

POST-COVID-19 SITUATION: CHALLENGES FOR THE EUROPEAN UNION AND THE EURASIAN ECONOMIC UNION

Francisco Eduardo Haz-Gomez

University of Murcia

Faculty of Economics and Management (Building 9), Campus de Espinardo, 30100 – Murcia, Spain, francisco.haz@um.es

The international scene is undergoing a profound reconfiguration that has been brewing for some decades now. However, it is equally undeniable that the pandemic caused by Covid-19 will accelerate that process. This paper analyzes the contexts and response proposals that the European Union and the Eurasian Economic Union give to face a post-pandemic scenario. The methodology used is the analysis of different official and scientific documentary sources. Among the results obtained, the main one is that in an unstable world characterized by incentives within these two organizations, there is a consensus that greater integration among its members is a key element for their subsistence. In addition, it is highlighted that in both cases the levels of interrelation and development of its members are diverse and complex. Thus, it should be borne in mind that these differences between countries can only be overcome if there is growth favored by a large investment, adapting to the standards of the new economy for a new normality. Since the neoliberal economic recipes of budget cuts applied by the different countries as a result of the 2008 financial crisis turned out to be counterproductive.

Key words: *European Union; Eurasian Economic Union; COVID-19; Crisis; Pandemic; International Economic System; Regional Partnership; Multipolarity; International Integration.*

СИТУАЦИЯ ПОСЛЕ COVID-19: ВЫЗОВЫ ДЛЯ ЕВРОПЕЙСКОГО СОЮЗА И ЕВРАЗИЙСКОГО ЭКОНОМИЧЕСКОГО СОЮЗА

Франсиско Эдуардо Хаз-Гомес

Мурсийский университет

Факультет экономики и менеджмента (Корпус 9), Кампус де Эспинардо, 30100 – Мурсия, Испания, francisco.haz@um.es

Международная арена переживает глубокую реконфигурацию, которая назревает уже несколько десятилетий. Однако столь же неоспоримо, что пандемия, вызванная COVID-19, ускорит этот процесс. В данной статье анализируются контексты и ответные предложения, которые Европейский союз и Евразийский экономический союз дают на постпандемический сценарий. В качестве методологии используется анализ различных официальных и научных документальных источников. Среди полученных результатов главным является то, что в нестабильном мире, характеризующемся стимулами внутри этих двух организаций, существует консенсус в отношении того, что большая интеграция

между ее членами является ключевым элементом их существования. В совокупности подчеркивается, что в обоих случаях уровни взаимосвязи и развития ее членов многообразны и сложны. Таким образом, следует иметь в виду, что эти различия между странами могут быть преодолены только при условии роста, благоприятствуемого крупными инвестициями, адаптации к стандартам новой экономики для новой нормальности. Поскольку неолиберальные экономические рецепты сокращения бюджета, применяемые разными странами в результате финансового кризиса 2008 года, оказались контрпродуктивными.

Ключевые слова: Евразийский экономический союз; COVID-19; корона-вирус; пандемия, Россия, Китай, Европейский Союз, международная система; геополитика, многополярность.

Introduction. The global crisis caused by COVID-19 may have consequences that alter different areas at the international level. The impact of the pandemic could be felt differently in national economies. That impact could alter the normal flow of goods and services that has been globalized with more intensity since the end of the 20th century. This could lead to a recession and an unfavorable scenario, where the capacity of governments would have to cope with social discontent context and protests. Besides, the pandemic situation itself raises a situation of suspicion among the different economic blocs. Hence, supranational organizations such as the European Union or the Eurasian Economic Union, can play a fundamental role for the support and solidarity of their members [1].

In the case of the European Union, the lack of American leadership during the crisis, the departure of the United Kingdom (Brexit) from the European Union and the lack of a common and articulated response, especially at the beginning of the pandemic, make the future of the European Union goes through a deep restructuring that is not without risks. Faced with this situation, when Atlantic relations (Europe-United States) are at one of their lowest moments [2, p. 153]. The European Union should reorient its alliances at the regional level, focusing on the idea of Eurasia as a bloc of commercial and diplomatic alliances.

After long decades of progress and well-being thanks to relations between the United States and the European Union, Europe in the early 2020s faces a new reality. The reconfiguration of the international order where the European Union has not just found its place. To this must be added the health crisis triggered by COVID-19 [2, p. 149]. The future of the European Union depends on how it manages this new reality in a world full of international uncertainty.

It can be said, without fear of being wrong, that the 2020s will be dominated by a globalization different from what might be expected. COVID-19 could be a “historic accelerator” [3, p. 1206] of the trends that were already observed before the pandemic, such as the blockade of the multilateral order and geopolitical disorder due to competition between China and the United States that during Trump’s mandate (2017–2021) had practiced an isolationist policy and a protectionist economy. The course of United States foreign policy has left the European Union in “no man’s land”, despite the boost that its main members want to give as a geopolitical power.

