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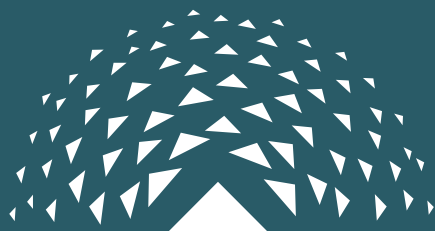
POLICY BRIEF

E-2020/55

The Latest Crisis of the European Union:
The Political, Economic, and Social Consequences
of the New Coronavirus

Az Európai Unió legújabb válsága:
Az új koronavírus politikai, gazdasági
és társadalmi következményei

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Abstract: Once the new coronavirus pandemic is over, the European Union will not be the same as before. The far-reaching political, economic, and social effects of the current crisis will override many rules and mechanisms in the EU, potentially reshaping the course of European integration. The epidemic has once again highlighted the weaknesses of the EU institutions, as the Member States seem to be the main active players in crisis management. The lack of solidarity between the Member States is a stress test for the survival of the integration project. Fighting the virus will require countries to pursue sound scientific pragmatism and responsible cooperation at a European level, but the political processes of national isolation could easily play into the hands of Eurosceptic and nationalist forces. As a result of the crisis, European economies may have to be significantly restructured, and, based on current developments, it is difficult to see how the EU will emerge from the current situation as the "smaller loser" in global comparison. The EU's soft power capability is expected to weaken, and the perception of China may change radically.

Keywords: European Union, globalization, pandemic, coronavirus, crisis

Összefoglaló: Az új koronavírus okozta világjárvány után az Európai Unió nem az lesz, mint ami eddig volt. A jelenlegi válság messzemenő politikai, gazdasági és társadalmi hatásai felül fognak írni számos, az EU-t meghatározó szabályt és mechanizmust, s ezzel újraformálhatják az európai integráció irányát. A járvány ismételtén rámutat(ott) az EU intézményeinek gyengeségére, mivel a válságkezelés során a cselekvés meghatározó terét a tagállamok jelentik. A köztük lévő szolidaritás hiánya komoly próbatétel lehet az integrációs projekt túlélése szempontjából. A vírus leküzdése tudományosan megalapozott pragmatizmusra és felelős európai szintű együttműködésre köteleznél az országokat, de a nemzeti izolációs politikai folyamatok könnyen az euroszeptikus és nacionalista erők számára kedvezően alakulhatnak. Az európai gazdaságok jelentősen átrendeződhetnek a válság hatására; a jelenlegi folyamatokat elemezve még nem látni, hogy az EU globális összehasonlításban hogyan tudna a „kisebb vesztesként” kijönni a helyzetből. Az uniós soft power képesség várhatóan gyengülni fog, Kína megítélése pedig radikálisan megváltozhat.

Kulcsszavak: Európai Unió, globalizáció, járvány, koronavírus, válság

INTRODUCTION

The COVID-19 pandemic and its consequences will seriously test the resilience of the European Union. While China was the first to suffer from the virus, by mid-March the epicentre of the pandemic shifted to Europe and remained there until the middle of April, when the United States became the most severely affected country worldwide. As the virus grew into an unprecedented global



challenge, it became evident that alongside the national measures, a European and global response would have been necessary to deal with the societal and economic impacts of the pandemic. Due to the high level of interdependence among the EU Member States, a more effectively coordinated response would have been preferable for all Europeans.

According to Article 3 of the Treaty on the EU, one of the main aims of the EU is to enhance solidarity among the Member States. This is one of the main sources of legitimacy for the EU. Furthermore, Article 222 of the Treaty on the Functioning of the European Union (TFEU), the so-called solidarity clause, provides the option for EU countries to act jointly to provide assistance to another EU country which is the “victim of a natural or man-made disaster”. In this context, the response of the EU institutions and the Member States to the COVID–19 pandemic was a stress test for the whole EU, and it will determine the future course of the 27-member bloc.

