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The Euro Crisis and the Future of EU Foreign Policy

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Introduction

There is little doubt that the on-going sovereign debt and banking crisis within the Eurozone will have an enormous impact on the future of the European Union (EU). Indeed, the fate of the entire European project hangs in the balance. The eventual outcome of the crisis cannot yet be known as of this writing in August 2012, but anything within the wide array of possible outcomes—from a total collapse of European integration to a 'two-speed' Europe to a tight political union—will have a profound and lasting impact on the way the European states and peoples interact with each other.

For scholars interested in European foreign policy, it is crucial to note that he trouble in the Eurozone struck at a time when European foreign policy was already in flux: Greece reached agreement with the IMF over its first bailout package only five months after the Lisbon Treaty went into effect, creating the European External Action Service (EEAS) and the post of High Representative of the Union for Foreign Affairs and Security Policy (HR). These two institutions were designed with the intention of facilitating the coordination of national foreign policies among EU member states, but the novelty of the Lisbon Treaty left considerable uncertainty about how member states would incorporate the EEAS and the HR into their foreign policymaking procedures.

The turmoil in the Eurozone has only magnified the uncertainty surrounding the future of European foreign policy, both in areas related to the Lisbon Treaty and in other areas as well: can an economically weakened

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EU continue to use trade as a foreign policy instrument? Will austerity-induced cutbacks to national defence budgets mean the end of the Common Security and Defence Policy (CSDP)? Might, on the other hand, a new fiscal and political union finally make a 'European Army' feasible?

While it is impossible to answer these questions with any degree of certainty, the goal of this essay is to develop a systematic understanding of the impact of the Euro Crisis on the present and future of European foreign policy. Because the crisis raises such profound questions about Europe's role in the world, this topic remains a vital area of on-going research. Fortunately, the small existing literature on this topic has already provided some important insights on the impact of the crisis on EU foreign policy. Particularly, the two 'Scorecards' published by the European Council on Foreign Relations in early 2011 and early 2012 (Vaïsse and Kundnani, 2011; Vaïsse and Kundnani, 2012) present a detailed picture of European foreign policy outcomes during the crisis era in a variety of geographical theatres.

My approach in this study is somewhat different to the approach of the ECFR Scorecards. Rather than focusing on the impact of the crisis on foreign policy towards different geographical regions, I examine the effects of the crisis on four of the EU's foreign policy tools: trade and aid conditionality, accession conditionality, coordination of member state foreign policies through the Common Foreign and Security Policy (CFSP), and the Common Security and Defence Policy (CSDP).[1] I chose this approach with the hope of generating conclusions that apply across all geographic areas. Furthermore, I subdivide my study into two different timeframes: in the first, I focus on the impact the crisis has had so far on each of the five EU foreign policy tools; in the second, I examine how each of these tools might look and function in a post-crisis Europe that has progressed to a fiscal union among its Eurozone 'core.'

The general conclusion of my study is that, while the crisis has impacted each foreign policy mechanism to a different extent, the effects of the crisis so far on European foreign policymaking have actually been surprisingly minor. Not only do I demonstrate in this paper that many of the key instruments of EU foreign policy have continued to operate in a relatively normal manner since 2010, I also argue that many of the important trends impacting the future of European foreign policy began long before the current economic crisis did.

The organization of the essay is as follows: in Section I, I specify the four tools of EU foreign policy on which this study focuses, and I provide some background on each; in Section II, I detail the impact that the crisis has had to the present on these four tools; in Section III, I examine the long-term prospects of these tools of EU foreign policy.

The EU's Foreign Policy Tools

The European Union conducts foreign policy through a wide variety of channels, on a wide variety of issue areas, and at a wide variety of political levels. By 'foreign policy,' I am referring to all the means used by policymakers "to exercise power, i.e. to get others to do what they would otherwise not do" (Baldwin, 1985: 9). While a full overview of the institutional structure of the European Union is beyond the scope of this essay, my goal in this section is to briefly outline the four broad mechanisms of EU foreign policy on which this study focuses. While I acknowledge that this categorization is something of an oversimplification of the enormously

1. Many scholars would consider 'Soft Power' (Nye, 2004) and/or the similar concept of 'Normative Power' (Manners, 2002) to be important EU foreign policy tools. However, I do not include them in this study both because they do not officially exist 'on paper' as the other four mechanisms do, and because their effects can operate through the mechanisms included in this study.

complex world of EU foreign policy, my aim is to capture as many of the most significant aspects of EU foreign policy as possible within a straightforward framework.

Trade and Aid

The EU's oldest foreign policy strategy, dating back to the 1957 Treaty of Rome, is to offer preferential trade partnerships and development aid to certain states. Although the trade and development policies of the European Community were originally designed for the purpose of binding France's former colonies to Europe (Bartels, 2007: 717-719), the geographic reach of these relationships has since expanded, and now nearly every country in the world has some kind of formal economic agreement with the European Union (K. Smith, 2008: 57).