The geopolitical objectives to which the European Union must assume are related, not to the interests of Atlantic relations, but to its neighboring countries. These relationships involve the Balkan countries, the southern Mediterranean countries and those Eastern European countries that do not belong to the European Union [3, p. 1206]. The alliance between the United States and the United Kingdom, once it has left the European Union, configures a new scenario where the British go from partners to competitors.

In view of the events to which we refer, it is easy to conclude that the crisis caused by the COVID-19 pandemic came when the European Union was already experiencing difficult times both internally and externally. Thus, the first reactions of the Member States and of the Commission itself at the beginning of the pandemic, where the most critical situations were mainly in southern countries, should not be surprising. Although later partially corrected, protectionist decisions that were adopted by the so-called “frugal countries” (Austria, Holland, Denmark and Sweden) such as the prohibition of supplying sanitary material to the neighbor will remain in the memory of citizens as proof of the lack of cohesion and solidarity between partners. Furthermore, this situation revealed the inability of the Brussels authorities to take forceful and effective measures sent a clear message about the effectiveness and usefulness of the European Union [2, p. 155].

It is still too early to get a proper analytical perspective on the full repercussions of a post-COVID-19 future. However, it seems clear that the economic crisis will be global and very damaging. The scope of this crisis will go beyond the economic, regardless of whether its duration is long or short and whether the recovery will be “in V, in U or in L” [2, p. 156]. What is clear is that having an early vaccination can mitigate the impact. In this sense, those countries that are willing to access vaccines start from a more advantageous position. Everything indicates that the most dynamic economies will be, and the regional alliances that will initiate with their partners a protocol of “vaccine diplomacy” [4] in order to obtain a mutual benefit in exiting the crisis. This is closely related to the two international organizations that are analyzed with in this paper, both the European Union and the Eurasian Economic Union.

European Union response

This post-pandemic crisis will affect the citizenship of all Member States and their economies. This did not occur in the financial crisis that began in 2008, where the most affected partner nations had to overcome “alone” the effects produced within their national economies. Therefore, we must emphasize that the great difference of this crisis with respect to the previous one and this is the response of economic policy at the European level. On the one hand, a series of funds were set up through which the European Union will be able to lend money at reduced interest to its member states. On the other hand, the European Council approved the creation of a European recovery plan, called Next Generation European Union [5], with a financial capacity of 750,000 million euros. The main component of this plan is the Recovery and Resilience Mechanism, which will grant € 312.5 billion in non-reimbursable transfers and € 360 billion in loans between 2021 and 2026 to EU Member States to finance investment projects and reforms that promote the recovery and improve na-

tional economies [6]. Crucially, the amounts available to each country will depend on the severity of the crisis in the country. This is an historic agreement, as it will be the first time that the European Union has issued community debt to transfer such large amounts of funds to its Member States. This recovery plan was created to support Member States' efforts to respond to the COVID-19 crisis and drive the ecological and digital transition. The objective is to achieve a huge increase in public investment, which has been weak in the euro area in the last 10 years, especially in the countries with the highest public debt, those that suffered the most from the 2008 crisis. Lack of public investment was one of the main causes of the growing distance between European economies [7, p. 31]. Thanks to this plan, countries will be able to invest in investment projects and national reforms. All this, without provoking again a north-south confrontation that was already seen during the 2008 crisis. Although during the first quarter of 2020 there was an attempt to blockade between "frugal countries" and affected countries, this was overcome by the extension of the health emergency to all members of the European Union.

Another key element for this recovery plan has been the joint position of the four main economies of the European Union (Germany, France, Italy and Spain). The commitment to public investment has not convinced the European Central Bank. At first it had to overcome the reluctance of its president Christine Lagarde to finance measures against the economic crisis that was coming [3, p. 1213]. It seems clear that the European Union changes its strategy in the face of the future economic crisis caused by the Covid-19 pandemic. On the one hand, promoting public investment and taking advantage to renew the economy of the countries most affected by the 2008 crisis. And, on the other hand, abandoning, in principle, the policy of containment of spending and neoliberal budget cuts.

Analysis among the Eurasian Economic Union partners

The experts discussed the impact of the COVID-19 pandemic on the sustainable development of the EAEU. On March 12, the Eurasian Economic Commission held its thematic session "The COVID-19 pandemic and sustainable development in the regional integration partnership: the experience of the EAEU" [8] on the eve of the Regional Forum on Sustainable Development for the region of the UN Economic Commission for Europe.

The assistants have considered some perspectives of recovery of the States and countries of the Eurasian Economic Union of the whole world after the coronavirus pandemic. Certain economic sectors of the EAEU showed growth in the context of the general negative dynamics. As a result, the decline in the EAEU was less significant compared to other developed countries and integration associations around the world, including the European Union [8].

