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The European Union In The COVID-19 Pandemic Crisis: Facts And Reactions

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Abstract: This paper aims to investigate how the main international organizations, mainly the European Union, reacted to the start of the crisis generated by the COVID-19 pandemic. It started with a chronology of events as soon as the crisis was known, and then the actions taken by the bodies of the European Union were presented. The methodology used to achieve the purpose of the study is descriptive research and the existing literature on the subject. How the different governments managed the pandemic and the measures taken to complement the financial support received from the European Union influenced the economic, political, and health outcomes of the affected countries and the population's well-being.

Keywords: pandemic crises impact; management; appropriate measures

JEL Classification: M16; M21

1. Introduction

Specialized literature approaches the crisis depending on the professional profile of the authors who approach the theme of crises: economists, sociologists, psychologists, historians' political scientists, etc. (Nistor, 2014). Thus, economists approach crises from the perspective of the influence that the emergence of economic deficiencies can have, influences that make their effects felt on individuals and organizations, up to organizations, the economies of regions, states, and global economic associations. Significant changes and continuous turbulence in the social, political, technological, and economic environments globally and in Romania create an uncertain and complex environment in which organizations must operate. Fueled by the rapid expansion of global business, the number of crises is constantly increasing, and solving them through the conventional method of diplomacy is almost impossible.

The COVID-19 pandemic, a crisis that has transcended its origins as a health emergency to become an economic, humanitarian, security, and human rights crisis, emerged in a world already fraught with

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significant instabilities, confrontations, fragilities, and externalized inequalities between different countries and within them (WHO, 2021). The unprecedented global impact of the pandemic necessitated a coordinated, collaborative response from international organizations to mitigate its effects on public health, the economy, and social welfare. However, this was further complicated by a lack of leadership from the United Nations Security Council, hindering an effective global response. The conflicts between nations, particularly the great powers, which have characterized the 21st century amid protectionist measures and trade battles, have influenced the rapid reaction of international organizations such as the United Nations (UN), the Security Council, the World Bank (WB), the International Monetary Fund (IMF), and the World Trade Organization (WTO) (Louchiki, 2020).

The outbreak of the pandemic not only caused great changes in countries, such as significant disruptions to daily life, economic downturns, and strain on healthcare systems, but also called into question the potential of governments to manage the crisis, how effective their health systems were, how they would implement recommendations and properly manage the health of the population, and how they would face their economic situations, the functioning of markets, and financial systems (Arbeláez-Campillo, et. al, 2019).

The European Union (EU) has the challenging task of coordinating responses among its diverse member states, each with its unique social, economic, and political characteristics. This diversity, while complex, is a testament to the Union's inclusive nature. It facilitates the exchange of medical equipment and supplies and promotes collaboration in the research and development of vaccines and treatments. Vila Maior and Camisão (2021) studied the implications of the COVID-19 pandemic for the European Union. They concluded that the EU must manage a multidimensional crisis and its public health safety, political, economic, legal, and institutional consequences.

In addition, it implemented economic stimulus programs to help member countries affected by the crisis. The European Council (EC) emphasized the need for coordinated actions among its members. In this framework, it was decided that the Ministers of Health and the Interior would consult each other daily to ensure coordinated and appropriate actions to have a "common European policy". In turn, five priorities were set: limiting the spread of the virus, ensuring the supply of medical equipment (masks and respirators), promoting different research alternatives, dealing with the socioeconomic consequences, and caring for citizens stranded in third countries (Council of the European Union, 2020). Analyzing the reactions of the European Union during the pandemic crises, Wolff and Ladi (2020) argue that the EU has demonstrated a certain degree of adaptability to emergency mode.

2. The General Effects of the Outbreak of the Covid-19 Pandemic

The European Central Bank, towards the middle of 2020, estimated that in the EU, the economy would have twice as many negative results as in the financial crisis of 2008, with more significant impacts and consequences than those of the crisis mentioned above (Álvarez, 2020). The health crisis has affected all countries in the same way. In part, because their economic structures are different, some with a more significant share of the service or tourism sector will suffer more and need more policies to protect their citizens. The economic impact will differ depending on the industrial sector, the type of companies, and the dependence on foreign inputs. On the other hand, not all nations can equally bear the cost of "shutting down" their economies. In addition, containment policies meant high economic, social, and human costs. However, the need for protective policies is clear, offering hope for a more resilient future.

The emergency measures, which various governments had to adopt, had severe consequences for many of the world's economies. Most productive sectors have been paralyzed, starting with Asian countries,

then Europe, and finally, the United States and other countries worldwide, with closures at practically all borders. This has led to an increase in unemployment and an accelerated decline in purchases of goods and services, as in 2020, the world gross product will show its central contraction since the Second World War (World Bank, 2020). In the first five months of 2020, the collapse was widespread, affecting exports from the United States, Japan, and member countries of the European Union (Cambodian Institute for Cooperation and Peace Konrad-Adenauer-Stiftung Cambodia, 2021). China suffered a slightly smaller decline than the global average as it was able to contain the outbreak and reopen its economy more quickly.

3. The Impact of the Covid-19 Crisis on the European Union

Article 168 of the “Treaty on the Functioning of the European Union” (TFEU) provides an exception in EU measures related to harmonizing Member States’ health. This means the EU has little competence in medical emergencies and is only in a position to “provide crisis management support and be a hub of information that member states can exchange.” With the declaration of the COVID-19 pandemic, the “EU Health Security Committee” was created so states can coordinate measures against Covid-19. Added to this need for unity and coherence in health measures was the need to increase government funding figures, and there, the EU launched various funding programs to cover health and unemployment costs. One of the most important was the Next Generation program. Closures and shutdowns of non-essential services accounted for around a third of GDP, so every month that sectors remained closed, there was a 3% drop in annual GDP (European Council).