Since 1995, however, these agreements have come with 'strings attached,' which are designed to affect the behaviour of non-EU states by conditioning the continuation of these trade and aid agreements upon the third state's fulfilment of certain criteria relating to human rights and good governance (Bartels, 2007: 738). Conditionality enables the EU to take a 'carrot and stick' approach, rewarding cooperative states with positive incentives such as more aid and closer trade relations and punishing troublesome states by withholding funds and market access (Juncos, 2011: 371-372). In the most extreme cases, the EU can even impose trade sanctions on certain states (See Holland, 1987 for the example of South Africa). There is a significant debate in the literature about whether the EU's true intent in imposing conditionality is to advance its stated goals of promoting human rights and good governance or whether the EU is really motivated by neorealist goals (scholars in the latter group, e.g. K. Smith, 2003 and Brummer, 2009, observe that human rights conditionality is usually enforced only on geopolitically 'irrelevant' states and almost never enforced on states like Russia and China), but there is no doubt that trade and aid conditionality is a key foreign policy tool of the European Union.

In terms of EU institutional structure, trade and aid may be the one foreign policy mechanism where the Commission has the most influence, as it is largely responsible for the EU's trade negotiations. However, member states also retain significant influence here, since changes to trade relationships, including conditionality-based sanctions, require member state approval via the Council.

Accession Conditionality

As a foreign policy tool, accession conditionality can be viewed as a particular subset of trade conditionality: when a state seeks to pursue the closest possible trade relationship with the EU, i.e. becoming a member itself, the EU gains tremendous leverage over that state by having the ability to dictate the conditions of its accession. Like trade conditionality, this is an area where both the Commission and the individual member states have influence, since the Commission manages accession negotiations but final approval requires unanimous assent by the member states.

Historically, accession conditionality was first used to a significant degree in the 1990s, as the former-communist countries in Central and Eastern Europe (CEE) sought to formally join the European Union. The EU conditioned the membership of these states upon their adoption of democratic reforms, free-market economic policies, and the entire body of the acquis communautaire. Starting in the late 1990s and continuing to the present, similar conditionality has been imposed on states in the Western Balkans that seek to join the European Union, with the added burden that these states' membership is also conditioned on their cooperation with the International Criminal Tribunal for the Former Yugoslavia and their guarantees of domestic minority rights (See Piana, 2002; Pippan, 2004). However, there is some debate in the literature about whether this form of conditionality has been as successful in promoting reforms in the Balkans as it was in CEE, since promises of potential membership to the Balkan states may not be as credible (See Fakiolas and Tzifakis, 2008).

Coordination of Member State Foreign Policies

In this category, I refer to the coordination at the EU level of areas of foreign policy reserved to the member states themselves. This coordination takes the form of discussions among member state officials within the framework of the Common Foreign and Security Policy (CFSP) that are facilitated by the EU-level institutions such as the High Representative of the Union for Foreign Affairs and Security Policy and the European External Action Service (EEAS). The current CFSP has a long history, originally established as the European Political Cooperation (EPC) in 1970, an informal negotiating body that had neither a secretariat nor any formal link to the European Community until 1986. (For a more in-depth history of the EPC and CFSP, see Nuttall, 1992 and M. Smith, 2004). The Maastricht Treaty rebranded the EPC as the CFSP, increased the size of the secretariat, and granted member states the ability to formulate official 'Common Positions' and to undertake 'Joint Actions,' all by unanimity (Müller-Brandeck-Bocquet, 2002). The Amsterdam Treaty of 1997 created the post of High Representative for the CFSP and added a Policy Planning Unit to the CFSP's secretariat located in Brussels. The 2009 Lisbon Treaty, however, made perhaps the most significant changes yet to the CFSP by creating the European External Action Service (EEAS) and combining the two posts of High Representative for the CFSP and External Relations Commissioner into the new post of High Representative of the Union for Foreign Affairs and Security Policy (See Missiroli, 2010).

Despite the growth of EU-level institutions located in Brussels for the purpose of coordinating national foreign policies, the CFSP remains an area of EU foreign policy that is completely dominated by the member states. Since virtually any action on the EU-level requires member state unanimity, such action can only occur where member state preferences are highly converged. While this is a significant barrier to policy coordination on many issues, the CFSP has nonetheless played a major role in recent years in coordinating member state positions on issues like climate change, the Israeli-Palestinian conflict, and relations with China.

The Common Security and Defence Policy

Although Common Security and Defence Policy (CSDP) missions should in many ways be seen as a subset of the category of coordinated member state action described above, the CSDP in my judgement is unique and significant enough to merit a category of its own. The CSDP (formerly the European Security and Defence Policy, or ESDP) resembles a 'watered down' version of a European military, allowing member states to band together to send troops abroad for specific missions of limited duration. ESDP/CSDP missions have been activated in pursuit of both 'civilian' goals (e.g. election monitoring and police missions) and 'military' goals (e.g. peacekeeping missions, sometimes in conjunction with UN and NATO missions in the same area).

The idea for the ESDP/CSDP originated in the 1998 Saint-Malo Declaration between Britain and France, which argued that the EU ought to "play its full role on the international stage," and therefore required "the capacity for autonomous action, backed by credible military forces, the means to use them, and a readiness to do it, in order to respond to international crises." The ESDP became a reality in 2003, with the EU member states initiating the first missions in the Democratic Republic of Congo, Bosnia and Herzegovina, and the Former Yugoslav Republic of Macedonia (for a more in depth history, see Reichard, 2006). Like any CFSP matter, the creation of a new CSDP mission requires member state unanimity; despite this high bar, member states have so far initiated over 30 missions.[2]

The Impact of the Euro Crisis to the Present

In this section, I examine each of the four EU foreign policy mechanisms described in the previous section in order to ascertain how the on-going Euro Crisis has impacted its use thus far. My approach here is to survey available data to produce as objective an evaluation as possible, before turning to a speculative analysis about the future of these mechanisms in Section III.

