support for collaborative defense programs. Such a change would render ESDP incapable of promoting the EU's security interests abroad, diminishing any gains European defense policy has made over the past decade (Valasek, 2009). In November of 2010 France and Britain formed a bilateral agreement on security and defense cooperation intentionally sidestepping ESDP. Their reasoning behind the arrangement was that this would be a more efficient way to cut military costs and free up money to pay back debts (Stiftung Wissenschaft und Politik, 2010). This seems to legitimize the concern that the economic crisis will stifle member state cooperation with ESDP. Then again, the financial crisis could be the best thing to happen to European collaborative defense. The Baltic States have used collaborative defense programs to protect their own national and regional security on lesser finances, saving money by pooling resources through ESDP. Collaborative programs made available through ESDP would help get rid of unneeded national forces, freeing up funds that had previously been consumed by personnel and operational costs (Keohane & Valasek, 2008; NATO, 2010). This essay will explore two opposing answers to the above question that will hopefully determine whether the economic crisis is spurring (i.e. the Baltics), or undercutting (i.e. the UK and France), EU defense collaboration.

THEORETICAL EXPECTATIONS

The first answer is that current economic conditions have changed member state pref-

erence in greater favor of EU defense policy. With tighter military budgets, governments see pooling resources as a way to save money while maintaining national security. The second answer claims the opposite – current economic conditions have changed member state preference away from EU defense policy. In this scenario, governments see pooling as inefficient, not generating enough monetary incentive to justify continuing with collaborative spending.

These two theories are founded on the assumption that economic interest is a factor in shaping ESDP. In actuality there are several factors that play a role in directing ESDP reform. Jolyon Howorth outlined four main drivers that in 1998 helped lead to cooperation among member states in regards to reforming ESDP. These factors are: 1) The end of the Cold War and the diminishing political and military significance of European security to the US; 2) The rebirth of the concept of “international community” and the need of international collaboration to protect national interest; 3) The reappearance of military conflict on the continent of Europe and the fact that Europe could not put an end to the conflicts without NATO’s help; and, 4) The aspiration of the EU to emerge as a political, not just economic, actor in the world (Howorth, 2007). Today these drivers still direct ESDP, but the main focus of the essay will be whether changes in fiscal security, due to the economic crisis, are affecting ESDP.

Economic interests are a key factor in explaining EU member states’ cooperation in defense policies. In some cases cooperating with ESDP can open new markets. In other cases defense policies might limit countries from entering new markets. When a state’s economic interests and security interests coincide it is more likely to support ESDP. For example, at the time of the collapse of the USSR, German businesses were the largest investors in Central and Eastern Europe. Germany had both an economic and strategic interest in promoting the development of stable markets, on the one hand to protect business interests and, on the other hand, to stabilize a region that might turn toward civil war in the wake of new independence (Hix, 2005). Supporting EU defense policies opened and protected new markets for Germany. Current economic conditions have turned member state preference in favor of EU defense policy because the economic and security interests of the state correspond. Economic interests may not include protecting out-of-state markets like in the example of Germany. Rather, the state, seeking to rebound as quickly as possible, sees ESDP as a way to save money on military expenditures by pooling resources. Money the state saves from combined security can then be allocated toward public spending initiatives. In this way, the state maintains its security while improving its economic situation. The author tends to agree more with this theory.

Conversely, the theory of economic interest also argues that, in some situations, collective economic interests override security concerns. This happens when security concerns and economic interests clash. For example, if a state must choose between free trade and protecting a security interest, government will choose free trade if a large portion of voters is employed in globally competitive markets. In this situation, current economic conditions have changed preference away from EU defense policy because the concern for economic stability is greater than furthering ESDP. Even before the economic crisis, growing health-care costs and the increasing number of elderly had the generous social-welfare nets of EU member states stretched thin. National capitals were pushing for shifting more EU spending to domestic economic programs. In short, ESDP was expensive before the economic crisis and is more expensive now because it takes funds away from domestic programs (Anderson, 2008). Money that may possibly be saved by pooling resources under ESDP does not gener-

ate enough of a monetary incentive to justify collaborative spending.