In the initial weeks of the pandemic, cooperation was badly missing among the EU members: national export bans of medical equipment were introduced, disputes emerged about scarce health equipment, national borders were closed without coordination, and countries hit most by the virus – most notably Italy – did not receive help from fellow EU members to tackle the pandemic. Despite some financial measures introduced by the ECB and the triggering of the EU civil crisis management mechanism, the primary framework for action was the nation-state. It was only by the end of March when the EU began to step up its efforts to forge an initial response to the crisis. However, dividing lines quickly emerged among EU Member States about how to tackle the crisis and what European solidarity should mean. With respect to these developments, this paper aims to examine the political, economic, and social impact of the COVID–19 pandemic on the EU and the Member States. The paper focuses on the long-term strategic and structural trends that could be decisive for the future course of the EU.

THE STATE OF THE EUROPEAN UNION

The last ten years of the EU’s development have been fundamentally shaped by a series of crises: the 2008–2009 global financial crisis, the eurozone crisis, the 2015 migration crisis, and Brexit.

As the EU leadership is fully engaged in the ongoing management of international and European crises, with the exception of some policies, there has been no treaty reform or institutional development since the Lisbon Treaty entered into force in 2009. In the absence of the otherwise necessary treaty reforms, “[veiled integration](#)” has begun, in which intergovernmental agreements concluded by the Member States have become dominant in order to avoid the slowness of the treaty modification process. The resolution of previous crises, in particular those caused by the problems of the eurozone and the refugee situation, has shown that the real centre of power in the EU is not the European Commission but the European

Council, consisting of the leaders of the Member States. In order to ensure a rapid response, the reform will probably come in the form of an intergovernmental treaty, one similar to previous examples, such as the European Stability Mechanism or the Fiscal Compact.

The successive crises and crisis management measures by individual national governments have led to significant policy changes. One of the most striking proofs for this is the strengthening of the radical populist parties of the right and the left in the 2019 European elections, and the weakening of mainstream parties (the conservatives and the social democrats). It was in this situation that the [European Commission, led by Ursula von der Leyen](#), began to function, with a rather weak political mandate. The President has started her term of office with an extremely ambitious program. In recent months, the Commission has presented its environmental program (the European Green Deal) and a new digital strategy, both of which are particularly important for von der Leyen's political priorities. With the (partial) departure of the United Kingdom on 31 January 2020, the biggest debate among Member State leaders was the determination of the key numbers of the new Multiannual Financial Framework (MFF). On this basis, it might have seemed that the EU's political agenda was returning to technocratic normality. However, the above-mentioned agenda was overtaken by the impact of the pandemic and the economic crisis, leaving the fate of the Commission's initial priorities uncertain.

The new coronavirus could become the worst crisis in Europe since World War II. In the initial phase of the epidemic, the EU was unable to urge the Member States to take coordinated action in line with the gravity of the situation, for example with regard to the closure of national borders, and it reacted very slowly in terms of communication. The EU may play a greater role in mitigating the acute crisis, especially in the domain of economic instruments. The EU's political agenda has changed radically in the last three months. Commission President von der Leyen has been forced to put her original political priorities on the back burner and focus her attention on crisis management. This time will certainly be greatly missed in the latter part of her term of office, so she will presumably have to change the priorities on her agenda in order to devote adequate time and attention to the rest. As negotiations between the heads of state and government in the current situation are only possible by videoconference, which cannot be a substitute for face-to-face meetings, several important issues have been temporarily relegated to the background.

The ambitious program of the German EU presidency in the second half of the year could also be jeopardized if the spread of the new coronavirus is not curbed in time. As economic reconstruction has become a central issue, there will be less time for relevant policy, green economy, migration policy, or EU external action. In the current situation, the EU's ability to act is at stake. The pandemic caused by the spread of the new coronavirus will change the basic rules governing the EU in many respects. The European Commission has already formally [authorized](#) the flexible use of the Stability and Growth Pact and state aid frameworks. In political terms, this [has given governments a free hand](#), albeit covertly, in fiscal action against the