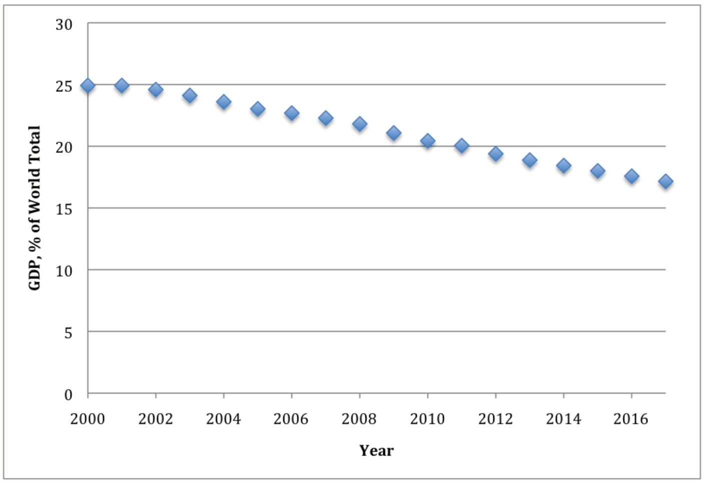
Perhaps the main challenge in this section is to recognize that the EU is facing a "crisis-upon-decline," (Youngs, 2012: 1), a situation produced by "the double whammy of a short-term crisis superimposed on a more structurally-rooted incremental loss of power" (1). Although the region's economic and financial troubles may be exacerbating this secular decline, I attempt as much as possible here to separate the unique impact of the Euro Crisis from changes in EU foreign policy that 'would have happened anyway' because of long-term trends. This necessarily involves some counterfactual, but I believe that such a distinction can be made.

Trade and Aid

The European Union's ability to use trade and aid conditionality as a foreign policy tool rests entirely on the EU's economic prosperity, which makes Europe such an attractive trade partner and aid donor to non-member states. Thus, one might expect that a major economic crisis would have a large impact on the EU's ability to use these tools.

Surprisingly, however, the data suggest that this is not the case. Although the EU's economic prosperity relative to the rest of the world has been declining for a long time, the Euro Crisis appears to have, at worst, merely exacerbated an inevitable secular trend. The best way to illustrate this is to plot the EU's share of world Gross Domestic Product (GDP) over time:

Figure 1: EU-27 GDP as a Share of World Total, 2000-2017[3]



GDP, a measure of a country's total income over the course of a year, is a rough proxy for market size, since it represents the total amount of goods and services that a year's

2. CSDP mission data from www.csdpmap.eu/mission-chart. Accessed 20 September2010.

3. Data from IMF World Economic Outlook Database, April 2012. Accessed 20 August 2012. Data for 2011-2017 are forecasts. To avoid the distortion caused by new countries joining the EU in 2004 and 2007, the GDP measure includes anachronous data from the entire EU-27 in each year, even before the 2004 and 2007 cohorts acceded.

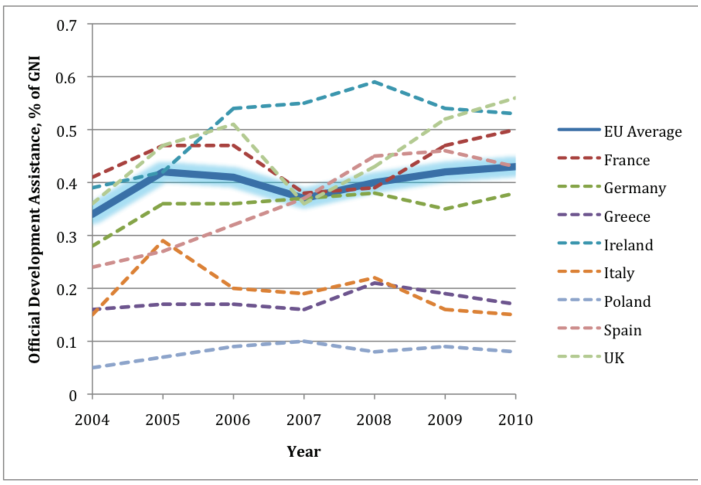
worth of income is capable of purchasing. Thus, the EU's share of global GDP is a useful measure for the bloc's attractiveness as a trading partner. The larger the share of global GDP produced by the EU, the more important the EU is as a trading partner to non-member states, and the more these states would be expected to abide by EU-imposed conditions for the sake of winning a trade agreement.