Military spending reports and foreign policy declarations will be used to determine where a country is focusing its funds and for what purposes. If a major foreign policy initiative is to improve ESDP, then projected spending should show an increase in funding for ESDP programs. Data from economically hard hit member states and states that fared fairly well will be compared to see if there was a significant difference between how each reacted to the economic crisis in regards to ESDP spending.

The following section will present statistical information on member states and military spending with the hope of determining how much spending is going toward pooled resource programs. “Significant” is a term that will be used to describe the importance of a given statistic. For military expenditures as a percentage of GDP, any changes of one tenth of a percent will be considered nonsignificant changes. In regards to defense and collaborative spending, any number above 10% will be considered significant. Support for ESDP is not measured by how much funding a country contributes in comparison to others, but in comparison to itself through changes in spending from year to year. Large economies like the UK have more resources to give than smaller economies like Estonia. Capacity to give is not always congruent with willingness.

For the theory based on concurring interests to be correct, data should show that those EU member states who have suffered the most in terms of loss in GDP from the economic crisis are using more of their military budgets for collaborative resource programs. For the theory founded on conflicting interests to be correct, data should show these member states reallocating military spending away from collaborative EU defense programs. The purpose of limiting the qualification to those nations who have experienced the greatest amount of loss is to differentiate between which countries might or might not have the larger incentive to use resource pooling to save money. Countries with a more stable reaction to the economic crisis are likely to have more options in allocating money to boost public spending.

QUANTITATIVE DATA

To begin we must first determine which member states fared the worst during the crisis. The CIA World Factbook contains information on GDP in terms of purchasing power parity, official exchange rate, real growth rate, and per capita income for each country in the EU. To gain a truly accurate reading on the economic situation of the member states would involve a combination of percentages from all of those categories. Such an in-depth analysis is beyond the scope of this essay. Therefore, out of the four statistics given for GDP, real growth rate will be used as the measurement for resolving which states are doing better and which states are doing worse economically. Real growth rate is a better overall summary of the economic state of a country because it isn't susceptible to possible inflation misreading. The following table is a summary of the information from 2007 to 2009.

TABLE 1

Member State	2007	2008	2009	Diff.	Member State	2007	2008	2009	Diff.
Poland	6.8	5.1	1.7	-5.1	Germany	2.5	1.3	-4.7	-7.2
Malta	3.8	2	-1.2	-5	Bulgaria	6.2	6	-5	-11.2
Belgium	2.8	0.8	-1.5	-4.3	UK	2.7	-0.1	-5	-7.7
Cyprus	5.1	3.6	-1.5	-6.6	Italy	1.4	-1.3	-5.1	-6.5
Greece	4.5	2	-2	-6.5	Sweden	3.4	-0.6	-5.1	-8.5
France	2.3	0.1	-2.5	-4.8	Hungary	1	0.6	-6.3	-7.3
Portugal	1.9	0	-2.6	-4.5	Ireland	6	1	-7.6	-13.6
Spain	3.6	0.9	-3.7	-7.3	Romania	6.3	7.1	-7.1	-13.4
Austria	3.4	1.8	-3.9	-7.3	Finland	4.9	1.2	-8.1	-13
Netherlands	3.9	1.9	-3.9	-7.8	Slovenia	6.8	3.5	-8.1	-14.9
Luxembourg	6.5	0	-4.1	-10.6	Estonia	7.2	-3.6	-13.9	-21.1
Czech Republic	6.1	2.5	-4.3	-10.4	Lithuania	9.8	2.8	-14.8	-24.6
Slovakia	10.6	6.2	-4.7	-15.3	Latvia	10	-4.6	-18	-28
Denmark	1.7	-0.9	-4.7	-6.4					

*Real Growth Rate in percentage from CIA World Factbook and State Department Background Notes

The trouble with using this statistic is that some might look at only the results of 2009, see negative numbers, and make a conclusion based on which country is more in the negative. With just this information it looks like the larger economies of Germany and the UK have been hit by the economic crisis much harder than Cyprus or Greece. It also seems that Poland has fared the best from the financial crisis, it went from 6.8 % in 2007 to 1.7% in 2009.