emergency and in the creative interpretation of EU competition law. In doing so, the Commission must let go of the strict budgetary rules that have been put in place in recent years to deal with the euro crisis, which have served as a benchmark in recent years. All this has already exacerbated the North–South divide, which could be given a new dimension by the fact that the countries most severely affected by the new coronavirus are Southern Europeans. This fracture has already appeared around the [“corona bond” proposal](#). As a result of the crisis, competence disputes are also expected to occur. As the Member States are closely linked, among other things, by the single market and the Schengen Agreement, it is clear that in a crisis like the current one the EU is only as strong as its weakest link. This is most evident in public health, which is essentially a national competence under EU law, while [“the Union supports, complements or supplements the actions of the Member States” \(Article 6 TFEU\)](#). Thus, the differences in the performance of the health systems of the EU countries is particularly pronounced as the crisis continues, which is a pan-European issue concerning the halting of the further spread of the new coronavirus and getting back to some form of normalcy.

If the epidemic is not overcome at the European level and crisis hotspots remain in some countries, the principle of the four freedoms – and its consequences, such as the exercise of EU citizens' civil liberties or the free exercise of economic activity by companies – cannot be fully implemented. It is therefore not surprising that due to the pandemic the debate on the further Europeanization of certain competencies seems to be on the political agenda.

THE ECONOMIC IMPACT OF THE PANDEMIC

Similarly to the 2008 financial crisis, the consequences of the pandemic will lead to a significant realignment in the global and European economy: many sectors will shrink considerably, some trends already visible in the global economic system will accelerate, and with many initial disruptions in the global supply chains, companies will reconsider how to enhance their security of supply. Since European economies are dependent on the undisturbed functioning of international trade and supply chains, as well as on certain sectors hit hard by the restrictive measures, especially tourism, the question is not whether there will be a recession but how deep it will be. The coming economic downturn will hit the most vulnerable social groups most severely, and the rising unemployment rate and inequality will weaken social cohesion throughout Europe. As things stand at the end of May 2020, it is difficult to see how the EU can emerge as a “lesser loser” from the current situation from a global perspective.

The precise economic cost of the novel COVID virus and the restrictive measures in the EU is yet to be seen. According to a [report of the Commission](#), the fall will range between 6% and 9% in most EU members, with Southern European Italy, Spain, and Greece among those that will be hit most hard. Bloomberg also predicts significant

recession throughout Europe. In this context, the Central European region, including Hungary, will likely ride out the crisis this year better compared to many other EU countries, with a 4–7% downturn, with Poland positioned to be the least affected by the recession. The [IMF](#) gave similar predictions for the eurozone in April.

As the European economies were forced to shut down in March, the representatives of European governments, including the [German](#) and the [Austrian](#) chancellor, the [French](#) president, the British, [Italian](#), [Spanish](#), and [Dutch](#) prime ministers, the [Eurogroup](#), and others, gave statements similar to the famous “whatever it takes” remark by then President of the European Central Bank (ECB) Mario Draghi in 2012 about defending the financial stability of the EU. By the middle of March, the Commission had taken many regulatory measures which created more space for national EU governments to introduce fiscal stimulus for their economies, [including](#) easing EU fiscal rules, state aid, customs duties, and VAT. Since then, all European governments have introduced [economic rescue packages](#), including immediate fiscal impulse, deferrals, and other liquidity provisions. At the same time, these national solutions will create problems at the EU level. Wealthier Northern European economies will be in a much better position to support their companies than debt-ridden and poorer Southern and Eastern members, weakening the economic cohesion of the EU. However, the most heated debates have focused on the EU response to the crisis, including the question of common debt.

The [ECB](#), after some early hesitation, announced a EUR 750 billion Pandemic Emergency Purchase Programme on March 18 to secure liquidity in the European financial markets. However, most of the attention focuses on the Commission, which also allowed redirecting funds from the 2014–2020 financial framework. Nevertheless, it is the European Recovery Plan which deserves the most attention. After several failed attempts, on April 9, the Eurogroup agreed on a [EUR 540 billion package](#) to support Member States, companies, and workers in the coronavirus crisis. The package launched new initiatives, including the support to mitigate unemployment risks in an emergency (SURE), a special fund for SMEs, and direct financial support for sectors including tourism and agriculture.

