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Navigating a Covid World: The European Union's Internal Rebirth and External Quest

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ABSTRACT

The world on which Covid-19 has unleashed its destructive force is one where the partly supranational and multilateral-minded EU is ill at ease. The pandemic has devastated economies across the world and exacerbated pre-existing dynamics of growing geopolitical rivalry and the declining clout of multilateral regimes and practices. The EU's response to the Covid shock has been twofold: on the one hand, it has embarked on a new integration effort, with the contours of a 'transfer union' emerging for the first time in EU history; on the other hand, it has failed to use the crisis to advance its strategic autonomy agenda. The reason for this dichotomy is that, while the severity of the Covid emergency has shifted public and elite attitudes towards economic solidarity, the lingering commitment to the US has worked as a brake on a similar trend in European foreign policy preferences.

KEYWORDS

Covid-19 and the EU; EU integration; EU foreign policy; transatlantic relations

It has become conventional wisdom that the outbreak of the Covid-19 pandemic has worked as a great accelerator of history (Haass 2020a).¹ The pandemic, so the argument goes, catalysed major pre-existing trends, causing them to interweave faster. The result is that the more power-based, competitive and eventually volatile international system that (some) experts were expecting to emerge over the next decade is already here (Allen *et al.* 2020). A corollary of this argument is that, in a 'Covid world', those who benefit the most from multilateral regimes and norms will find themselves among the losers. As a partly supranational entity with an inbuilt bias towards multilateral cooperation, the European Union (EU) tops the list.

That the EU is structurally weaker than it was before Covid-19 is not a straightforward conclusion, however (Moravcsik 2020). EU institutions – the Commission, the Council and the European Central Bank (ECB) – have all taken steps that go far beyond lowest-common-denominator measures. Such measures are indeed premised on an unprecedented degree of fiscal flexibility and solidarity. While they are contingent on the Covid emergency, they contain the seeds of more permanent arrangements. Greater intra-EU cohesion should, in theory, translate into greater international influence. Yet, foreign and security policy is the one area in which Covid-19 has failed to trigger a thrust towards deeper cooperation.

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¹We have encountered the argument of Covid-19 as an 'accelerator of history' over and over again in numerous exchanges with experts and policymakers in conferences, webinars and private conversations.

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This article attempts to make sense of the EU's response to the systemic shock of Covid-19 by engaging with the question of why the EU has taken steps to strengthen its internal cohesion but has not been as ambitious in its pursuit of greater international autonomy. We argue that the impact of the pandemic has reshaped the preferences of European publics and decision-makers along integrationist lines in fiscal terms, but has not generated an equally shared perception of the need for the EU to sharpen its foreign policy profile, mostly because of the lingering European commitment to the relationship with the United States (US).

The article begins with a recollection of the systemic implications of the pandemic for EU member states and institutions. It then moves to the empirical analysis of the response that EU member states and institutions have put together to cope with the economic effects of Covid-19 and to adjust to a more volatile international system. The second section provides an overview of how EU member states have laid the groundwork for an economic rebound through greater EU fiscal solidarity. The next section compares unfavourably the steps towards greater internal cohesion with the lack of progress in the EU's strategic autonomy project. The fourth section delves into EU decision-making to dissect the dynamics that have facilitated progress on the internal front and those that have stalled it on the external front, drawing from recent EU integration and foreign policy studies.

Covid-19 as a systemic shock

The economic and geopolitical implications of the Covid-19 pandemic make it a systemic shock of global scale. The prolonged and extensive restrictions to travel, movement and economic activities adopted by most countries in the world in an attempt to slow down infection rates have dampened demand and disrupted global supply chains. Unemployment has increased – at times considerably – and whole sectors of the economy (tourism, catering, entertainment, non-food retailing, just to mention a few) have suffered immensely, with innumerable small and medium-sized enterprises at risk of bankruptcy. In spite of considerable regional differences – East Asia has performed significantly better than anyone else – the effects of the pandemic have been felt globally (Chudik *et al.* 2020). For the first time since the 1930s Great Depression, in 2020 both advanced and developing economies contracted – on average by 4.4 per cent.²

While the distribution of vaccines will mitigate and eventually remove the rationale for lockdowns and other forms of restrictions to economic activity, a full return to the *status quo ante* is unlikely. Governments will not only keep dealing with the consequences of the crisis (especially massive public debts) for years to come. They will also want to improve their preparedness for the next crisis, even if that involves a paradigmatic change from 'just-in-time' supply models to shorter and safer, if costlier, value chains. While globalisation has sunk too deep in national economies to be uprooted, political considerations now have greater leeway to slow it down than at any time in the last decades (Antràs 2020). This process is likely to play out against a backdrop of increased international tensions, as the economic disruption brought

²Real GDP growth rates can be monitored on the International Monetary Fund's website: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEO_WORLD.

about by the pandemic has exacerbated a number of pre-existing dynamics of disaggregation.

