Europe After the Pandemic

by Antonia Colibasanu - December 20, 2020

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For the European Union, two events were supposed to define 2020: Brexit and the looming 2021-27 budget, which includes the so-called Green Deal. As the new leadership in Brussels announced at the beginning of the year, these developments would set the course for a new “geopolitical” European Union. They would make the bloc stronger, removing uncertainty over losing a member and transitioning the economy to face 21st-century challenges. After a decade of instability, everyone in Europe looked to the visions laid out by the new European Commission and European Parliament as a chance for a fresh start.

The drivers for this focus on what the French call “strategic autonomy” – that is, restoring Europe’s independence as an economic, military and political actor – were manifold. Relations between the United States and Western Europe had become increasingly tense since Washington began exerting more pressure on NATO member states to increase their defense spending in 2009 to address the alliance’s growing imbalance. NATO operations in places like Libya highlighted how reliant Europe was on the U.S. for its security. In 2014, at the Wales summit, NATO members agreed to increase their national defense spending to 2 percent of economic output within a decade. But for Western Europe, in the face of an economic crisis that had ballooned into an existential crisis for the EU, and feeling no credible threats to national security, it was difficult for governments to justify placing spending on defense above other priorities.

But if the world didn’t seem like a military threat from most European capitals, in the 2010s it began to look dangerous in other ways. Years of Chinese takeovers of strategic European firms and infrastructure, intellectual property theft, and China’s general booming growth and confidence led the EU in 2019 to change Beijing’s status from “economic partner” to “strategic competitor and systemic rival.” Dependence on Russian energy gave it an uncomfortable degree of leverage. Chronic instability in parts of the Middle East and North Africa could revisit the 2015-16 migrant crisis on the EU. And beginning with the Trump administration, the bloc was increasingly squeezed by the U.S. and between the U.S. and China. Following the U.S. withdrawal from the Iran nuclear deal in 2018, the EU could not sustain its trading relations with Iran even though its members’ economic interests...
favored such relations. The U.S.-Chinese trade war raised costs and risks for European multinationals whose supply chains usually ran through either or both countries. In 2019, China threatened Germany, Europe’s largest economy, with punitive tariffs on cars to pressure Berlin into allowing Chinese telecom Huawei to build the country’s 5G infrastructure. Washington regularly waved the threat of auto tariffs to try to win concessions on trade, particularly an EU-U.S. trade deal. Even Russia banned imports of a vast array of agricultural products from Poland after the EU imposed sanctions in 2014 over Russia’s annexation of Crimea.

The Pandemic’s Impact

The pandemic accelerated these trends. China and Russia exploited Europe’s early divisions by publicly sending medical supplies and doctors to hard-hit regions. Behind the scenes China even threatened to curb medical supplies to the Netherlands in April to force the country to reconsider changing the name of its de facto embassy in Taiwan. In March, Germans were upset after reports surfaced that the Trump administration had tried to purchase exclusive rights to a coronavirus vaccine under development by a German firm (reports that both Washington and the company denied).

Worst of all for the EU, the pandemic brought nationalism back to the surface. Though the EU boasts the largest common market on the planet, it lacks shared strategies or goals. Even before the pandemic, the start of negotiations on the next long-term budget, the Multiannual Financial Framework (MFF), was reminding everyone of the union’s fragility, highlighting disparities between west and east and between north and south. The northern member states, which also happen to be the most developed, were unwilling to pay for the development of the southern states. The old member states in the west – states like France and Italy, themselves under economic stress – were unwilling to accept that newcomers in the east needed EU development funding more than they did. Talk of EU “regionalization” – the de facto disintegration into geographic and/or ideological blocs – once a topic dominated by euroskeptics, has moved into the mainstream over the past five years.

When the coronavirus began to spread in Europe, EU member states’ first reaction was to close borders to prevent inflows of people and outflows of medical supplies. Protecting the population’s health was a national prerogative, and Brussels could take only a managing role, helping to create structures in which member states could share resources. Early on, this system failed. Cries for humanitarian help from Italy, the worst-hit country in the beginning, were met by China and Russia before Italy’s peers in the EU. The situation changed within a few weeks, and EU member states managed to coordinate their actions to help one another – including by sharing some medical stocks
– but the lesson had been learned that protectionism prevails when national security is at stake.