To avoid improper conclusions and to improve accuracy, the final column following each member state is the real growth rate from 2009 subtracted by the real growth rate of 2007. With this new information the data shows that actually Belgium was the country that fared the best, not Poland. The difference between 2007 and 2009 was -4.3 for Belgium and -5.1 for Poland. Also, this added information reveals that the seeming disparity between Cyprus and Greece and the UK and Germany is only at most a difference of one point. Estonia, Lithuania, and Latvia are the three countries that experienced the most negative economic growth. The difference in real growth rate from 2007 to 2009 was -21.1 for Estonia, -24.6 for Lithuania, and -28 for Latvia.

There was some concern for inaccurate estimates on the CIA website. For this reason the numbers of real growth rate for 2009 were compared to U.S. State Department statistics. Small discrepancies in numbers existed between these two sources, but they were differences of a tenth of a percent. This was not enough of a dissimilarity to distrust the statistics. There appears to be a pattern in the data from region to region. Member states in Western Europe experienced negative economic growth below the average of the overall EU. The average difference between 2009 and 2007 was -10.3. Those member states in Eastern and some in Central Europe were above the average, like Slovakia which had a growth of -15.3. Therefore, the author predicts that further research will show Latvia, Lithuania, and Estonia,

the three with the most negative growth, as making drastic changes in its support of ESDP. Perhaps changes in pooling for these small, embattled Baltic States are due more to fear of Russia rather than economic hardship. This possible explanation will be discussed further on in the essay. As a comparison, it is suspected that Western European countries like the UK, France, and Germany, having fared far better in the economic crisis, have not made any changes. From this point on, research will center on these six member states.

Table 2 is a list of military spending as a percentage of GDP for all EU members from 2000 to 2008. Percentages have remained relatively constant for each state with intermittent changes of only a tenth of a percent. The UK, France, and Germany had no real change in military spending for the given time period. Estonia had a slight upward trend in spending whereas Lithuania showed a minor pattern downward. Latvia had no consistent trend of up or down. The difference in spending from 2000 to 2008 shows that there is some fluctuation from year to year, but there was no substantial change in expenditures overall as a direct result of the financial crisis.

TABLE 2: As Percentage of GDP

Member State	2008	2007	2006	2005	2004	2003	2002	2001	2000
Austria	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9	1
Belgium	1.2	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.4
Bulgaria	2.4	2.6	2.4	2.6	2.6	2.8	2.9	3	2.8
Cyprus	1.8	1.9	2.1	2.2	2.1	2.2	2.3	3.4	3
Czech Republic	1.3	1.5	1.7	2	1.9	2.1	2	1.9	2
Denmark	1.4	1.3	1.4	1.3	1.5	1.5	1.5	1.6	1.5
Estonia	2.2	2.1	1.9	1.9	1.7	1.7	1.7	1.5	1.4
Finland	1.3	1.2	1.4	1.4	1.4	1.4	1.2	1.2	1.3
France	2.3	2.3	2.4	2.5	2.6	2.6	2.5	2.5	2.5
Germany	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.5
Greece	3.6	3.3	3.5	3.5	3.2	3.1	3.9	4.1	4.3
Hungary	1.2	1.3	1.2	1.4	1.5	1.7	1.6	1.8	1.7
Ireland	0.6	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7
Italy	1.7	1.7	1.8	1.9	2	2	2	2	2
Latvia	1.9	1.7	1.8	1.7	1.7	1.7	1.6	1	0.9
Lithuania	1.5	1.5	1.6	1.6	1.8	1.9	1.7	1.8	1.7
Luxembourg	n/a	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.6
Malta	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Netherlands	1.4	1.5	1.5	1.5	1.5	1.6	1.5	1.5	1.6
Poland	2	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8
Portugal	2	2	2.1	2.2	2.1	2	2	2	2
Romania	1.5	1.6	1.8	2	2	2.1	2.3	2.5	2.5
Slovakia	1.5	1.5	1.6	1.7	1.7	1.9	1.8	1.9	1.7

Slovenia	1.5	1.5	1.6	1.4	1.5	1.4	1.4	1.3	1.1
Spain	1.2	1.2	1.2	1	1.1	1.1	1.2	1.2	1.2
Sweden	1.3	1.4	1.4	1.5	1.5	1.7	1.8	1.8	2
UK	2.5	2.4	2.4	2.4	2.5	2.5	2.5	2.4	2.4