Welfare systems were not designed to respond to this type and scale of population demands. Despite this, governments have responded innovatively by testing which actions worked best, and the IMF has been part of that aid. Although the EU stated that if “it is necessary to use the available reserves and the room for maneuver to implement the policies, it is without a doubt now.” However, the ways and possibilities they could emerge from the crisis differed, depending on the countries. The authorities of those countries with “advanced economies” had room for maneuver to implement specific policies that required monetary and fiscal expansions to mitigate the impact of the crisis, leaving aside fiscal limits and allowing deficits to grow. Banks have also relaxed their requirements to support their distressed customers. In the Eurozone, the ECB’s interventions were to provide additional support to fiscal efforts and ensure that the most indebted countries could react economically to the crisis. Efforts to maintain and stabilize the euro were also significant. Emerging economies, members of the EU but not the Eurozone, already had consolidated and robust banking systems, with reservations, and were able to be used to mitigate the crisis.

Europe’s recovery obstacles were the number of infections, rising energy costs, and supply chain delays. Although the economy is expected to grow faster than expected, it will be uneven across the EU. The first impact of the pandemic generated a decrease in GDP in the first half of 2020 of 11.7%, with Spain being the most affected country, with a decrease of 18.5%, followed by Hungary (14.5%), Portugal (13.9%), France (13.8%), Italy (12.4%) and Germany (10.1%). In 2020, the joint decline ended with 6.1%. This meant more than 2.6 million jobs were lost, with Spain also being the worst-hit country, with more than 610,000 jobs lost in one year. GDP growth expectations were 4.8%, and it was possible to reach 5.5% by the end of 2021 (CIDOB, 2021).

4. EU Actions for Recovery from the Crisis

Since the onset of the pandemic, the EU has swiftly implemented financial measures and increased flexibility in budgetary and state aid rules for member countries, demonstrating its ability to coordinate a Common European response. Just a month after the pandemic was declared, it unveiled an emergency support package of €540 billion to assist businesses and workers in member states. On 21 July 2020, EU leaders reached a consensus on a comprehensive package of €1.824 billion for the period 2021-2027, known as the Multiannual Financial Framework (MFF), to which the 'Next Generation EU' instrument was added (European Council, 2020).

The recovery effort embodied by Next Generation EU is not just about reviving the economy of the European Union countries, but also about fostering a green and digital transition. This strategic shift aims to make Europe more resilient and better prepared for future challenges. To address the hurdles posed by the COVID-19 pandemic, the European Commission is empowered to borrow funds from the capital markets, within specified limits, on behalf of the Union.

All Member States have ratified their own resources decision by 31 May 2021, thus allowing the Commission to borrow the money. Next Generation EU was organized through seven programs, as follows: Recovery and Resilience Mechanism (RMR), REACT-EU, Horizon Europe, InvestEU Programme, Rural Development, Just Transition Fund, and rescue. The Recovery and Resilience Fund represents the most significant part of the Next Generation EU effort (European Council, 2020). These funds were intended for Member States to help them cope with the economic and social impact induced by the COVID-19 crisis to help create more sustainable and resilient economies.

The most significant part of the effort represented by Next Generation EU is allocated to the recovery and resilience mechanism, which represents almost 90% of the total financial package. The amount of EUR 672.5 billion (in 2018 prices) was disbursed in loans and grants, divided into approximately equal amounts, with a slightly higher share of loans. The grants were committed mainly during the years 2021 and 2022, based on the following criteria: the unemployment rate 2015-2019, the inverse of GDP per capita, and the share of the state's population in the total EU population (European Council, 2020). The rest of the funds were committed until the end of 2023, based on the same criteria, to which new criteria were added: decline in real GDP in 2020, overall decline in real GDP in 2020-2021, which shows concern for supporting affected countries with more significant problems in recovering from the crisis.

5. Conclusions

The COVID-19 pandemic presented unprecedented challenges to the European Union, testing its unity, resilience, and capacity to respond effectively to a crisis of such magnitude. Throughout the pandemic, the EU implemented a range of measures to mitigate the impact on its member states, from financial aid packages and coordinated public health strategies to vaccine procurement and distribution. These actions highlighted the strengths and weaknesses of the EU's framework, revealing both the potential for collective action and the difficulties in achieving unanimous agreement among diverse nations.

The pandemic underscored the necessity for a more cohesive and integrated approach to crisis management within the EU. It prompted critical reflections on the need for improved health infrastructure, better preparedness for future crises, and a more agile decision-making process. Despite the initial struggles and varied responses from individual member states, the EU's overall reaction demonstrated a commitment to solidarity and cooperation.

Evaluating the effort made by the European Union to support the economic and social recovery of the member countries can state that it was “significant, focused and limited in time.” By including additional indicators for the funds allocated in 2023, the European Union shows the ability to make a personalized nurse. The effort is considered significant because the allocated amounts were supplemented, and their destination was projected to help the member countries and the most affected sectors get out of the crisis. It is limited in time because the European Union’s Multiannual Financial Framework and the rules governing it remain the basic framework for the Union’s budget planning and execution (European Council, 2020).

As the EU continues to navigate the post-pandemic recovery, the lessons learned from this crisis are invaluable. They provide a roadmap for enhancing the Union’s resilience against future global challenges. The COVID-19 pandemic has not only been a test of endurance but also an opportunity for the EU to strengthen its unity and reaffirm its role as a global leader in collaborative governance and crisis response.

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