The pandemic has highlighted the links between the environmental, economic and social aspects of sustainable development. These fit perfectly with the Strategic Guidelines for the development of Eurasian Economic Integration until 2025, which, among other things, foresees the creation of conditions for advanced economic development, increasing investment and innovation activities, promoting quality employment.

The social aspects of the COVID-19 pandemic focus on the fact that the general population of member countries is still concerned about the rising cost of living, utility rates and food prices, as well as the growing distance social between the poor and the rich. Added to this were some concerns about health and access to health services. Along with that, the lower subjective economic well-being, the lower concern about the probability of illness are other issues that concern most of the people.

The prospects for post-pandemic economic development are in lively debate among the different members of the Eurasian Economic Union. The pandemic has catalyzed structural changes in the world economy, therefore providing a stimulus for the establishment of a nucleus for a new economic paradigm and scientific. In this situation, the prompt development of government stabilization measures is as important as ever. This thesis has become the main topic of the international macroeconomic seminar “COVID-19 Pandemics: Symptomatic World Economy and Treatment”, organized by the Eurasian Economic Commission with the Interstate Bank. Where there was a debate on what the “new normal” will be like in the world economy and how it could affect in the member states of the EAEU.

Within the Eurasian Economic Union, the scenarios for the development of the world economy after the pandemic have been presented. Where it is stated that the recovery of the world economy is much more likely to follow the “K” rather than “V” or “U” pattern [8]. This would increase the gap between rich and poor, leading to a worsening of inequalities.

From her point of view, Nobuya Haraguchi described the scope of the crisis from the perspective of changes in industrial value added. Compared to the financial crisis of 2008, during COVID-19 pandemics, industrial production experiences a steeper decline. However, so far, we have also witnessed a faster recovery [...]. This coincides with the proposals made by the authorities of the European Union on how to overcome this crisis.

The challenges and prospects that COVID-19 has engendered can provide a boost for regional integration. In this regard, the director of the Valdai Discussion Club Program: It is not enough that regional integration associations continue, as usual, until the next economic crisis. What is needed is to elaborate in advance the response and cooperation mechanisms during crises” [8]. However, the need for greater integration between the Member States seems complicated because the Eurasian Economic Union is still in the process of growth and development [9].

Conclusions

Recovery from recession should not be instantaneous for all countries in the world, depending on factors such as access to vaccines or mutual cooperation. In this sense, the importance of strengthening international associations gains momentum. In any case, as contradictory as it may seem, this crisis has undoubtedly led to a greater willingness for regional integrations to progress even further, especially in the European Union and the Eurasian Union.

If something is clear in the pandemic, it is that it is not private initiatives, nor austerity policies and budget cuts, which provide solutions to the crisis that led to the collapse of health systems even in developed countries. This calls into question the thesis of the minimal state formulated by neoliberal thought as a condition for devel-

opment. This complex reality repositions the State, and regional associations, as the main guarantor of collective well-being and as the only instrument of social and political power in catastrophic contexts for national economies.

In the current scenario, the European Union does not seem to have any other option than to deepen its consolidation as a global actor, advance in the strengthening of its institutions and equip itself with strategic autonomy. For its part, the Eurasian Economic Union may find an impetus for integration in the wake of this crisis, as its structures are in full development.

References

1. ESCAP-East and North-East Asia Office (24/12/2020). Regional responses to Covid-19: challenges and prospects. (Analyst: Denis Degterev) the North-East Asia Development Cooperation Forum in 2020.
2. Dacoba. F. (2020). Europe has no one to kidnap her. In Spanish Institute of Strategic Studies Bulletin. Ed. Ministry of Defense (Government of Spain) No. 18 April / June. P. 149–159. (Spanish)
3. Benedicto. M. (2020). Europe challenges and its future after the COVID-19 pandemic. In Spanish Institute of Strategic Studies Bulletin. Ed. Ministry of Defense (Government of Spain) No. 18 April / June. P. 1204–1216. (Spanish)
4. БЕЛТА – Новости Беларуси (08/02/2021). Страны ЕАЭС будут совместно производить вакцину от COVID-19 – ЕЭК. (Russian)
5. European Commission (2020). Recovery plan for Europe. European Union. (Spanish)
6. European Commission (2020). Plan Next Generation EU. European Union. (Spanish)
7. Leandro, A. (2020). Post-COVID-19 Europe: a story of convergence or divergence? CaixaBank Research. (Spanish)
8. Eurasian Economic Commission (30/11/2020). The Prospects for Post-Pandemic Economic Development are under Discussion in EEC. (English)
9. Eurasian Economic Commission (25/03/2021). Mikhail Myasnikovich: “Coronavirus tests our Union to destruction”. (English)