Arguably, the most consequential geopolitical trend amplified by Covid-19 is the rivalry between the US and China. Especially in the early stages of the pandemic, China sought to gain international goodwill through much-publicised transfers of medical equipment and offers of health management expertise (all spiced with a good dose of disinformation), causing alarm in Washington (Rapp-Hooper 2020). American pre-existing concerns about trade deficits, unfair economic practices and the political use of foreign investment and technology transfers consolidated even further into a more fundamental political-ideological contest. Such issues as China's systematic repression of the Uighur minority in Xinjiang and crackdown on Hong Kong protesters, its uncompromising (and menacing) approach to Taiwan and relentless military projection into the South China Sea are now being constructed as manifestations of a structurally conflictual relationship between democratic America and autocratic China (Pompeo 2020).

The Covid outbreak also jolted further a transatlantic relationship already troubled by years of increasing estrangement. When the coronavirus broke out, Europeans had been watching with dismay the transatlantic order fray for some time already. Persuaded that the US was being "taken advantage of" (Galindo 2018), former President Donald Trump presided over a downgrading of the US commitment to Europe in economic, security and strategic terms (Alcaro 2019; Gordon and Shapiro 2020). The Trump administration hit at EU member states with tariffs (*Financial Times* 2020a) and extraterritorial sanctions (Geranmayeh and Lafont Rapnouil 2019), while regularly lambasting them for spending too little in defence and eventually scaling down the US military presence in Germany (Alcaro 2020). Unsurprisingly, the transatlantic relationship failed to produce any cooperation initiative aimed at mitigating the public health emergency (Brattberg 2020).

Another trend that the pandemic exacerbated was the weakening of multilateral institutions (Mason 2020), which was also a by-product of increased US-China competition (Wright 2020a). The US record in multilateral endeavours under Trump was one of disengagement and contestation (Haass 2020b), with the US withdrawing from the Paris Accords on climate change, leaving arms control agreements (including the Iran nuclear deal) and stalling the dispute settlement system of the World Trade Organisation (WTO) (Schmucker 2020). This trend only hardened after the outbreak of the Covid-19 pandemic. Not only was the US utterly uninterested in global health and economic governance, but it doubled down on the delegitimisation of multilateral institutions, recast as part of its broader contest with China. The main victim was the multilateral body to which most countries in the world looked for guidance during a pandemic, the World Health Organisation (WHO), from which the Trump administration declared withdrawal on the ground that it failed to call out China for initially downgrading the severity of the Covid-19 infection (*Financial Times* 2020c). For its part, China took advantage of US disengagement, bidding for leading positions in multilateral bodies. Beijing especially targeted such agencies as the International Standards Organisation and the International Telecommunication Union – both headed by Chinese officials now – to make sure that global technology standards reflect China's interests (*Financial Times* 2020b).

As multilateral institutions have been weakened, power politics has increasingly become the main game in town in a number of regional theatres, several of which have

experienced a rise in interstate tensions after the outbreak of the pandemic. The Nagorno Karabakh conflict in the Caucasus, Turkey's attempt to forcefully insert itself into the Eastern Mediterranean energy complex and the lingering confrontation over Iran's nuclear programme are just a few cases in point.

This brief review of the effects – direct and indirect – of the Covid-19 infection validates the point that the pandemic has been a major systemic shock whose long-term consequence could be a dysfunctional international order or – to the extent it does work – an order that reflects more closely China's model of authoritarian capitalism and Chinese standards for technologies key to future global balances of power, such as digital telecommunications or artificial intelligence.

Where does the EU fit in all this? Health-wise, several European countries have recorded massive infection rates, and the EU has lagged behind the US and the United Kingdom (UK) in terms of vaccine distribution. Economically, the pandemic has brought about devastation. In most EU member states, including the large ones, the fall in GDP in 2020 is expected to be steeper than the world's average (the EU's GDP is projected to contract by 7.5 per cent, according to Clark [2020]). Geopolitically, the global trends exacerbated by Covid have worsened the predicament of the Union, which is reliant on open markets and rules-based arrangements and is ill-equipped to play power politics (Leonard 2020).