However, the economic rescue packages have renewed the debates about common borrowing and sharing national debt at the European level. The disagreement about the [corona bonds](#) has led to a harsh public spat between the Netherlands and the Southern European countries, and the compromise in April only hindered a solution to the problem. On May 14, the [Commission unveiled](#) the details of its economic recovery plan based on three pillars: first, a “Recovery and Resilience tool” to fund public investment and reforms, the second pillar will focus on mobilizing private investment for the recovery, while the third pillar will focus on emergency instruments, research, and innovation, as well as a comprehensive health programme.

However, the most significant development is in Germany’s policy with regard to common debt. After a joint meeting with President Macron, Chancellor Merkel announced that Germany would agree to create [a common EU bond](#) to raise EUR 500 billion for the European recovery plan. This package will come on top of the



next MFF and the EUR 540 billion already announced in April. At the same time, the position of the [Frugal Four](#) – the Netherlands, Austria, Denmark, and Sweden – has remained unchanged despite Germany's turnaround. There is no clear position from the Central Europeans about the Merkel–Macron proposal; however, a lot will depend on the conditions attached to the program. Funds with too many strings attached would likely be met with resistance from the V4.

The pandemic has had a significant impact on trade and economic value chains. There has been an increasing number of calls to mitigate the risks of globalisation and long supply chains by bringing back the production in certain industries to Europe, even if it has additional costs. French economic minister Bruno Le Maire's [suggestion](#) about a new capitalist model point in this direction. These efforts could have a positive impact on Central European countries, with their comparative advantage in manufacturing based on relatively high added value and low labour costs. However, for the time being, the uncertain economic outlook is also dominating business decisions in Central Europe, with major companies postponing decisions on investments, as it has recently happened with a major green-field investment of BMW in Eastern Hungary. Even if a certain degree of economic decoupling will emerge as a result of the COVID–19 pandemic, it will prevail to a different degree in terms of specific economic sectors and timeframe.

In the longer term, the pandemic will also accelerate the goal of economic stakeholders to reduce dependency on the unpredictable human factor in production and invest more in robotics, automation, and artificial intelligence (AI). However, these latter developments can have a negative impact on the employment figures of Central European countries and their labour-intensive manufacturing sectors.

The debate about protecting and supporting “national champions” has also amplified European governments' need to decide in light of the economic crisis which sectors and companies to rescue and which ones to let go. After a joint letter in [February](#) by the four big states of the EU (Germany, France, Italy, and Poland) to the European Commission to reform EU competition rules, Macron and Merkel reaffirmed their aim at a [press conference](#) in May to create stronger national champions after the pandemic. However, smaller, less wealthy Central and Eastern European members fear that such changes would [disproportionately benefit](#) the national champions of big Members States.

At the same time, as the restrictions concerning the pandemic are gradually lifted in most European countries, the short-term priority for economic stakeholders will be getting back to normal as soon as possible. This will likely be done through reenergizing previously existing supply chains and economic partnerships, as new ones take time and are costly to build up. China is positioning itself to accelerate this development through its aggressive [mask diplomacy](#) to strengthen Chinese economic influence in Europe for the long term.

China's active response to the pandemic in Europe has also been well-received in several places in Central Europe. The [Czech](#) and the [Hungarian government](#) publicly emphasized the significance of the Chinese contribution to the national efforts in containing the virus and dealing with its consequences, and the Serbian

government has also taken a similar position. Serbian President Aleksandar Vučić has strongly condemned the EU's export ban decision while praising the Chinese government for providing help in tackling the coronavirus. These Central European reactions were partly a result of the EU's failure to give a meaningful response to the crisis during the early stages of the pandemic. However, it would be misleading to portray Eastern European countries as if they had become strategic bridgeheads of China. China's trade volume and other economic interactions are much greater in scope with many Western European countries than with the above-mentioned relatively small economies in Central and Eastern Europe.