*The SIPRI Military Expenditure Database

There is a possibility that governments had little time between 2007 and 2008 to reform military spending in response to the crisis. This could account for the lack of change in military spending during this time period. To verify the initial conclusion that the economic crisis has not affected overall government spending on the military, it is better to look at more recent information from 2009. The Stockholm International Peace Research Institute's (SIPRI) 2010 Yearbook reports, based on information in 2009, that:

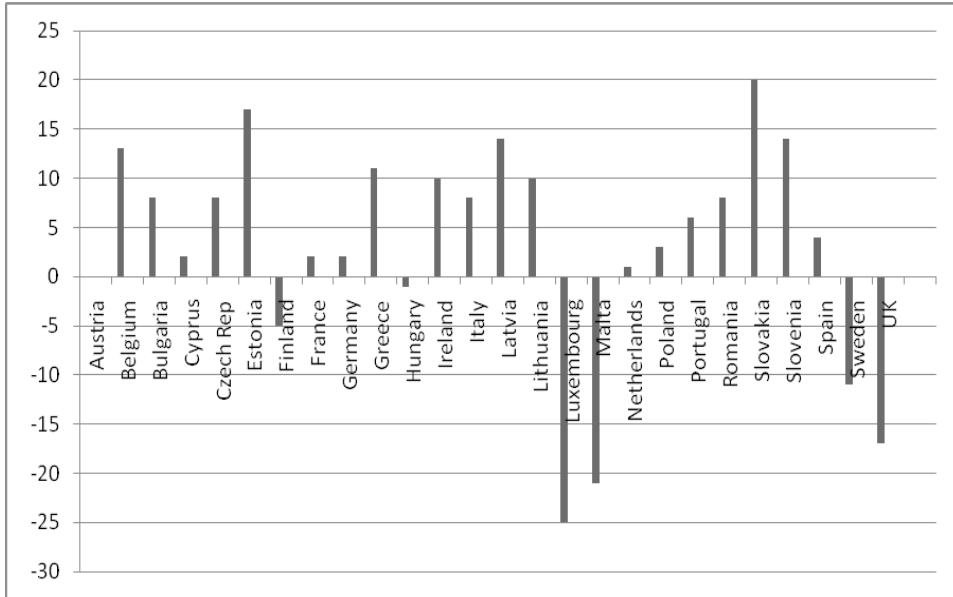
The effect of the global economic crisis on military expenditure in Europe varied. In Western Europe, the recent trend of flat or slightly rising spending was largely unchanged, as governments chose to sustain public spending to boost the economy. However, in Central and Eastern Europe - where in many cases the crisis has struck economies harder and where governments had insufficient reserves and levels of credit-worthiness to maintain large deficits - a number of countries made significant cuts to military spending as a direct result of the crisis, including Bulgaria, Croatia, Estonia, Lithuania, Romania, Serbia, Slovakia and Ukraine. Some of the richer Central European countries - the Czech Republic, Hungary and Poland - increased spending (Yearbook, 2010).

The economic crisis has had more of an effect on the military spending of those states whose economies were struck hardest. Whether this led to an emphasis on collaborative programs or not for Estonia, Latvia, or Lithuania will require an analysis of how each of these states allocated funding to different projects within their individual military budget. Even in Western Europe, where spending remained relatively the same, leaders might still have reallocated funding toward programs focused on ESDP. The following information will appear to contradict the SIPRI data for 2008. The reader must remember that the above statistics were a conclusion of military spending as a whole whereas the following numbers focus on which specific areas had changes. Funds can be reallocated between projects without affecting the overall sum.