As troubles mounted both internally and externally during the early phase of the pandemic, it would not have been unreasonable to assume that Covid-19 would accelerate the centrifugal dynamics that had fractured the pro-EU consensus across Europe in recent years. As the Union had been struggling to cope with major challenges such as the Eurozone sovereign debt or the migration crises, the emergence of a nationalist, anti-EU agenda had become a dominant trend in European politics. Nothing attested to this more painfully than the 2016 referendum that led to the UK's exit from the EU. If Covid-19 truly worked as an accelerator of pre-existing historical trends, further fragmentation was thus to be expected. Yet, the application of the 'Covid as an accelerator' argument, however apt it is for global trends, has eventually found a halt, of all places, in European integration. The latter has so far been the exception to the rule that posits interstate competition as the invariable outcome of the pandemic.

Internal rebirth: the EU's new Delorian moment

Concerns that the Covid epidemic would hasten centrifugal dynamics seemed to be validated by the initial response of member states as well as EU institutions. In March and April 2020, national leaders resorted to the erection of borders and restrictions to the export of medical equipment between member states (Herszenhorn 2020). EU institutions stood by in deafening silence or took false steps. The most egregious was ECB President Christine Lagarde's off-script remark about the Bank not being in the business of shielding Eurozone members from widening yield spreads, as the contours of an economic crisis of massive proportions loomed large in Italy, Spain and other member states severely hit by the Covid-19 outbreak (Jones 2020).

The pandemic represented the biggest challenge to post-WWII Europe, coming on the heels of a patched-up constitutional crisis (only partly resolved by the adoption of the

Lisbon Treaty in 2007), and two other major crises the Union barely navigated, namely the Eurozone crisis in 2010-12 and the migration crisis of 2015-16. In the former, the EU scraped through doing the bare minimum to save its monetary union. In the latter, it grossly failed to move forward on a common migration and asylum policy. In both crises, what was dramatically missing was solidarity, fuelling a surge of Euroscepticism that interlocked with the growth of nationalist populism across Europe (and beyond). The initial, uncoordinated national closures in the wake of the Covid-19 outbreak had the potential to inflict further, perhaps irreversible, damage, as, after all, they threatened the very integrity of the single market that depends on the free flow of goods, services, capital and labour.

Clearly, this must have been front and centre in EU leaders' minds as they abandoned their initial hesitations and gradually but steadily got their act together (Erlanger 2020). It began in April 2020 with a dose of solidarity in the health emergency, notably through the transfer of Covid-19 patients from Italy and Spain to intensive care units in Germany and the activation of the European civil protection mechanism.

The economic response came next (Anderson *et al.* 2020). It first took the form of an over trillion-euro injection of liquidity through the ECB's temporary asset purchase programme and the suspension of the Stability and Growth Pact's ceilings on deficits, debts and inflation rates. After much haggling in the Eurogroup, an agreement was found to reform the European Stability Mechanism, depriving it of its fiscal conditionality and making up to 2 per cent of a member state's GDP available to cover the direct and indirect expenses generated by the health crisis. An agreement was also reached to channel €250 billion through the European Investment Bank as well as €100 billion into a new European employment insurance scheme. Most significantly, the European Council agreed on a €750 billion Next Generation EU Fund, favouring grants over loans. The Fund was embedded in the Multiannual Financial Framework (MFF), the seven-year budget covering the 2021-27 period, the most ambitious in the history of the European project. Critically, the MFF also featured EU own resources (European Council 2020). While this has not resulted in member states agreeing to mutualise their national debts, the EU's response to the pandemic could be historic in three ways.

First, content. When the von der Leyen Commission took office, three priorities stood out: the green, the digital and the global (or "geopolitical") agendas (von der Leyen 2019). Until Covid-19, these were programmatic ideas with little substance attached to them. When the European Green Deal was first revealed in December 2019, the funds allocated to it were approximately a third of what the Commission itself deemed necessary to reach the goal of climate neutrality by 2050. Now the European response to the pandemic is allowing the Commission to put flesh on its bones: 37 per cent of the €750 billion Next Generation EU package should go to the European Green Deal and 20 per cent to digital programmes.

Second, process. Throughout the EU's history, there have been milestones, the completion of the single market for goods and the monetary union prime among them. However, they all remain unfinished business, or open-ended processes, to this day. The single market has yet to extend to key areas such as services, digital or energy, the monetary union is incomplete and lacking a fiscal complement. The Eurozone crisis laid the first bricks for a banking union, but the momentum for a fiscal union was lost as the worst phase of the storm was over. Covid-19 resurrected that agenda. Next Generation EU, while not being a mutualisation of past debt, does entail

a mutualisation of future pandemic-generated debt and, for the first time, allows the Commission to borrow from the market extensively.