At the same time, throughout April and May, the criticism against China grew louder in many Western European countries in connection with the poor quality of some of the medical equipment bought from China, and because of the assertive messaging of Chinese diplomats. There have also been increasing efforts, especially in wealthier EU Member States, to defend European companies from a Chinese takeover, as many corporations have become vulnerable as a consequence of the economic downturn. Therefore, the pandemic has only intensified the existing tensions of the EU on China.

THE IMPACT OF THE CRISIS ON EUROPEAN POLITICS

The fight against COVID-19 is perceived in all EU Member States as an issue of common interest that should go beyond considerations of political strategy. That is not to say, however, that the crisis has not impacted politics all over Europe. Being the only player with the necessary power and resources to act effectively provided the governments in power with solid popular endorsement for the drastic measures that had to be taken – at least at the beginning of the crisis. The endurance of this patriotic support for the “war leadership” is dependent on the perceived successes or failures of the governments in curbing the infection, managing healthcare systems, and protecting the economy. This can lead politics in the EU and the Member States onto different tracks, but two types of general scenario can already be predicted.

According to [Dominique Moïsi](#), a French political analyst and former advisor to the President of the Republic, one possible outcome is that the COVID-19 crisis will underline the importance of expertise and bring victory to “responsible politics”, against the oversimplifying and socially divisive populist forces. This could lead to a renaissance of traditional political parties. So far, Germany seems to be an illustrative example of this scenario. The quickly introduced measures of containment and the transparent official communication that accompanied them have [strengthened the position of the governing Union parties](#) (CDU/CSU). The crisis has brought the speculations about the chances of the survival of the government coalition to an end: the circumstances do not allow for the dissolving of the coalition and early elections, so the current government will be able to remain in place until the 2021



elections. As the leader of the strongest European economy, Angela Merkel will have a key role in European crisis management, even if she will be forced to [give up on important elements of her political legacy](#), such as strict fiscal rules.

Another possible scenario is the resurgence of nationalist and populist parties as a result of the first reactions to the crisis, marked by the European countries' lack of solidarity and their locking up. At the beginning of March, the governments of several EU Member States ([Germany](#), [France](#), and [Czechia](#) among them) banned the export of protective equipment, which was not seen in favourable terms by Italy, one of the epicentres of the disease. Although the export bans were [quickly lifted](#), they remained a strong symbol for the lack of solidarity between the Member States, which might leave a lasting bad impression regarding the European project. The [statement made by Maurizio Massari](#), Italian ambassador to the EU, might have given a foretaste of the impact that the export ban debacle and the EU's perceived inadequate handling of the crisis will have on the EU's popularity in Italy. A [poll](#) suggests that 88% of Italians thought their country was not helped by the EU. [Eurobarometer surveys](#) show that as a result of the recurrent crises of the past decade, the EU's reputation is already the least favourable in Italy among the Member States, and this can further deteriorate. According to [a study published in France in May](#), the French have the most unfavourable opinion about the European Union among the EU 27. This situation is unlikely to be remedied by the fact that the French have already had more than 27,000 deaths. The Member States' decisions on the closing of borders and the reintroduction of border checks will be doubtless transformed into a theme that can strengthen the positions of Eurosceptic and nationalist parties. Many of them campaigned for the closure of borders and the reintroduction of border control during the 2015 migration crisis. Apart from sporadic examples (checks on the Austro–Hungarian and Franco–Italian borders), such measures were not seriously considered by the governments for multiple political, economic, and legal reasons. Even though the [Schengen Agreement](#) allows the Member States to temporarily close their borders in serious situations like the present one, Eurosceptic and nationalist parties might still be able to claim that such strict measures should be applied to migration-related controls as well.

The fight against COVID–19 is often accompanied by drastic measures curbing the rights and freedoms of the citizens, which will lead to debates on the competences and powers the state should have in democratic European societies. Many EU countries have suspended the application of the Schengen Agreement, closed their borders, and introduced restrictions of movement in the form of stay-at-home orders. The Spanish government [technically nationalized](#) private healthcare providers, placing them under the control of the Autonomous Communities, and the German company [Telekom decided](#) to forward anonymized cell phone data (including geolocation) to the Robert Koch Institute, one of the key institutions in the fight against the virus in Germany. The state of emergency arguably gives such decisions legitimacy, but there is and will be much to debate about certain modalities of the restrictions, including their duration, and the related legal problems. Thanks to the systems of checks and balances in European countries, no state-controlled

digital mass surveillance exists in any EU country that could be comparable to the situation in China. Arguments for efficient crisis management could bring about a change in this respect as well.

