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**WHAT KIND OF POWER?
HOW THE COVID-19 CRISIS AFFECTS
THE ORIENTATION OF THE EU AS A GLOBAL ACTOR**

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Brussels, December 2020



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With the financial support of the European Parliament





EXECUTIVE SUMMARY

This article presents the consequences of the ongoing Covid-19 crisis on the orientation of the EU as a global actor. The Covid-19 pandemic, coupled with the economic crisis, has caused changes to the international scene affecting all major powers, including the EU. Can the Covid-19 crisis be used as a catalyst for EU in order to change its international role in this new setting or EU will exhibit all the characteristics it had already developed as a global power over the previous years?

Short bio

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The Concept of Power in International Relations

Power is one of the most important concepts in International Relations, while international literature includes numerous definitions. According to J. Mearsheimer (2001), power is “the currency of international politics” while, according to Bull (1977), power “constitutes the highest goal of all countries in international politics”. Knorr (1973) has noted that power is “the means to achieve a state’s goals and also the result of states’ influence in the international scene”, while Morgenthau (1978) states that power is “the control of one state over the mind and actions of other states”. In turn, Strange (1988) has defined power as “the ability of a state to affect policy results in order to prioritize its preferences over other states’ preferences”.

According to the majority of scholars, the power of a state depends on two fundamental elements, namely the sources of its power and the ability of its leadership to take advantage of these sources. According to liberal scholars like Chayes (1998), power is “based on how states can take advantage of their position in international organisations, in order to gain bigger influence within the international community”. On the contrary, for realist and marxist scholars (Mearsheimer, Brzezinski, Jessop, Cox), power is mainly based on the material capabilities of states, especially their economic and military capabilities.

Depending on the field of international politics under examination, power is classified in different ways. For example, J. Nye (2001) classified power into three main categories, hard, soft and economic. Other scholars identify different types of power, such as normative, cultural and diplomatic. According to Nye, soft and economic power tend to overcome hard power in modern international relations. Similarly, Gilpin and Luttwak consider the economy as the primary source of power in the international system. On the other hand, Buzan (2003) suggests that, after the collapse of the USSR, the technological-economic competition has replaced political-military competition as the main field of interstate competition between major powers.

Based on the distribution of power in the international system, according to the theory of international relations, countries are divided into specific hierarchical categories, such as great powers, middle powers, regional powers and small powers. The USA, the EU, China and Russia are considered to be the great powers of the modern international system.

Crises in the Contemporary International System

According to Womack (2017), crises—whether political or economic—“expose the foundational assumptions of the existing order and raise the prospect of a future existing order that is structurally different from the past”. A typical crisis begins with an event that shakes the credibility of the



existing order and gives rise to growing concerns about the possibility of a transition to a new *status quo*.

According to Rodrik (2012), crises come in two variants: “those for which we couldn't have prepared, because no one had anticipated them, and those for which we should have been prepared, because they were in fact expected.

The majority of crises are political, economic and social. Nevertheless, economic and social crises can also be caused by natural and human disasters, including health factors. Systemic crises are a result of gradual structural changes that take place in the longer term. On the other hand, emergency crises are also common, which do not result from gradual changes but rather from emergency events that shake the world order. The impact of crises on the form of the modern global economy depends on the type of shock they cause and its characteristics: intensity, duration, underlying causes and broader economic consequences.

The crises caused by natural and human disasters can easily evolve into economic and social crises, given their severe economic and social consequences for societies. For example, the Covid-19 crisis started as a health crisis in February-March 2020 and within a couple of months turned into an economic crisis, which has been affecting the developed world and significant parts of the developing world to this day. The Covid-19 crisis has given rise to far-reaching and severe consequences for the global economy: economic recession, sharp increase of unemployment, acute rise of government deficits and public debt, decreased investor confidence and even further decrease in consumption of households and businesses. According to the World Trade Organisation, the pandemic could result in a decrease of international trading volume ranging from 13% to 32% (WTO, 2020).

The Western economies are faced with a far deeper and more savage economic shock than ever experienced in the past. According to the IMF's statistical research, the rate of shrinkage in the current economic crisis is four times faster than the shrinkage during the Great Depression of the 1930s (IMF, 2020).

According to Tooze (2020), the economic shrinkage is not the direct result of the pandemic, but rather of deliberate policy choices made by the authorities of the major economic powers of the global economy. Existing global challenges were not born during the pandemic. The pandemic, however, has accelerated and increased the existing tensions, leading to a swift revision of political priorities and attitudes, both in terms of public perception and within the political elites.

The coronavirus crisis and its underlying international dynamics have left the international system in the paradoxical position of being unable to either move backwards or forward, towards reforming international governance. On the one hand, the nation-state has been strengthened during the management of the crisis, as a result of its powers concerning healthcare, border control and stimulus plans. On the other hand, this does not necessarily imply a lesser role of global governance and cooperation against this crisis, as far as the pandemic itself and the need for an international framework of cooperation that facilitates progress on the vaccine are concerned.