Third, outcome. Next Generation EU and the other measures adopted by the Commission and the ECB are meant to reverse the socio-economic divergences between member states that threatened to tear the Eurozone apart. If the outcome of the Union's pandemic response points towards intra-European convergence, it is not unreasonable to assume that politics will follow. Specifically, Euroscepticism – a dominant feature of European life in the past decade – may abate. Large shares of the European public seem to be aware that exiting the crisis requires a European response. The national level is simply too small to respond meaningfully to the transnational nature and sheer magnitude of this crisis. Similarly, they seem to appreciate the value of competence, expertise and science over and above radical demagoguery, with public opinion polling showing diminishing support for populist forces across Europe (Zangana 2020).

Some described the agreement on Next Generation EU as the Union's Hamiltonian moment, as it recalled the first US Secretary of the Treasury Alexander Hamilton's push for federalising the states' debt. While intriguing, the metaphor did not stand up to scrutiny (Schwarzer and Vallée 2020; Kapoor 2020). More prosaically, it is a very ambitious crisis management initiative that carries with it the possibility of longer-term changes – a 'Delorian' moment, after Jacques Delors, the European Commission President who, in the early 1990s, capitalised on Franco-German support to advance the common currency project.

The Next Generation EU plan of President Ursula von der Leyen was indeed accepted by member states thanks to a renewed push coming from Berlin and Paris acting in unison (German Federal Government 2020; von der Leyen 2020). Without that, resistance from a group of four self-professed 'frugal' countries (Governments of Austria, Denmark, the Netherlands and Sweden 2020) to agreeing to EU-wide transfers, funded also by an expanded borrowing capacity of the Commission, would have been hard to overcome.

The upshot is that the severity of the economic crisis brought about by Covid-related restrictions on productive activities profoundly reshaped the preferences of large swathes of the European public and consequently EU leaders along more integrationist lines. Even in the countries that resisted the adoption of the recovery fund, the permissive consensus of the public for fiscal solidarity expanded. With Germany, in particular, abandoning its ideological resistance to transfers and joining France in calls for an ambitious recovery plan, EU institutions were given leeway to draw up an integrationist agenda. The Commission was thus able to increase the share of the Next Generation EU fund covered by grants, inject initial elements of debt mutualisation to back that up and centralise further spending coordination through the condition that significant parts of the recovery fund money be spent on the EU's digitalisation and climate change response priorities.

External quest: the uncertain fate of strategic autonomy

Whereas the EU's response to the pandemic offers the potential to substantiate President von der Leyen's green and digital priorities, the global (or geopolitical) leg has languished (Helwig 2020; Tocci 2020a).

Before the pandemic, the global agenda had been spearheaded by the previous EU political-institutional cycle, which made timid yet historic steps towards a security and

defence union and heralded the notion of “strategic autonomy” in the 2016 EU Global Strategy (Mogherini 2016). The plans were ambitious. The pre-pandemic expectations were for a €13.5 billion European Defence Fund, a €6.5 billion Military Mobility Fund and a €10 billion European Peace Facility (Biscop 2020), on top of a €100-plus billion development and neighbourhood fund. The von der Leyen Commission came to office embracing the goal of strategic autonomy and extended it beyond the sphere of security and defence to other policy areas (von der Leyen 2019). It called for a strengthened international role of the euro to protect, inter alia, the Union from the reach of US extraterritorial sanctions. It vowed to toughen regulations in the digital sphere to stand up to the unconstrained power of high-tech giants as well as to counter disinformation and fake news coming from the likes of Russia and China. And it suggested that its European Green Deal would have an international and not merely an internal dimension.

With Covid aggravating pre-existing dynamics that ran counter to EU interests, the need for strategic autonomy has arguably shifted from pressing to urgent. Yet, the EU has failed to use the pandemic as the proverbial crisis-turned-into-opportunity for strengthening its strategic autonomy the same way it has with fiscal solidarity. Notwithstanding the ambitious Next Generation EU and MFF, the overall sums earmarked for the defence fund, military mobility and the peace facility were more than halved to a modest €13.5 billion in total, while the neighbourhood fund was much less than anticipated (around €90 billion).

Initiatives to bolster the international role of the euro have yet to persuade the markets (*Financial Times* 2021). Actions on the digital and climate fronts are more promising, although the extent to which they strengthen the EU’s autonomy remains uncertain. The potential of the Digital Market and Digital Services Acts, which mostly focus on an extension of the single market to the digital realm, to shape global digital norms is yet to be tested (Brady *et al.* 2020; Broadbent 2020). On energy policy, the focus is mainly internal (work on batteries, hydrogen, critical minerals and renewables) rather than international (global climate rules).