The public health crisis will also influence many political processes, such as the negotiations between the European Union and the United Kingdom on their future relationship. Theoretically, Prime Minister Boris Johnson could invoke the crisis as a *force majeure* and drop his commitment not to prolong the transition period beyond the end of 2020 come what may, but so far nothing indicates such a plan from the British government. This is bound to lead to complications, as neither the EU nor the UK will have much energy to spare for the complex and probing negotiations on their future relations. While the withdrawal agreement [allows for a single extension](#) of the transitory period for a maximum of two years, the clock is ticking on this theoretical possibility, as the British government would have to request it before 1 July. All rational political and, especially, economic approaches seem to favour an extension, as the re-emerging possibility of a no-deal scenario, where no special agreement regulates EU–UK trade, would be very problematic even without the economic mayhem that is being caused by the coronavirus. Theoretically, the public health crisis could provide an opportunity for London to revise its approach to how far it would wish to divert from European regulatory frameworks. The fight against the virus has brought to the forefront that the EU has a single regulatory agency that licenses pharmaceutical products and vaccines. As the UK is no longer an EU Member State, it might have to [conduct its own authorization procedure](#) instead of relying on the common European one, delaying the introduction of a vaccine. The EU is also the UK's main trading partner, accounting for 53% of imports and 45% of exports of goods and services. The importance of the EU for UK trade suggests that – without a deal – a crisis much milder than the present one would cause [serious disruptions](#) in the supply chain, including that of the most basic products.

The crisis might also have an impact on independence movements in Western Europe, although the exact nature of this impact is yet to be seen. As the first shockwaves of the public health crisis reached Europe, independentist leaders made statements that could almost be seen as pointing toward an increase in solidarity with the central governments and other parts of the country. In Scotland, First Minister Nicola Sturgeon announced the suspension of all pro-independence campaign events organized by the governing Scottish National Party (as well as all mass events, of course). The President of the Catalan *Generalitat* (government), [Quim Torra, sent the message](#) from his quarantine that he did not care about “borders and flags”, but only about “people's health and life”. This does not mean, however, that the crisis will bring together central governments and separatist politicians in the long or even the middle run. When [UK Prime Minister Boris Johnson announced](#) the easing of the lockdown and the start of a gradual return to the workplaces from 13 May, the Scottish government made it instantly clear that Scotland will not lift the restrictions as quickly. The Welsh and Northern Irish executives followed suit in the interest of their citizens, so the British government's plan for returning to some kind of normalcy can only be applied to England. Likewise, pro-independence



parties in Catalonia were very sceptical about the easing of restrictions, interpreting the central government's agenda as a plan to imperil the health of the Catalans. [President Torra decided](#) to manage a transition that will be more cautious than the ones in other Autonomous Communities that were not hit any less seriously than Catalonia (e.g. Madrid, Valencia). Measures taken by the central governments, related either to the introduction or the easing of restrictions, and more importantly to the management of the economic and financial difficulties that are appearing in the wake of COVID-19, are carefully watched by political forces that argue for the unsuitability of these governments to exercise sovereignty over their regions.

The shock of the crisis should lead to a prioritization of the development of healthcare systems and the management of the unfolding social and economic challenges. Without sufficient political will and resources, the EU or its Member States will not be able to tackle the crisis in a way that is beneficial to all, and consequently, they will also be less able to efficiently represent their interests in matters of strategic importance at the global level. While it is almost inevitable that the governments' power will increase, and it will be more directly felt in several areas of everyday life, stronger states that do not cooperate will not be able to curb the appalling impact of a global pandemic – either the one that is ravaging the world now or the ones that might do so in the future.