Significantly, Figure 1 displays a long-term decline in the EU's share of world GDP that began long before the Euro Crisis erupted and does not appear to have noticeably accelerated around 2010. Admittedly, the EU's share of world GDP is not a perfect measure for the utility of trade conditionality as a foreign policy instrument. (It is quite possible, for instance, that as global trade contracted during the 2008-2009 financial panic and recession, trade conditionality simply became a less effective foreign policy for every state. The GDP measure would not show such an effect.) However, what this measure does conclusively show is that the Euro Crisis has not caused a unique, relative loss of power for Europe in the area of trade conditionality. Indeed, despite the economic crisis, the EU has entered into new conditionality-laden trade agreements since April 2010 with several countries, including South Korea (October 2010) and Peru (March 2011), and negotiations with many other states are on-going.[4]

Data on foreign aid budgets likewise demonstrate that the unique impact of the crisis has been minor. In the EU-27, there are 28 foreign aid budgets: one from each member state, and one from the European Community itself. Although the European Community disburses development and humanitarian aid through several vehicles, the largest of these is the European Development Fund (EDF), which is funded by member states to the tune of roughly €3.5 billion per year. The EDF is re-negotiated every six to eight years, and in each of these negotiations, member states commit themselves to donating a specified amount of development aid per year until the next re-negotiation. This is significant because, by (un)fortunate chance, the most recent EDF re-negotiation occurred in 2008, on the eve of the crisis, and it bound member states to donating a total of over €22 billion until the next re-negotiation in 2013 (EDF, Europa.eu, 2012). Thus, at least until the end of 2013, the EDF will remain relatively unaffected by the crisis. That is, unless a large member state reneges on its promise, which is unlikely.

Furthermore, it appears that the Euro Crisis has also failed to undermine the 27 member state foreign aid budgets, at least as of 2010, the most recent year for which data are available:

Figure 2: Official Development Assistance as a Percentage of GNI[5]



4. Information on the EU trade agreements with South Korea and Peru is available at the European Commission's webpage on trade agreements: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/agreements/#_other-countries> Accessed 24 August 2012. Information on on-going trade negotiations is available at: <http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf>. Accessed 24 August 2012.

5. Data from Sustainable Development: Global Partnership Indicators, Eurostat, 2012. Accessed 20 August 2012.

This graph shows that member state donations of Official Development Assistance (ODA) as a percentage of Gross National Income (GNI: a measure similar to GDP but calculated slightly differently) did not significantly decline in 2010 as the crisis in Greece took hold. Indeed, across the entire EU, the average ODA donation as a share of GNI actually increased slightly from 2008 to 2010.[6] All of this suggests that, at least through 2010, the EU remained a crucial donor of foreign aid and therefore retained the ability to use aid conditionality as a foreign policy instrument. As data is released for 2011 and 2012, it will be possible to examine whether the situation has since changed.

Accession Conditionality

Like trade and aid conditionality, accession conditionality seems surprisingly resilient as a foreign policy instrument despite the Euro Crisis. Doomsayers may argue that the economic crisis has scratched the shine off of EU membership to the point where prospective members will no longer be willing to abide by the EU's strict political-economic conditionality and implement the arduous acquis communautaire in order to gain membership. According to this narrative, the EU has therefore lost a powerful source of influence over states that might otherwise have been lining up to join the EU. However, there is simply no evidence to support such pessimism.

No region illustrates the EU's continuing influence over potential members more than the Western Balkans. While the EU has long struggled to help bring stability to this region, its efforts appear to be paying off, as much of the region continues to seek EU membership. This is most obvious in Croatia, which is set to officially accede to the EU on 1 July 2013. Significantly, Croatia finished its accession negotiations in June 2011 and held a public referendum in which 66% of the population voted in favour of EU membership in January 2012 (BBC, 2012); both of these events occurred well after the on-set of the Euro Crisis, which does not appear to have significantly deterred the Croats. Likewise, Montenegro has also pushed ahead with its membership bid despite the crisis, gaining official EU candidate status in December 2010 and commencing accession negotiations in June 2012 (Montenegro, Europa.eu, 2012). Even Serbia, one-time pariah state, has taken crucial steps towards EU membership since the outbreak of the economic crisis. Perhaps most significantly, Serbian forces arrested accused war criminal Ratko Mladic in May 2011, fulfilling a key condition that enabled Serbia to become an official EU candidate in March 2012 (Serbia, Europa.eu, 2012). The Euro Crisis has dissuaded none of these countries from continuing to accept EU conditionality in pursuit of membership.

Sceptics may yet point to the example of Turkey, which began EU accession negotiations in 2005, yet, according to some analysts (Möckli, 2012b: 70), no longer appears interested in membership. One might observe that Turkey's economy has boomed in recent years, just as Europe's has sank into recession, and conclude that Turkey no longer views EU membership as necessary for its long-term economic prosperity. While there may be some truth to this story, it misses a crucial point: it has been clear now for several years that Germany and France would never accept Turkish membership in the EU, and that Turkey therefore has no realistic chance of joining (BBC, 2006). Thus, Turkey is not an example of the Euro Crisis undermining the use of accession conditionality as a foreign policy instrument; rather, what undermined accession conditionality in the case of Tur-

6. However, real GDP declined slightly across the EU-27 from 2008-2010, so a slight increase in foreign aid as a percentage of GNI indicates nearly constant levels of aid in real terms. (GDP data available at National Accounts: GDP and its main components, Eurostat, 2012. Accessed 20 August 2012.)