The EU in the Contemporary International System: from Soft Power to Global Player?

The EU is a *sui generis* actor in the modern international system. Not being a typical nation-state, it constitutes the biggest and most successful model of regional integration in modern history (Bindi, 2009). A review of European and international literature shows the wide use of four basic attributes regarding the EU, that is, civilian, normative, soft and economic power. The EU is undoubtedly a global power with contradictory characteristics.

As the civilian power par excellence of the modern international system, the EU promotes its interests without creating confrontations and conflicts. Acting as an international mediator, the Union intervenes in regional crises using diplomatic means (Lucarelli, 2010). On the one hand, the civilian identity of the EU improves its international diplomatic influence, while on the other, its civilian identity deprives it of the necessary tools that would allow it to intervene in an international crisis.

At the same time, the EU is the strongest normative power in global economic governance. Being widely recognised as a “creator of norms” and an “outward normative power” (Therborn 2011), the EU has largely established (alongside the USA) the regulatory framework of global economic governance.

The EU is not a typical military power. The absence of a common defence policy and the divergence of national interests of its member-states are the main factors suggesting that the Union is not a single military power, unlike other great powers (USA, China, Russia). On the contrary, powerful member-states like France, Germany, Italy, Poland or Spain, are considered to be major and middle military powers, some of which have established military presence in several international fronts for decades (France, Italy) (Vasconcelos, 2009). Indicative of the potential European defence capabilities is the fact that the defense budget of all 27 member-states accounts for the second largest defence budget globally, smaller only that of the US.

Economic power is the main element of the European hard power. The European Union is not only the second biggest economic block of the global economy (after the decrease of its gravity during the euro-crisis), but also the biggest exporter and provider of development aid, as well as the most important source and second most important destination of Foreign Direct Investment (. Moreover, the euro, the common currency of the eurozone, is the second most powerful international currency in the global monetary system.

The EU has established close trade and investment partnerships with the major economic powers of the global economy. In addition, it is considered to be a privileged economic partner for the majority of developing countries. As noted by Smith (2014), “the EU is positioned between the East and West in the tri-polar international economic system of the 21st century”.



The concept of soft power is considered to be another suitable concept to describe the international identity of the EU because it combines elements that can be found in the previous concepts, the civilian, the normative and the economic.

The EU is a global power that combines the characteristics of a soft and normative power, based mainly on its economic power and political system. At the same time, it entails very limited characteristics of a military hard power. Despite being one of the three biggest economic powers of the global economy, as well as the strongest normative and civilian power, the absence of actual military hard power does not allow the EU to be an equal great power—like the USA and China—in all dimensions of international politics.

The global financial crisis and the euro-crisis were two events that affected the European influence within the international system and brought about significant changes to the international balance of power. These changes have served, among others, as a warning for EU authorities to reinforce European economic power, in order for the Union to become a more competitive player in international economic competition. At this point, a question arises, namely whether and how the Covid-19 crisis will affect the orientation of the EU as a global actor and the international balance of power.

First Consequences of the Covid-19 Crisis for the International Position of the EU

The consequences of the pandemic for the nature of the EU as a global actor should be examined from two perspectives: internal and external consequences.

A few months ago, the Covid-19 pandemic coupled with the ensuing economic and financial crisis, put the existence of the European Union into question. The principle of “solidarity” was absent, as several member-states had closed their national borders and rejected all coordination, with some of them even halting the export of urgently needed medical equipment to their EU partners. The single market, the flagship of European integration, was severely battered.

The obstruction of exports of medical equipment was a very unfortunate evolution for the member-states, given that most members are substantially dependent on exports in order to cover their needs for necessary medical equipment to address the pandemic more efficiently. According to Eurostat, comparing the first semester of 2019 with the first semester of 2020, the value of EU imports of face masks grew dramatically from €800 million to €14 billion, i.e. an increase of 1800% (Eurostat, 2020).

The absence of cohesion between member-states and the European institutions was—just like in the euro-crisis—a major sign of European weakness in managing crises. The European institutions and several national governments underestimated the seriousness of the consequences of the health crisis and failed to implement appropriate measures to contain the spread of the pandemic.