One area in which the EU has shown international clout is trade and investment, where its competencies are strong and established. A recent case in point is the Comprehensive Agreement on Investment (CAI) with China, ostensibly aimed at creating a more level playing field for EU investors in China, which the EU has struck in spite of strong misgivings on the part of the US. However, prospects for the ratification of the CAI have diminished since China targeted EU lawmakers, scholars and research institutions with sanctions in retaliation for the restrictive measures adopted by the EU over the violation of human rights in Xinjiang. The growing tensions between Washington and Beijing further complicate European choices on China.

The transatlantic relationship features prominently amongst the reasons why the Covid crisis has not affected the EU’s stated ambition for greater autonomy. The Europeans’ appreciation of the lingering benefits accruing from US security guarantees continues to engender a strong preference across Europe for aligning with US foreign policy. While, as mentioned above, the costs of doing so had risen under the Trump administration, hopes for a correction course by Washington never abated in Europe. This reflected the open-ended nature of the US election cycle, as the 2020 presidential campaign featured a Democratic challenger who had pledged to reinvest in America’s alliances. Yet, while transatlantic cooperation is likely to rebound with Joe Biden in the

White House, the election of a staunchly Atlanticist president in fact puts European dependence on the US into even sharper focus than before (Tocci 2020b).

To be sure, nothing suggested that a second Trump administration would make European life easier. Beyond the content of a second Trump administration's policies, it was the approach to world affairs in general and transatlantic relations in particular that clashed with the essence of European integration. Trump would have continued to despise multilateralism and favour transactionalism, sought leverage through coercion rather than partnership and felt more at ease with authoritarian leaders rather than liberal democratic ones (Wright 2020b).

The Biden administration offers the opportunity for a transatlantic reset, but it is hardly a panacea (Fried and Haddad 2020; Barnes-Dacey *et al.* 2020). The US' strategic priorities continue to drive it to the Pacific rather than the Atlantic, and in the crystallising of the US-China confrontation, the European predicament under Biden may be more complex than under Trump.³ Biden has shown greater concern with human rights abuses in China, from Hong Kong and Xinjiang to labour and environmental standards, which inevitably means greater scope for US-China friction. Moreover, the drive towards a decoupling of the US and Chinese economies may be just as strong as it was under Trump. To illustrate the point, the aforementioned EU decision to adopt sanctions against Chinese officials over the treatment of Uighurs was part of a coordinated effort with the US (and others).

For Europeans, taking sides in the US-China contest involves hard trade-offs (Sarsenbayev and Véron 2020). Decisions on, for instance, limiting the rollout of Chinese-made 5G systems into European telecommunication networks, screening Chinese investments or condemning Beijing's abysmal record on democratic and minority rights involve now greater risks of retaliation from either great power that may feel that Europe is falling short of expectations (Grygiel 2020). The massive volume of EU-China economic interactions clearly raises the costs of potential Chinese reprisals, especially at a time in which European economies have been shattered by lockdowns and other restrictions enacted to curb Covid-19 infections (ETNC 2020). While in both the US and Europe there is a resolve to intensify consultation and forge common ground on China, saying no to Biden is harder in many ways than saying no to Trump, precisely because there is genuine transatlantic partnership on offer.

The Europeans are nonetheless overly eager to capitalise on that offer. With Biden's support, Europeans can make a stronger case not only for transatlantic cooperation but for multilateralism and global governance in general (Le Drian and Maas 2020; Borrell 2020). This involves a chance for progress on international dossiers in which the EU has much at stake, including climate, health, trade and economic governance. The Europeans are also counting on Biden re-embracing the arms control and non-proliferation agenda, starting with the extension of the US-Russian New START Treaty (which sets ceilings on deployed strategic nuclear weapons and delivery systems) and the re-activation of the nuclear deal with Iran (Geranmayeh *et al.* 2020; Alcaro 2021).

EU countries are generally willing to contribute to these efforts. They do not agree, however, on whether this should be done by seeking closer alignment with the US (to

³One only needs to look at the attempt by Jake Sullivan, now Biden's National Security Advisor, to weigh in on the Europeans to stop the finalisation of the CAI with China in December 2020 for a taste of what is in store.

augment the latter's influence) or by balancing the transatlantic relationship through the development of stronger EU foreign and security policy assets. Unsurprisingly, the debate on European strategic autonomy surged in the years of transatlantic estrangement (although it was born before that).