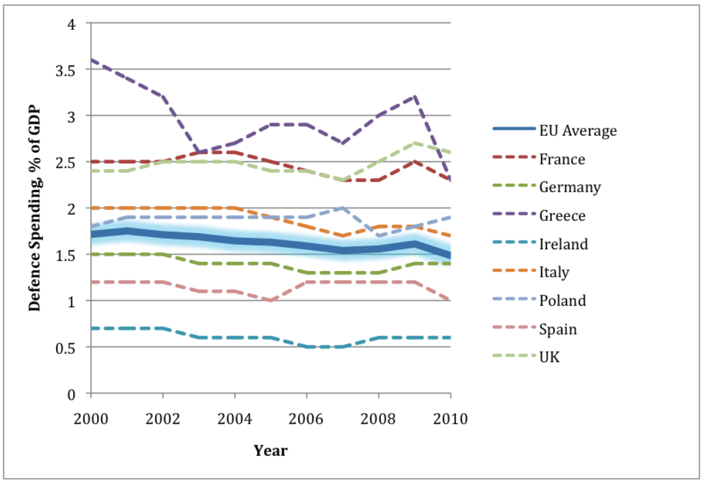
key was that Turkish politicians concluded that promises of EU membership were not credible. As Juncos (2011: 372) explains, successful conditionality programmes must rest on credible promises of rewards for the target country. Without such promises, a rational state has no incentive to uphold its end of the conditionality agreement.

Coordination of Member State Foreign Policies

Unlike the previous two foreign policy mechanisms, the Euro Crisis has more clearly affected member state coordination of national foreign policies through the CFSP and the related Lisbon Treaty institutions. Despite some setbacks, however, this area of EU foreign policy has nevertheless recorded some recent successes. Thus, again, the impact of the Euro Crisis on EU foreign policymaking has not been as detrimental as one might have predicted.

There are three primary reasons why the Euro Crisis has had something of a harmful impact on the coordination of member state foreign policies. The first reason is that the Euro Crisis has absorbed the bulk of the attention of European policymakers, taking their focus off of foreign policy and raising the opportunity cost of the time spent collaborating on non-economic matters (Möckli, 2012: 68; Gaspers, ECFR Report, 2012). The second is that the crisis has produced new tensions among member states, particularly between the surplus nations in the 'North' and the debtor nations in the 'South.' These tensions have contributed to the erosion of the spirit of goodwill and common purpose among EU member states necessary for the coordination of national foreign policies (Techau, 2012; Möckli, 2012: 68; Youngs, 2012: 3). Finally, the crisis has also limited the material resources available for CFSP projects. Although national defence budgets have remained relatively constant as a percentage of GDP through 2010 (As Figure 3 shows, with the caveat that EU GDP declined slightly from 2008-2010, so a constant level of defence spending as a percentage of GDP indicates a small decline in real terms), member state contributions to EU-level security and defence institutions have been squeezed by the economic crisis (Möckli, 2012: 68; Behr, ECFR Report, 2012; Vaïsse, Brookings Report, 2012). Many scholars have predicted that, in the long run, reduced defence budgets will force EU member states to integrate more of their security and defence policies. But in the present, fiscal pressure has curtailed the ability of member states to conduct their individual security policies at the EU level.

Figure 3: Defence Spending as a Percentage of GDP for Selected States, 2000-2010[7]



These factors together have produced what Vaïsse (Brookings Report, 2012: 11) calls a "creeping renationalisation of foreign policy." For instance, in both 2010 and 2011, the European Union was unable to hold a united line on its human rights policy towards China, with certain states each year undermining the EU's official position by adopting a more

7. Data from Stockholm International Peace Research Institute Military Expenditure Database, 2012. Accessed 20 August 2012.

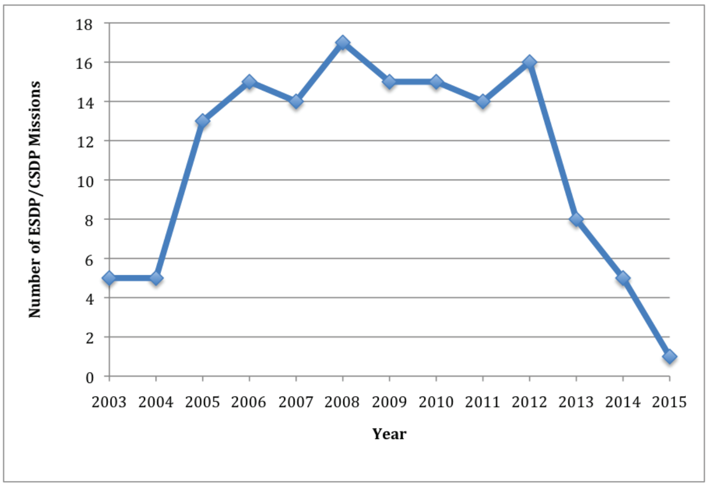
lenient stance in their own bilateral negotiations with China (Vaïsse and Kundnani, 2011: 33; 2012: 35). Because of this, the EU has begun over the last few years to shift its multi-issue 'strategic partnership' negotiations with China into a more narrow focus on trade issues alone (Youngs, 2012: 6). A similar trend has appeared in EU negotiations with India and ASEAN (6). Disunity among EU member states also plagued European foreign policy during the 2011 'Arab Spring,' with France and Italy initially unwilling to abandon regimes in North Africa that had been long-time allies. (Vaïsse and Kundnani, 2012: 96). Fiscal pressure on the CFSP also had a clear limiting effect on EU policy during the Arab Spring: even after member state positions coalesced around the idea of supporting democratic transitions in the region, the EU was unable to substantially increase funding to the region to incentivise political reform. Much of the additional funding the EU did manage to provide to the region was diverted from its budgets for Asia and Latin America (99).