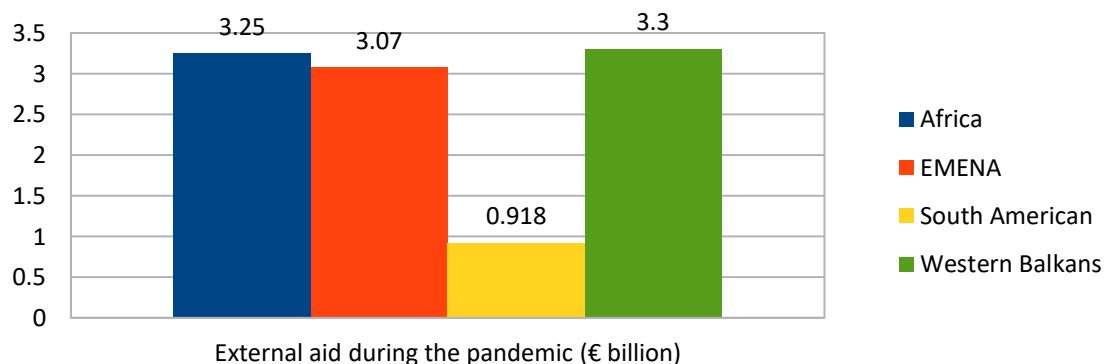
Over the course of the first months of 2020, the internal EU borders have been re-opened, medical equipment is moving freely and member-states have agreed on unprecedented measures to deal with the pandemic's economic fallout.

These decisions were adopted by the European Council and the European Central Bank, outside the European context of monetary and budgetary policy, banking supervision, competition and the state aid policies (the so-called Monday-Thursday agreement). Prior to sticking to the above rules, the eurozone crisis had become another serious obstacle to the efforts of the European institutions towards tackling a crisis in an effective way.

More specifically, the European institutions and the member-states have agreed to the establishment of a recovery facility of €750 billion. This was among the largest stimulus packages worldwide. Moreover, the national governments of the member-states took unprecedented fiscal and liquidity measures worth approximately €3,5 trillion.

The EU has also stepped up its global efforts to help its international partners respond to the pandemic. These efforts rest on €15,6 billion from existing resources that have been reoriented from allocated funds. In comparative terms, the EU is the only regional organisation in the world that has had a real impact on the fight against Covid-19.

Graph. 1: EU external aid during the pandemic (€billion)



Source: European Commission, April 2020

The Covid-19 crisis seems to have a negative impact on European economic power and the EU's role in the global economy. Firstly, the crisis has so far brought about a severe deterioration in the public finances of EU member-states, even more severe than in the years of the eurozone crisis. According to Eurostat's quarterly report, in the second quarter of 2020, the adjusted general government deficit to GDP ratio stood at 11,4% in the EU. Compared with the second quarter of 2019, the government debt to GDP ratio rose from 79,7% to 87,8% (Eurostat 2020).

Secondly, the trade and investment performance of the European Union has recorded a significant decline during the nine months of the crisis, while the projections for the next months are equally pessimistic. The first estimate for euro area exports of goods to the rest of the world in August



2020 recorded a decrease of 12,2% compared with August 2019. Respectively, imports from the rest of the world recorded a decline of 13,5% compared with August 2019 (Eurostat, 2020).

On the other hand, it seems that the eurozone was more resilient than the US economy during the first months of the pandemic. In the second quarter of 2020, the US economy has contracted by almost 30%, whereas in the same period the economy of the eurozone has shrunked by 10%. Respectively, US unemployment rates reached 13%, a 260% increase compared with the second quarter of 2019, while during the same period the unemployment rate in the eurozone reached 7,5%, without substantive changes compared with the 2019 (Κατσίκας, 2020).

The international role of the Euro has remained broadly stable. According to ECB statistics, the shares of the single currency in the international monetary system have either remained stable or increased slightly. In particular, the Euro shares in foreign exchange reserves and international loans recorded no substantive changes, while the respective shares in foreign exchange turnover and the global payment currencies increased moderately (ECB, 2020).

The pandemic of Covid-19 has served as a double catalyst (Gomart & Martini, 2020). On the one hand, it has been testing the resilience of the EU and its member-states, which are positioned between China, where the crisis started, and the US, where the crisis arrived, bringing the US to the epicentre of the crisis. On the other hand, it is a test for the balance of power between the three major economic powers, namely the EU, the US and China.

The pandemic has also been a catalyst for the Chinese-American rivalry in the international system. The EU has found itself (just like in many other cases) in an intermediate position between the other two major powers of the global economy. Despite the fact that crises like this are expected to foster international cooperation and strengthen multilateralism, the major powers of the international system chose to act unilaterally in order to defend their interests. The EU has been unable to reverse these trends and promote wide cooperation within the international community. The USA-led G7 and G20, as well as the International Monetary Fund and the World Bank, failed to ensure coordinated measures against the health crisis that challenges global financial governance. France and China were the countries that tried to push G20 towards organising summits and making joint decisions, although the results have so far been poor.

Europe remains better equipped than other international powers to promote a rules-based, multilateral cooperative order. The dynamics of interdependence and hyperconnectivity will return and reveal that effective cooperation at the international level is the best antidote to crises like the coronavirus.