THE NOVEL CORONAVIRUS AND THE GLOBAL POSITION OF THE EU

The pandemic will likely also alter the perceptions of the EU's soft power. One of the most important sources of the EU's international influence is its world-leading status as an economic partner and a [source](#) of development aid. While the EU's military weakness is often revealed in conflict zones, it is an essential player on the global stage concerning international development and aid. The handling of the coronavirus has undermined this reputation. The EU's export ban on protective healthcare equipment was a reasonable decision in terms of the EU countries' health security and for strengthening solidarity among Member States. At the same time, the decision elevated the selfish practice of national governments to the EU level. Furthermore, the economic downturn and fiscal challenges the EU will face will likely have a negative impact on the EU's external policies, limiting the resources from aid to international capacity building activities in partner countries. The transatlantic relationship overall has been further weakened by the pandemic. The lack of a coherent, joint, strategic response from the transatlantic community with a clear American leadership against the pandemic is an obvious sign that there are significant problems in the relationship. Although NATO has done fairly well in contributing to transport and related efforts in connection to the management of the crisis, as a military alliance, it could only play a complementary role to the national whole of government efforts. Furthermore, the burden-sharing debate might again

become tenser as European governments come under greater pressure to prioritise economic and social spending over defence budgets in the coming years.

Meanwhile, as highlighted before, China's position in Europe is complex. During March, as China was already coming out of the worst part of the pandemic and Europe was just beginning to tackle the virus unprepared and in disunity, China's mask diplomacy seemed to be working well for Beijing, as it provided vital healthcare supplies to EU countries. During a conversation with Italian Prime Minister Giuseppe Conte, President Xi Jinping talked about the need to develop a "[Health Silk Road](#)" between Europe and China alongside the Belt and Road Initiative (BRI). However, close Chinese–Italian cooperation is not new, since Italy was the first major Western European country to join the BRI 2019, which decision has received criticism from many European partners. At the same time, as referred to before, more and more EU countries are prepared to develop a firmer response to China's assertive strategy. This would entail costs not only for the Europeans but for the Chinese as well.

Meanwhile, the tension between the United States and China has only escalated in the past three months. The Trump administration has increased its [anti-China](#) rhetoric, holding Beijing responsible for the initial spread of the virus, while Beijing is blaming the USA with [conspiracy](#) theories about how the US military was responsible for bringing the virus to Wuhan. The tensions will have consequences for the EU, as the Europeans will be increasingly forced to side with one or the other great power on sensitive strategic issues such as 5G networks. The EU, especially its most important power centres, Brussels, Berlin, and Paris seem to be getting tougher against China; however, it will be difficult to build internal consensus within the whole European Union. The debate is heavily influenced by the differing perceptions about transatlantic relations and the Trump administration. Hence, the escalation of the American–Chinese strategic rivalry comes at a time when the relationship between the USA and the EU is already strained and the US leadership is weakened. This will pose additional challenges for the cohesion of the NATO alliance.

CONCLUSIONS

The European Union will not return to the *status quo ante* as the pandemic is forced to retreat. The EU is in an unprecedented situation, and the degree of uncertainty of where current political and economic developments will lead is so great and rapidly changing that it is exceptionally difficult to forecast. As a result of the extraordinary measures taken as a response to the pandemic, European economies and societies are facing unprecedented challenges, which will influence the future trajectory of the European Union. In this context, the most important question is whether the EU will leap forward towards deeper economic and political integration, or no major changes will emerge in the political and economic governance of the EU. As things stand in the middle of May, there seems to be a moment of opportunity for stakeholders prepared to strengthen integration.



However, even if a compromise could be reached on the corona bonds, it may become a one-off solution, with political consequences in certain opposing countries that might weaken the cohesion of the EU in the long run. Furthermore, if Europe becomes mired down for too long in the debates about the recovery plan, that will also have a negative impact on the EU's global position. With US–Chinese tensions rising and the rule-based world order unravelling, it is crucial that Europe overcome the shock caused by the pandemic as quickly as possible, finding the right balance between globalization and self-reliance, integration and national competencies, and between keeping the transatlantic bond while capitalizing on the opportunities of a rising Asia.