Despite these setbacks however, member states collaborating under the CFSP have also achieved some key foreign policy successes since the beginning of the Euro Crisis. Perhaps the most significant of these successes is the EU's unified imposition of economic sanctions on Iran in early 2012 (Möckli, 2012: 68), including sanctions on Iranian banks and an oil embargo effective in July 2012. In its dealings with Iran, the EU has presented a remarkably unified face, and it has cooperated effectively with the United States (Vaïsse and Kundnani, 2012: 74). Another key success of cooperative foreign policy is the EU's external relations on climate change. At the December 2011 climate change talks in Durban, South Africa, the EU managed to negotiate as a united front, under the leadership of Climate Change Commissioner Connie Hedegaard, in favour of an extension of the Kyoto Protocol (122). Thus, while the Euro Crisis has certainly had a negative impact on the coordination of member state foreign policies, its collateral damage has not been as catastrophic as one might have expected.

The Common Security and Defence Policy

The Common Security and Defence Policy (CSDP) has remained an active EU foreign policy tool despite the Euro Crisis. However, the story here remains somewhat ambiguous, and the full impact of the crisis on this instrument may not be seen until 2013 and onwards. The first observation relevant to understanding the impact of the crisis on the CSDP is to note that the number of on-going CSDP missions has not significantly declined since the Greek bailout in 2010:

Figure 4: Total Number of On-Going ESDP/CSDP Missions in Each Calendar Year, 2003-2015[8]

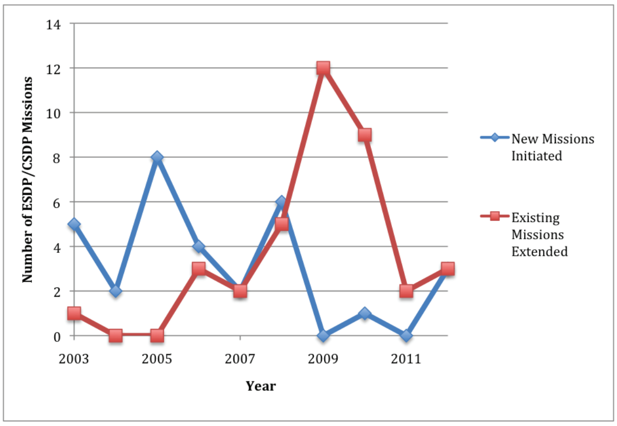


As Figure 4 shows, the total number of CSDP missions on-going in each calendar year has remained relatively constant, averaging roughly 15 missions in each year since 2005. Unless an as-yet-unplanned mission

8. Data from www.csdpmap.eu/mission-chart. Accessed 20 September 2012. The data from 2013-2015 only include missions already approved for those years.

commences before 31 December 2012, this year will feature a near-average 16 missions. However, Figure 4 also shows that the number of scheduled missions will drop off significantly from 2013-2015 due to the expiry of the mandates of current missions. Whether this is significant or not is a matter of some contention. One the one hand, it is important to note that during the entire history of the ESDP/CSDP, mission mandates have rarely been extended more than 2-3 years into the future, which means that if a similar chart to the one above had been produced in 2007, it would have shown a similar drop-off in planned ESDP missions from 2008-2010 that never occurred. That is reason to believe that this planned obsolescence of the CSDP may yet be reversed. On the other hand, there is also reason to believe that it may not be. As Figure 5 (below) shows, the number of new ESDP/CSDP missions initiated in each year declined significantly after 2008:

Figure 5: New ESDP/CSDP Missions and Mission Mandate Extensions in Each Calendar Year, 2003-2012[9]



9. Data from www.csdpmap.eu/mission-chart. Accessed 20 September 2012.

From 2003-2008, European Union leaders initiated an average of 4.5 ESDP missions per year. From 2009-2012, the corresponding average for new CSDP missions per year is merely one. The only reason the number of total missions has remained high through 2012 is that an anomalously high number of existing missions saw their mandates extended in 2009 and 2010, as Figure 5 shows. Yet the number of mandate extensions also dropped off significantly in 2011-2012. Should both of these figures remain low in the coming years, the number of on-going CSDP missions will rapidly decline.

One must be careful not to conflate correlation with causation, but it fairly clear that the region's economic crises, both the global financial crisis in 2008-2009 and the Euro Crisis from 2010, significantly contributed to the decline in new CSDP missions and mandate extensions. As previously explained in Section 2.3, there are three possible mechanisms through which the crisis might undermine use of the CSDP: cost, distraction, and increased intra-member state rivalry. (However, it is not clear that the third factor has had much impact, since the ESDP/CSDP tends to avoid missions in geopolitically controversial locations.) In 2009-2010, it appears that distraction was the primary cause of the decline in new missions and the rise in the number of mandate extensions: extending existing missions costs just as much as starting new ones, but extensions require much less attention and planning, since the mission can just carry on doing what it was already doing. In 2011-2012, cost may have been the primary concern behind reducing the number of mandate extensions. The EU's long-term economic decline does not account for this sudden drop-off; only the Euro Crisis does.