EU leaders diverge on what the project's contents and ultimate goal are (Tamma 2020). In principle, they agree that the EU should be able to resist pressure from the outside (especially if applied through tariffs, extraterritorial sanctions or energy blackmailing) and enact regulations capable of shaping global rules. Yet, they do not appreciate this as the basis for an autonomous global role *tout court*. The strategic autonomy project has unsurprisingly been the source of intra-EU strains, with countries such as France seeing it as a step towards an EU power projection capacity, Germany insisting on its supplementary nature to the transatlantic alliance and the likes of Poland dismissing it as delusional (Franke 2020; Blaszczyk 2020).

Following Biden's victory, the existing reluctance of most EU member states to invest more in the strategic autonomy project – or at least in its security and defence component – may well solidify, given the greatly diminished risk of protracted transatlantic estrangement (Tocci 2020b).

Making sense of Covid's impact on EU integration

The Covid shock resulted in the EU embracing greater fiscal solidarity but refraining from significantly strengthening its capacity for strategic autonomy. Underlying this discrepancy is the different effect that the economic and geopolitical consequences of the pandemic have had on European public and elite preferences. In the former case, preferences have shifted towards a greater integration thrust because EU fiscal solidarity has presented the best chance to mitigate the immense damage that Covid-related lockdowns have inflicted on the economy of EU member states. In the latter case, by contrast, and in spite of the direr international outlook for the EU brought about by the pandemic, the lingering benefits of the transatlantic relationship have worked as a brake on integration.

In this section, we discuss how exactly these diverging preferences have affected EU policymaking during the Covid crisis. To do so, we rely on an extensive body of scholarly literature that has investigated the impact of recent shocks, ranging from the Eurozone crisis to the migration surge, on EU integration (Jones *et al.* 2015; Lefkofridi and Schmitter 2015; Schimmelfennig 2018; Hooghe and Marks 2019). Of special interest are the works that have concentrated on the dimensions of EU policymaking that have been critical also in the case of Covid: the balance of power underlying intra-EU response negotiations; the relative strength of institutional path dependencies; and the political context, that is, the degree to which domestic politics has been permissive (or not) of EU-wide action.

The first dimension has attracted scholars from the intergovernmentalist school, keen to explain why certain shocks have produced a negotiated outcome whereas others have ended up in stalemate. For intergovernmentalists, the key to power dynamics is the ability of individual governments to turn the asymmetric interdependence between all EU member states into bargaining power to advance or block progress in intra-EU negotiations. In these terms, the sovereign debt crisis resulted in new institutional

arrangements because Eurozone member states had an interest in preserving the common currency. Yet such arrangements largely reflected the preference for fiscal austerity of a German-led group of financially healthy countries, which could thus impose their solutions on member states in distress. Conversely, negotiations over the redistribution of refugees coming into the EU ended in stalemate because countries adamantly opposed to any burden-sharing formula, such as Poland and Hungary, faced no cost for blocking progress (Schimmelfennig 2015; 2018; Biermann *et al.* 2019).

The degree to which path dependencies – the second dimension – have brought about institutional changes as a result of shocks has been the focus of neofunctionalist theorists. These have insisted on the lingering validity of the spillover effect, according to which integration in one policy area eventually creates the need for integration in other related policy areas. Attesting the point are such novelties as the ECB's venturing into monetary policies not explicitly envisioned in the Bank's original mandate (asset purchases in secondary markets) and the establishment of an initial banking union, both originated from the Eurozone crisis; as well as the minimal adjustments to the Schengen system following the migration surge (Bauer and Becker 2014; Schimmelfennig 2018; Niemann and Speyer 2018).

The third dimension, namely the domestic roots of EU action or inaction, has been investigated by “postfunctionalist” theorists, who contend that EU policymaking has become increasingly dependent on the ability of national actors to turn support for or opposition to EU integration into a political strategy to achieve and maintain an advantage over their domestic opponents (Hooghe and Marks 2008). In this reading, the crises of the 2010s have contributed to increasing resistance to supranational solutions, whereby new integration arrangements have been limited and could only be fashioned along an intergovernmental character (Genschel and Jachtenfuchs 2016; Börzel and Risse 2018).

As interesting as these theoretical accounts are on their own merit, they are remarkable because they are not just compatible with, but complementary to, one another (Schimmelfennig 2018; Hooghe and Marks 2019). If valid for past crises, there is every reason to assume that the cumulative explanatory capacity of categories drawn from different theoretical strands can also be applied to the Covid case.