The European Defense Agency (EDA) submitted a report on member states' defense data for 2008. This report was useful in showing percentage changes in specific military spending areas from 2007 to 2008. Only six member states spent less on defense; among them was the UK. It decreased defense spending by 17%. Germany and France had little change, a positive 2%. During this period defense expenditures in Estonia had increased by 17%, in Latvia by 14%, and in Lithuania by 10% (see Graph 1). Within the overall military spending percentages of the SIPRI data that remained relatively unchanged for EU member states, the three Western countries managed to maintain more or less the same level of national military spending from 2007 to 2008 or decrease it by over 10 percent. As for the three Eastern countries, each reallocated funds to bolster national defense. Percentage changes in the category of Investment of Equipment Procurement and R&D seem to explain where

certain member states are spending a portion of their overall defense expenditures. Estonia increased investment 47% and Germany 35%. Surprisingly, Latvia boosted its investment of equipment procurement 109%. On the other hand, Lithuania decreased investment 9%, the UK 14%, and France 1%.

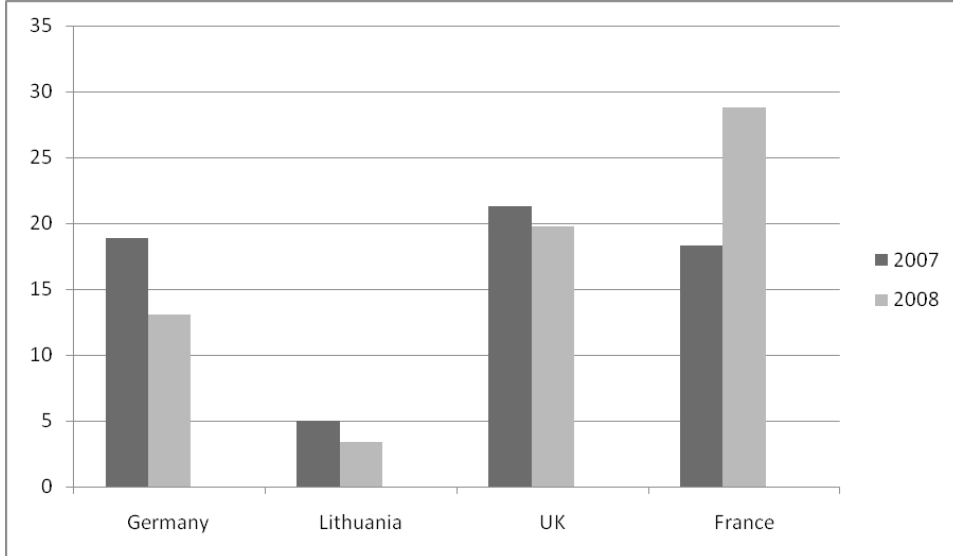
GRAPH 1: Percentage Change in Defense Expenditure from 2007-2008



*European Defense Agency 2008 Defense Data Report

When it came to spending on collaborative European programs, the numbers from the EDA report showed less drastic changes. Lithuania’s spending toward collaborative equipment procurement went from 5% in 2007 to 3.4% in 2008. The UK’s spending also went down from 21.3% to 19.8%, as well as Germany’s from 18.9% to 13.1% (see Graph 2). Only two of the EU member states actually increased collaborative equipment procurement between 2007 and 2008. France increased spending by 10% and Italy by 14.3%. There were no figures given on Latvia or Estonia. As for European collaborative spending on Research and Technology (R&T), a subset of R&D, Estonia went from 21% in 2007 to 11% in 2008, but France and Germany increased slightly from 16% to 18% and 19% to 22%. No percentages were given for the UK, Latvia or Lithuania. Lastly, while the percentage change in average number of troops deployed for EU missions increased by 14.7% in Estonia and 5% in France, Lithuania’s average number decreased by 2.8% and the UK’s by 2.3% (European Defense Agency, 2008).