Thus, the CSDP has so far remained an important EU foreign policy tool despite the crisis, and the number of on-going missions at any given point has remained near the long-term average of 15. It is therefore premature to conclude that the Euro Crisis has undermined the CSDP. There are signs that it may do so over the coming years, but this cannot yet be certain.

The Long Term Outlook

In this section, I offer a speculative examination of how the tools of European foreign policy might function in a post-crisis Europe. Clearly, the future of these mechanisms will depend heavily on the exact outcome of the crisis, which cannot yet be known. If the entire European project collapses, then any unified European foreign policy would likely cease to exist. But as of this writing in August 2012, the most likely outcome of the Euro Crisis appears to be a "two-speed Europe" (Youngs, 2012: 1-3): a more tightly-integrated core of Eurozone countries, possibly involving a fiscal union, and a more loosely integrated periphery that retains important links with the core but is perhaps not as tightly integrated as the current European Union. This Europe will likely exist in a future in which the continent's relative political and economic decline has progressed even further than it has to the present. While these outlines are necessarily vague, they provide rough framework within which one can speculate about the future of European foreign policy.

Trade and Aid

Perhaps the most surprising finding in Section 2 in this paper is that the EU's recent economic troubles have not significantly affected those foreign policy instruments which rely the most on economic prosperity: trade and aid conditionality. Despite this current cause for optimism, the long-term prospects of these foreign policy instruments are not good. Below I reproduce Figure 1, displaying the EU's share of world GDP, but I add in GDP data for several additional states:

Figure 6: GDP as a Share of World Total for Selected States, 2000-2017[10]

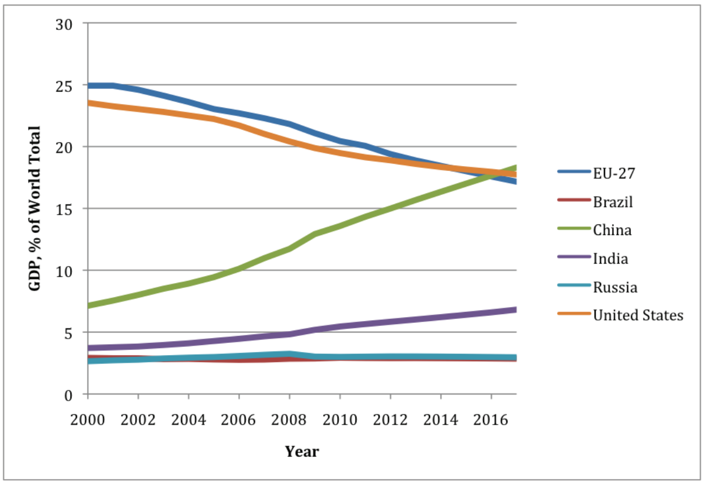


Figure 6 demonstrates that the decline of the EU's (and America's) share of global GDP is driven by the rise of large emerging market states, particularly China and India, with China's share of world GDP expected to pass the EU's around 2016. While this finding largely exonerates the Euro Crisis as the primary source of the EU's relative decline, it does imply a more worrying situation for Europe in the future: even a robust economic recovery and the salvaging of the Euro project are unlikely to stem Europe's slide against India and China. In the long-term, this trend suggests that Europe will no longer be able to rely on its status as the largest, wealthiest export market and most generous foreign aid donor as a means of extracting desired foreign policy outcomes, since other states will supplant the EU in these roles.

Furthermore, even if an eventual resolution to the Euro crisis does result in a more tightly integrated EU with a banking and

10. Data from IMF World Economic Outlook Database, April 2012. Accessed 20 August 2012. Data for 2011-2017 are forecasts. As in Figure 1, the EU figure deliberately includes anachronous data from the entire EU-27 in each year.

fiscal union, that development is unlikely to significantly alter the prognosis of trade and aid conditionality. Trade and aid are already highly integrated areas of policy; the European Community has had legal competence over all matters of external trade and some matters of foreign aid since the 1957 Treaty of Rome. This is unlikely to change no matter how the current economic crisis ends, and so it appears that the utility of these economic instruments as tools of foreign policy is sliding inexorably downward.

Accession Conditionality

The prognosis for accession conditionality is equally bleak. At some point in the future, the EU will simply run out of states that it will consider for membership. While this has nothing whatsoever to do with the Euro Crisis, accession conditionality from the outset has been a powerful-yet-fundamentally-limited foreign policy instrument. I readily concede that the end of EU expansion may be a long way in the future: the accessions of Iceland and the Balkan candidate states (other than Croatia) are still years away, and several Balkan states have yet to achieve candidate status; likewise, a final resolution to the controversy of Turkish accession may also be decades away. Yet unless the EU is willing to significantly revise the long-assumed limits of its willingness to expand (Ukraine? The Caucasus?), accession conditionality will not be available forever.

One potential mitigating effect comes from the idea of a "two-speed Europe." Should the EU evolve as predicted into a tightly integrated core and a loosely integrated periphery, the EU may become willing to admit certain states into that periphery that it would not currently consider for full membership. This would enable the EU to impose some degree of accession conditionality on these states. Yet although this arrangement might extend the longevity of accession conditionality as a foreign policy tool for a time, it seems inevitable that the EU will eventually reach some sort of absolute limit of expansion.