Explaining the steps forward in fiscal solidarity

The bargain underlying the Next Generation EU fund can be easily explained with the liberal intergovernmentalist categories of asymmetric interdependence and bargaining. The interdependence dimension was reflected in the general understanding among member states that helping those hardest hit by Covid re-launch their economy would be instrumental in preserving the capacity of the single market to continue operating. The loans-cum-conditionality recipe applied during the Eurozone crisis was widely perceived to be economically counterproductive, however, as increasing further the costs of servicing already high levels of debt could have severely hampered the prospects of economic recovery in the worst-hit countries. Therefore, this time asymmetric interdependence worked to the latter's advantage. After Germany joined France in supporting the ambitious recovery plan put forward by the Commission, the ‘frugal’ countries lost any hope to shape the recovery fund according to their own preferences. While they

could theoretically use their veto power, they had no incentive to block progress. The costs of stalemate – reputational but also economic, since all four are relatively small and open economies deeply reliant on the single market – were too high. They could only bargain to obtain concessions, which they got in terms of higher rebates and a slight reduction of the grant component in the grant/loan mix of the recovery fund.

In neofunctionalist terms, path-dependency and spillover effects explain how supranational institutions such as the ECB and the Commission were able to bring forward an agenda for greater fiscal integration. Both institutions could point to the scale of the Covid-induced calamity to make the case for economic steps that had been discussed but not followed through previously. While expanding its capacity as the Eurozone’s ‘lender of last resort’, the ECB conveyed a strong message that monetary policy needed a fiscal complement. The Commission’s recovery plan expanded this spillover logic. Not only did it introduce elements of debt mutualisation but also directed the additional spending capacity to EU-wide digital and climate agendas, thus creating the basis for deeper integration in these domains.

However, it is arguably postfunctionalism that best explains why integrationist governments won the day. The external origin of Covid invalidated the argument that fiscal imprudence was responsible for the difficulties of the worst-hit member states – a dominant theme in the Eurozone crisis. European integration thus became less politically divisive. In addition, with Covid spreading across Europe, fiscal transfers could be construed as necessary to the health and welfare of all member states. Pro-integration parties and groups could therefore achieve political advantage domestically by combining national welfare with EU solidarity.

In conclusion, the shift in European public and elite preferences affected all dimensions of EU policymaking. The magnitude of the economic crisis raised the costs of vetoing progress, thus tilting the intra-EU balance of power against those resistant to fiscal transfers. EU institutions, most notably the Commission, seized on this to reactivate an integrationist agenda that had been discussed in the past but not brought forward. Eventually, however, an agreement was possible because political parties had now greater leeway to reconcile electoral advantage with a pro-EU agenda.

Explaining the steps backwards in strategic autonomy

Intergovernmentalist, neo- and postfunctionalist categories can also be combined to shed light on the EU’s modest response to Covid in the foreign policy remit. In intergovernmentalist terms, the bargaining logic driving the negotiation over the MFF worked against putting substantial resources into those European public goods that would bolster the EU’s strategic autonomy. The need to soothe the frugal countries’ concerns so that they would give up opposition to the recovery fund entailed cuts to other parts of the budget. That security and defence instruments ended up being halved can be explained neofunctionally by the fact that progress in these areas was too limited and recent to generate strong path dependencies (although, it should be noted, other more communitarised policy areas such as research took a hit as well). Postfunctionalism adds that an integration drive in foreign policy could have given Eurosceptic forces ammunition to politicise the whole process and threatened to derail the consensus on fiscal transfers, by far the most important objective in the negotiation.

These explanations are plausible, yet not exhaustive. The missing element is, to our best judgment, an account of the role of the transatlantic relationship, which has remained a decisive (arguably, *the* decisive) factor affecting EU member states' calculus on strategic autonomy, Trump notwithstanding.

Regrettably, the transatlantic relationship does not feature prominently in European integration theories. Historical narratives on the matter – of which there is no shortage – highlight a non-linear trajectory, whereby the US shifted from being the engine of early European integration (Rappaport 1981; Ellwood 1992; Lundestad 1998; Berend 2016) to acting as a brake on integration once it started perceiving it as a quest for independence from US tutelage (Peterson and Pollack 2003; Peterson 2004; Devuyt 2007).

International Relations scholars have contended, though, that the US has affected European integration in more indirect, and arguably profound, ways than just through expressions of support or, alternatively, caution. The Europeans could carry out the integration project also thanks to the creation of a US-promoted “security community” across the Atlantic, in which conflict would always be addressed peacefully (Pouliot 2006; Adler 2008), and the establishment of a US-centred multilateral order, in which the EU has become an influential rule-maker (Peterson *et al.* 2016; Damro 2016; Bradford 2020). For the Europeans, the pursuit of integration has been a way to strengthen the solidity of the Atlantic community (initially upon explicit US insistence), but also – and increasingly so – to have more sway in international rule-setting, thereby partly limiting US influence.