GRAPH 2: European Collaborative Equipment Procurement as a Percentage



*European Defense Agency 2008 Defense Data Report

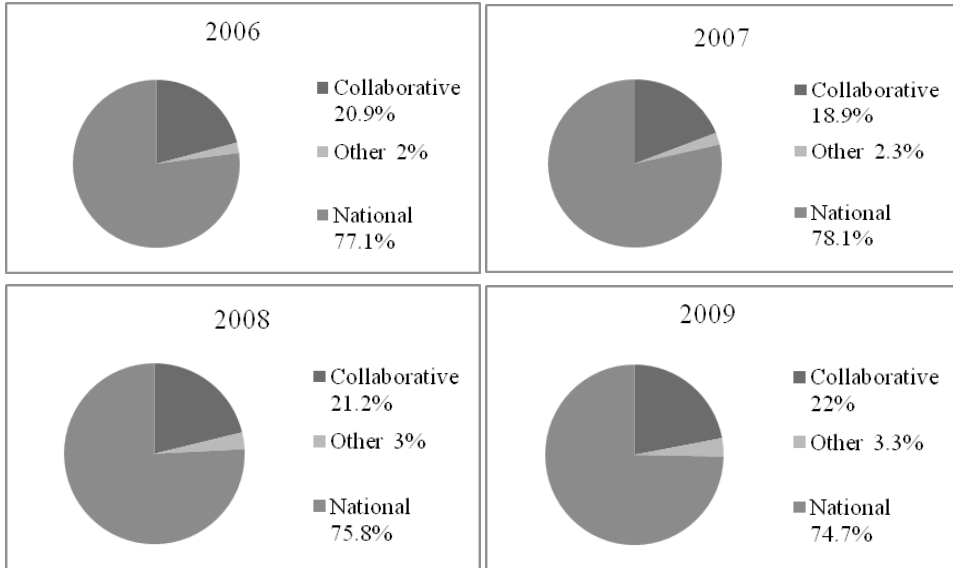
What all these percentages show is that among the Western European countries there was no large increase in national defense spending around the time of the economic crisis. In fact, in the UK there was a significant decrease. Spending on certain collaborative programs was less consistent as a regional whole. Germany spent less on collaborative equipment procurement but increased slightly its contribution to collaborative R&T. The UK somewhat decreased spending on both weapon procurement and number of troops deployed. Changes in spending for these countries, however, were at the most a change in no more than 5% from the previous year, not enough to sustain a solid conclusion that their overall support for ESDP has changed. It appears that despite the economic crisis collaborative spending has remained the same for these countries. France on the other hand increased spending on weapons procurement, R&T, and the number of deployed troops. France consistently showed positive spending for collaborative programs.

Among the Eastern European countries there was an increase in national defense spending. As with Western Europe, results of collaborative program spending were less consistent as a regional whole. No real conclusion on Latvia can be made because of the lack of evidence provided in the report for this country. However, Lithuania decreased both collaborative weapons procurement and number of deployable troops while Estonia spent less on weapons procurement but increased number of troops deployed to EU missions. Therefore, a distinguishable pattern of behavior toward ESDP spending for those countries hardest hit by the economic crisis is vague, if not nonexistent, for the time period.

A Defense Data Report for 2009 didn't offer any updates on individual state spending but it did provide overall EU defense spending. In summary, the report shows a slight upward pattern in EU collaboration programs. Chart 1 is an example of the information provided in the report. From 2006 to 2009 European and national collaborative equipment procurement hasn't fluctuated greatly. At least some significant change from before the economic crisis to

now was expected, but overall member state spending is remaining consistent. The quantitative data in this section is useful in outlining how military spending changed during the onset of the economic crisis up till 2009. Based on this information alone it would seem that there is no need to fear that the economic crisis will harm ESDP. These statistics have done little to help illuminate whether member states decisions are being driven by corresponding or conflicting economic and security interests. The following section will address more qualitative examples of what’s causing the six selected member states reactions to ESDP.

CHART 1: National and Collaborative Equipment Procurement in Percentages



*EDA Defense Data 2009

QUALITATIVE DATA

Around the same time as the information gathered in this report, conflict between Georgia and Russia erupted. This may explain the increase in national defense spending on the EDA report. Fearing a resurgence of Russian imperialism, the Baltic States individually increased defense. Therefore, it was the threat of Russia, not the economic crisis, which caused the change in Latvia, Lithuania, and Estonia’s support of collaborative ESDP programs.

However, according to Latvia’s Ministry of Foreign Affairs, the country’s accession to the EU and NATO has brought it more security than it has ever experienced. Membership has diminished traditional military threats against the state, allowing greater opportunities for Latvia to focus on development and the shaping of its foreign policy. One of Latvia’s main objectives is to help strengthen ESDP as a way to build relations with other countries and thereby increase economic possibilities (Foreign Policy Guidelines, 2010).