The pandemic has brought to the epicentre of academic debate the contradictions of European policy with that of the other two major poles of power, that is, the United States and China.

The first parameter lies in the evolution of EU-US relations during the pandemic. The Trump administration has acted in a way that created fractures in Euro-Atlantic relations over the past three years. In the international economic system, the US acts as an aggressive competitor with no regard for the economic interests of its partners. The Covid-19 crisis has further aggravated this



situation. In addition to his attacks on China, President Trump blamed the EU's failure to take serious precautions against the spread of the virus.

Moreover the attempt of the Trump administration to obtain preferential access to future vaccines and to aggressively acquire European pharmaceutical companies created new fields of conflict between the two powers.

The second parameter is the evolution of the Sino-European relations during the pandemic. For the first time, China has figured so prominently on an issue of such immediate and critical importance to European citizens and governments. Prior to the crisis outbreak, relations with China had already grown more complex. What were largely commercially-driven relations a decade ago have now become more diverse, more geopolitical and more contested (Gomart & Martini, 2020). In March 2019, the European Commission characterised China as a partner, a competitor and a systemic rival.

According to the European point of view, the first problem regarding the Chinese position was the cover-up of the nature and height of the problem in Wuhan. The second problem was that the Chinese authorities, instead of apologising, tried to prove—by implementing quarantine measures—the superiority of the Chinese model of governance as opposed to the model of Western liberal democracies (Χατζηγεμμανουήλ, 2020). Moreover, the public intervention of Chinese ambassadors in Sweden and France highlighted the immodesty of Chinese diplomacy on this specific occasion. During the first months of 2020, the Chinese government has succeeded “to upset the heart of the Europeans and make them worried about the increasing power of China”. Last but not least, the demonstration of Chinese soft power, in the form of donations of healthcare equipment to member-states of South and East Europe (Greece, Italy, Hungary) during the first phase of the crisis, created more suspicion among European elites as to Chinese intentions. It is worth mentioning that the Chinese donations of healthcare equipment to European member-states were viewed as a sign of European weakness

In conclusion, during the Covid-19 crisis, the European Union as a global actor exhibited all the characteristics it had already developed over the previous years. Lack of cohesion, late reactions during the outbreak of the health crisis and vulnerability in the exterior, as well as interventions by other major powers (China), were the main evolutions that took place during the pandemic. However, the joint decisions made to tackle the financial crisis were unprecedented according to European standards. The Europeans seem to have learned from their major mistakes during the euro-crisis, this time implementing more immediate measures to address the crisis.

So far, the pandemic seems to have negative consequences for the economic power of the European Union. The crisis has a serious impact on the trade and investment performance of the EU, as well as on the public finances of the majority of its member-states. On the contrary, the pandemic does not seem to significantly influence, at least to the present, the civilian and normative nature of European power in global governance.

It is worth mentioning that, since Covid-19 is an ongoing crisis, researchers have to wait in order to identify its consequences for the several dimensions of the EU's international influence.



European Union: What Kind of Power? Policy Options and Recommendations

-The Covid-19 crisis has already proved that crises are a systemic event of the contemporary global economy and society. The EU and its member-states must establish a strong and permanent pan-European crisis management service, capable of dealing all kind of crises (humanitarian, financial, geopolitical). EU and its member-states should also establish strong coordination structures and adopt joint—or at least similar—measures in order to tackle a crisis. The cohesion of the EU's political system is crucial for the effectiveness of the European reactions against all kind of crises.

-Health crises are predicted to be a major danger for the international community in future decades. The EU should become a key-player in dealing with such crises by increasing its R&D expenditure and establishing strong research partnerships with other key players (USA, China, Russia), in order to lead international interstate coalitions. As the EU has no competencies in this regard, the extent to which the EU can play an influential role in this will depend on how the bigger member states of the EU succeed at a satisfying level of cooperation (Gaub, 2020).

-As a global power, the EU should combine elements of hard and soft power in order to respond to the challenges facing the modern international system. The EU as a soft power is a concept that belongs to the past, as it cannot ensure an international presence proportionate to the EU's gravity. The EU as a global power with combined characteristics is a more suitable concept for achieving the European ambitions in the international scene. Therefore, the EU should make its voice heard in such crises in a more profound and immediate manner, in order to be an equal third pole of power in the modern international system between the US and China.

-The EU needs “strategic autonomy”, thus it needs to reduce external dependencies in strategic areas in the wake of the coronavirus pandemic. Moreover EU should be able to act autonomously as well as to choose when, in which area and if, to act (Anghel et al., 2020). In response to the “America first” motto and China's “Made in China 2025” strategy, Europe should establish a respective strategy in order to promote its interests in a globalised and competitive global order (Tamma, 2020). European elites should have the required political will and should share a common strategic vision in order to pursue 'strategic autonomy'.



Annex

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