In theoretical terms, these calculations can be reduced to the motives of followership (Jesse *at al.* 2012) and soft balancing (Pape 2005; Posen 2006; Paul 2018). Soft balancing is a kind of limited resistance fully compatible with an asymmetric partnership, especially one that has its roots not just in strategic calculations but also extensive societal connections, cultural commonalities and political identity overlaps like the Atlantic ‘security community’. This said, followership has remained the prevailing motive. In the eyes of most Europeans, the benefits of followership, namely territorial protection through US security guarantees and the enabling of European international influence through the US commitment to the multilateral order, outweigh its costs (Alcaro 2016; 2020). This entails that the default preference of most, if not all, EU member states remains for a foreign policy empowered by transatlantic convergence.

The Trump administration tested this proposition, as the former US president hardly showed any interest in cultivating ties with Europe. As mentioned above, the Covid shock magnified the trend towards transatlantic estrangement. Nevertheless, most EU member states never truly contemplated a break from the followership pattern, in part because there was uncertainty about Trump's re-election prospects but especially because EU autonomy is by no means a comparable alternative to US security guarantees. Had Trump been re-elected, the clash between the logics of autonomy and followership could have short-circuited EU policymaking, given the reluctance of certain EU member states, especially in Central and Eastern Europe, to imperil their military relationship with the US. By contrast, Biden's stated intent to revive the ties with the European allies makes followership an appealing option again.

As recalled above, however, European integration has evolved in a way that is not perfectly consistent with this pattern. The degree of autonomy attained by the EU in trade, standard-setting and other non-security matters falls beyond the bounds of followership. The leader/follower framework is a necessary analytical lens to explain

how transatlantic relations work, but it does not capture the full picture. Notably, it fails to account for the potential of the Atlantic security community to accommodate a more balanced transatlantic relationship. EU member states' agency remains a critical variable for the shape this community can take: one of followership or more equal partnership. EU autonomy has been limited partly because it has invariably hit the ceiling of followership. Yet, there is no structural impediment to EU countries moving from followership to a more balanced partnership, which is conceivable in a security community. In this case, Europe's strategic autonomy would not just rebalance but revive the bond with a US that is invariably destined to invest its resources away from Europe and towards Asia.

For proponents of EU strategic autonomy, this is the pandemic's major geopolitical lesson for the Union (Tocci 2021). Others have taken the opposite view, namely that the more volatile world Covid has brought about increases the appeal of followership, especially now that transatlantic cooperation is again a viable proposition in Washington. In the end, the lingering effect of the dual shock of Covid and the turbulent years of the Trump presidency has been to contribute to articulating the case for or against strategic autonomy in clearer terms.

Conclusion

The world on which Covid-19 unleashed its destructive force in early 2020 was already one where the EU and its multilateral vision of the world were ill at ease. The devastating economic impact of extensive lockdowns, combined with trends exacerbated by Covid such as growing geopolitical rivalries and the declining authority of multilateral institutions, bore heavily on Europe's integration project. However, the risk that the pandemic could have stretched intra-EU ties to breaking point has not materialised. On the contrary, Covid-19 spawned an ambitious integration drive. It is not unreasonable to assume that, in the otherwise horrific legacy of the pandemic, there could also be a more cohesive EU. This may result in a greater capacity of EU institutions to advance ambitious digital and climate agendas, both internally and internationally.

However, the scaling down of the foreign and defence policy components of the next EU budget laid bare the absence of a consensus on endowing the Union with the amount of resources needed to make 'strategic autonomy' more than an aspirational goal. A major variable affecting the trajectory of the EU is, as it has been for 70 years, the state of the transatlantic relationship. A US administration led by an old-fashioned Atlanticist as Biden may be a mixed blessing, because Europeans will be tempted to interpret America's reinvestment in the transatlantic bond as a return to a leader-follower relationship. This pattern may still apply to certain – indeed fundamental – dimensions, beginning with the US nuclear umbrella. But on other, increasingly pressing dimensions (including trade, technology and climate regulations), European followership has become less sustainable. In a Covid world, EU member states should seize on the greater cohesion brought about by their internal response to the pandemic to press ahead with their external autonomy agenda, cognizant of the fact that, far from acting to the detriment of the transatlantic relationship, they would actually reinforce it.

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