The fear of Russian imperialism has been quelled by the accession of the Baltic States into the EU and NATO. These states see themselves as more or less protected from take-over and are able to focus their efforts not on military defense, but on economic development. Even if these countries felt a legitimate threat from Russia, “the military capacities of the

Baltic States, as well as financial and human resources, are too scarce to be able to independently neutralize the threats” (Molis 2008, 11). This creates a large incentive for the state to integrate into the global organizations ensuring security and stability where the country is lacking (Molis, 2008). Thus, because of its military, economic and human resource weakness the Baltic States joined NATO and the EU for protection.

The efficiency of this type of defense alliance primarily depends on the level and nature of threats. As threats to the region increase, dependence on the alliance increases (Molis, 2008). Therefore, the Georgia–Russia conflict would have only increased Latvia, Lithuania, and Estonia’s support of collaborative programs under ESDP. One of Estonia’s objectives as a member of the EU is to persistently pursue an active development co-operation policy (National Security Concept of the Republic of Estonia). In a formal address to the Estonian parliament, Chairman of the Foreign Affairs Committee Sven Mikser reviewed important areas in foreign policy where the government should focus. He states “Estonia must take a firm stand in all international organizations... I can assure that the foreign delegations of [parliament] have done efficient work in all essential parliamentary assemblies to keep this significant issue in focus” (The Parliament of Estonia, 2010). This statement was in regards to Georgia and South-Ossetia. Regional conflict in Eastern Europe is only emphasizing, not diminishing, support for international organizations and programs like ESDP.

The EDA showed an increase in defense spending for the Baltic States, but this doesn’t mean that this type of spending is taking away from ESDP. Lithuania’s Defense Budget has a fund for international operations (abbreviated OI by the Ministry of National Defense). 5.4% of the overall budget in 2008 was spent on OI. In 2009 the percentage was slightly less, 4.7% but this is a difference of only 0.7 (Ministry of National Defense). The SIPRI Yearbook reports that these countries have made significant cuts to military spending as a direct result of the crisis. I have not been able to find data on where these cuts were made, but from the information in the EDA report for 2008 funds were not taken from collaborative EU programs. According to foreign policy documents Latvia, Lithuania, and Estonia seem eager to continue developing ESDP. What is causing this support, however, may not be economic in nature, but defensive. Regardless, economic interests have coincided with security interests. The Baltic States rely on ESDP and other defense alliances to provide security while state leaders focus attention on economic development. Recent developments between two Western European countries, however, suggest that economic and security interests are at odds within this region.

On November 2, 2010 France and Britain made a bilateral agreement on security and defense cooperation. Media claimed the decision was based on budget concerns. Britain was looking for a way to reduce its 36 billion pound defense budget deficit while France was looking for a way to facilitate a similar program of cuts it proposed in 2008. These two governments are pooling their resources in order to save money, but they are doing so outside of ESDP. Paris and London could have carried out the collaboration projects outlined in the agreement within the EU framework of Permanent Structured Cooperation, but the conscious decision to negate this step sends other member states the message that these countries hold low expectations for EU defense cooperation. The agreement was extended to Germany, but it did not accept and was given the responsibility to stop France and Britain from withdrawing completely from CSDP (Stiftung Wissenschaft und Politik, 2010).

Ten days after the announcement of Franco-Britain bilateralism European Defense Ministers announced the EDA would enhance activities on pooling and sharing of national

military capabilities. These offer potential for saving money while increasing security capabilities. Catherine Ashton, Head of the EDA, stated that the Agency was reacting to the needs of the Ministers who were “looking for opportunities to work closely together in order to improve capabilities while budgets are under pressure” (EDA Press Release). In addition to existing projects, the EDA discussed developing pooling and sharing in areas like medical support, naval logistics, and satellite communications. The last two of these areas were part of the Franco-Britain agreement.

ANALYSIS

Quantitative data helped outline how states have suffered in terms of real growth rate in GDP and revealed a pattern: Western Europe, as a whole, fared better than Eastern Europe. This pattern is obvious even without statistics, but the information was useful in determining which specific member states were hit hardest by the economic crisis in terms of growth. The point in finding this data was to establish which member states may have had a greater incentive to continue with ESDP because of economic hardship. Estonia, Latvia, and Lithuania were the three who experienced the most negative growth.