The CFSP and CSDP

Since the issues involved are related, in this section I discuss the future of the CFSP and the CSDP together. The future of these organs (and related EU-level accoutrements such as the EEAS) provides one of the more fascinating areas for speculation, as the region's economic troubles struck at a time when these institutions were already in flux due to the Lisbon Treaty. The primary line of contention is whether or not the economic crisis will spur much closer integration of member state security and defence policies at the EU level, possibly including even the creation of a 'European Army', as originally proposed in the 1950 Pleven Plan.

On one hand, there are a few reasons to believe that the crisis will instigate closer foreign policy coordination among member states, causing them to make greater use of EU-level institutions like the EEAS and grant a more prominent voice to the centralised High Representative. The first reason is that the EU member states are unlikely to be able to sustain their pre-crisis levels of defence spending, forcing closer cooperation on expensive foreign policy ventures (Techau, 2012; Dijkstra, ECFR Report, 2012). The causal link between the economic crisis and defence budgets is quite clear: even in an optimistic scenario where Europe's economies begin to recover quickly, the lingering shadow of unemployment and underemployment will depress government revenues for years to come, forcing permanent budget cuts in many areas. That lower defence budgets might instigate closer foreign policy cooperation is also plausible: the 2010 Ghent Initiative, a German-Swedish Joint proposal for the sharing of defence capabilities across the EU, stemmed directly from the 2008 financial crisis and its fiscal impacts (Möckli, 2012: 76). The 2011 announcement that the UK and France plan to share aircraft carriers also followed military budget cuts in these two states (Daily Mail, 2011). Taken to the extreme, one might even view these actions as the initial steps towards the creation of a 'European Army.'

The second reason the Euro Crisis might spur closer foreign policy cooperation is that a potential fiscal union emerging from the crisis may facilitate the creation of a more centralised foreign policy (Youngs, 2012: 3). This argument can be understood from both a neofunctionalist perspective (Haas, 1958), i.e. fiscal integration within the core of the two-speed Europe will create 'spill-over' into the area of defence, or from a bureaucratic rivalry perspective (Dijkstra, 2009), i.e. fiscal integration will enrich EU-level bureaucracies, allowing them to succeed in grabbing foreign policy competencies from member states. Thus, many scholars expect more communitarisation of security and defence policy in post-crisis Europe.

However, my own view is that budget cuts and tighter fiscal integration will not necessarily produce a more robust CFSP that makes greater use of the High Representative and the EEAS, and will very likely not transform the CSDP into a 'European Army.' Assuming that the crisis is resolved as previously outlined, I envision a future CFSP that looks very much like the present one: a purely voluntary organisation where member states can cooperate on foreign policy items if and only if their interests converge. The rationale behind this view, drawing on intergovernmentalist theory (Moravcsik, 1993), is that member states have been more reluctant to pool sovereignty over diplomatic, security, and defence policy than any other policy area. Even as authority over trade, consumer product regulation, and carbon emissions has been ceded to the EU, member states have stubbornly retained sovereignty over the 'high politics' of their security and defence policies, only building institutions at the EU level that require unanimity among member states for initiating common action. There is simply no reason to believe that the creation of a fiscal union would initiate any more 'spill-over' into security and defence cooperation than existing integration in other areas has. Likewise, while budget cuts may spur member states to cooperate on foreign adventures in which their interests are aligned, there is no reason to assume that budget cuts will uniquely cause member state interests to converge in areas where they currently do not. Thus, as in the areas of trade and accession conditionality, the future of the CFSP may be determined not by the Euro Crisis, but by a trend that predates it: the extreme reluctance of member states to cede non-economic aspects of their own foreign policy competencies to the EU.

Conclusion

Although the potential of the Euro Crisis to significantly affect the operation of the key mechanisms of European Union foreign policy seems obvious on the surface, the main conclusion of this paper is that the crisis has generally not had as significant of an impact to the present as one might have expected. Indeed, given the severity of the problems that Europe has faced since 2010, it is remarkable that the EU has proceeded as it has with the accession of Croatia, the initiation of four new CSDP missions, and the signing of conditionality-laden trade agreements with South Korea and Peru.

One can only speculate about how the Euro Crisis will impact the future shape and functioning of the EU's foreign policy tools. Certainly, many expect that closer integration on fiscal policy and banking regulation will place the EU on a path towards a more federal and communatarised foreign policy. However, my prediction is that the future CFSP and CSDP will look rather like the current CFSP and CSDP, with both institutions serving as non-coercive fora in which member states can cooperate on foreign policy ventures when they find their interests to be aligned. Despite the push for further integration in economic areas, EU member states have repeatedly shown themselves to be reluctant to pool sovereignty over the 'high politics' of their foreign and security policies. Following this logic, I certainly do not expect anything like the 1950 Pleven Plan to re-emerge.

Thus, while the on-going Euro Crisis is enormously significant for many reasons, and while it has impacted foreign policy-making at the EU-level in many ways, it has not yet demonstrated itself to be an earth-shattering turning point in European foreign policy. For now, however, this remains a temporary conclusion to be revisited as events play themselves out.

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