Overall military spending for EU members remained relatively unchanged from 2000 to 2008. By 2009, however, Eastern and Central European countries had decreased military spending while Western Europe remained constant. According to the SIPRI report, this change was due to the economic crisis. The next series of statistics taken from the EDA Defense Data for 2008 showed where changes in military spending had been made for collaborative European defense programs. It was anticipated that this information would give some direction on where the selected member states were emphasizing their spending, thereby highlighting which security programs were most important to that state. The results showed that Western European countries were maintaining the same level of defense spending as before 2008, with the UK actually spending significantly less. Eastern European countries actually increased national defense spending. As for collaborative programs, the six states didn't follow a regional pattern. Only Estonia and France showed a significant change in certain program spending, with the latter increasing its emphasis on troop deployment while reducing its funding toward R&T. The remaining four showed little variation from 2007 to 2008 on collaborative programs spending.

Overall spending on European defense between 2006 and 2009 shows a slight upward pattern in EU collaboration programs. Member state spending is remaining consistent even after the initial financial blow caused by the economic crisis. Despite reallocation of military funds within the UK, France, Germany, Estonia, Latvia, and Lithuania ESDP spending is not suffering at the moment. More recent information on a breakdown in program spending for 2009 was desired, but for the time being it does not exist. Therefore there is a limit to the ability of the EDA data to explain how member states are responding to the economic crisis in regards to ESDP. Just as information for overall military spending showed one thing for 2008 and another for 2009 so too might a breakdown in program spending.

Qualitative information was then used to try to correct this limitation. Reactions to the crisis by heads of state would help explain what member states were doing more recently. For Latvia, Lithuania, and Estonia support for ESDP continues. This support, however, may be less founded on the economic crisis and more centered on a desire to obtain regional stability. On the other hand, the recent Franco-Britain bilateral security cooperation agreement shows that these countries are tired of Europe's lack of military capability and are branching

out away from ESDP. Pooling and sharing offer France and Britain a way to cut defense budget deficits. The EDA is reacting to this by making plans to enhance pooling and sharing opportunities for member states within the framework of collaborative EU defense.

CONCLUSION

In the wake of the economic crisis, Latvia, Lithuania, and Estonia have remained faithful to ESDP. Membership in the EU has provided these states a level of security that their own economic and human resources could not. The Baltic States depend heavily on European markets and use ESDP as one way to maintain good standing and economic ties with other member states. Also, regional conflicts help to increase these states' dependence on cooperative defense alliances. Economic interests have coincided with security interests. The current economic conditions in Latvia, Lithuania, and Estonia haven't led to an increase in ESDP program spending, but it also hasn't led to a substantial decrease. Support for EU defense policy has remained the same. Therefore, theory one is incorrect - the economic crisis hasn't increased member states' preference in greater favor of ESDP.

Current economic conditions have changed the UK and France's preferences away from EU defense policy. Both France and Britain were looking to cut deficits in their defense budgets, but they felt that the EU defense framework was inadequate. From 2006 to 2009 there was no statistical indication that these two would change their support for ESDP. In light of the 2010 bilateral agreement, theory two is correct - the economic crisis has changed member state preference away from EU defense policy.

In all reality, the reactions of member states toward ESDP differ depending on each individual nation. More qualitative research on every member of the EU would be best in determining overall how the economic crisis has affected ESDP spending reform. The quantitative data in this essay revealed that from the onset of the crisis until the bilateral agreement, ESDP spending had gone unchanged. During this time the fear that member states would significantly decrease support of ESDP seemed irrational. Now, with the Franco-Britain bilateralism, this fear is becoming reality but it is not the deathblow to ESDP. Defense ministers now have the opportunity and the incentive to reform the inefficient collaboration programs of the past. This essay has sought to offer the reader an answer to the question of whether the economic crisis has helped or harmed ESDP. The real answer won't come for many more years and after much monitoring of member states, but this is a start. Now we know that from the onset of the crisis till November of 2010 ESDP and the economic crisis have neither been friend nor foe. Whether this relationship changes within the coming years is a research design for another day.

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