In July, after the first wave of national lockdowns had ended, the EU member states agreed to allocate 750 billion euros ($920 billion) to a recovery fund, dubbed “Next Generation EU,” to ensure the “survival of the EU project.” The fund’s purpose in the short term is to help weaker European economies recover from the recession following the health crisis, and in the longer term to help close gaps between richer and poorer member states. It could even mark a turning point for the bloc, since it is the first time the member states will issue EU-wide bonds (so-called coronabonds) on the market. The recovery fund is also a breakthrough for the creditworthiness of some member states and the sustainability of their sovereign debt ratings. In the most optimistic scenario, the agreement might even take the EU closer to becoming a political union, as the (successful) launch of coronabonds would bring the bloc closer than ever to fiscal union. The euro could also become a reserve currency, and central banks would have access to a new set of large, liquid bonds to buy. Other dramatic changes include the temporary suspension of EU rules on debt, deficits and state aid; access to light-conditioned loans via the European Stability Mechanism; and access to a new unemployment fund called SURE (Support to mitigate Unemployment Risks in an Emergency).

All in all, the EU’s decision-making process during the pandemic proved to be flexible and adaptive. Though there are several steps remaining before the recovery fund is fully formalized – EU treaties require member states’ parliaments to ratify the agreement – Brussels has pushed through difficult decisions. Ultimately, though, it is the public that will decide what works and what doesn’t, and how quickly the economy will bounce back. The sooner the EU pulls together and starts its economic recovery, the better the chances for it to truly play an important geopolitical role globally.

Eastern Europe

Nowhere in the EU is the divergence in strategic outlook more different than between western and eastern member states. States like France and Italy look for their security threats in the Mediterranean and do not find Russia among them, but for states like Poland and Romania, Russia is inescapable. Occupying the middle ground, Germany considers Russia an economic partner, while recognizing its aggressiveness.

For Eastern Europe, the EU has been an effective engine for economic development. But it’s the United States that is seen in Eastern Europe as the major ally against the Russia, with which most EU members have different interests. Therefore, as Western Europe and the United States have diverged on security issues, Eastern Europe must maintain a balancing act between Brussels and Washington. Forging U.S.-backed regional alliances such as the Three Seas Initiative has also
become an important part of Eastern Europe’s defense strategy.

The pandemic exacerbated instability in the region. A war in the Caucasus and election-related unrest in Belarus confirmed both Russia’s weakness and its aggressiveness. At the same time, the pandemic validated the notion that the Western – or American – line of containment against Russia has shifted from Central Europe to Eastern Europe, currently encompassing a triangle of strategic agreements with the U.S., Poland and Romania. In July, Washington announced plans to withdraw 12,000 troops from Germany in what it described as a strategic repositioning of its European forces. The U.S. is currently negotiating with Poland and Romania on further deployments, as well as on new lines of cooperation.

With so much of Eastern Europe in flux, the challenges facing the region become clearer if we zoom in on the latest developments in the Baltic and Black Sea regions.

Baltic Sea Region

For Estonia, Latvia, Lithuania and Poland, Russia is the primary security threat. Russia has been waging hybrid warfare on the region since before 2010, but its efforts intensified after 2014, when Ukraine’s revolution reinforced the sense in Moscow that it was under threat from the West. Considering that most of the Russophone community in the Baltics relies on Russian media for information, the scenario most feared by Baltic governments is that the Kremlin might covertly orchestrate or aggravate a domestic incident involving the Russophone community to provoke a crisis. Russia could then take advantage of the ensuing turmoil and intervene militarily in defense of the Russian minority.

In response, Poland has worked to secure its strategic partnership with the United States through the signing in August of an Enhanced Defense Cooperation Agreement. In December 2019, the three Baltic states agreed to establish a joint NATO brigade with Poland as a framework country, with the goal of strengthening the readiness of NATO’s eastern flank. All the countries in the region have integrated new concepts into their national security strategies that counter hybrid attacks coming from Russia or elsewhere. Warsaw is also negotiating with Washington for an additional 1,000 U.S. troops to join the already 4,500 stationed in the country.

On the front lines between Russia and the West, though, is Belarus, which was hit hard by the coronavirus pandemic. After years of economic stagnation, President Alexander Lukashenko, who has held office since the country became independent in 1994, declined to take measures against COVID-19. Though the country of more than 9 million had over 70,000 cases and over 700 deaths
by the end of September, Lukashenko held firm, denying the severity of the virus and clinging to his power. Amid this crisis, the country held an election in August that Lukashenko won under dubious circumstances, sparking persistent and wide-scale protests. Inaugurated for his new term in late September, Lukashenko is still in power, but Moscow can do little to improve the situation. Russia, after all, needs to make sure it controls Belarus without appearing to have violated its sovereignty.

Poland and the other Baltic states see the situation in Belarus as an opportunity to pull the country out of Russia’s sphere of influence and into the West’s. However, although Poland and Lithuania have supported the Belarusian opposition, there is little else that they can do – not only because of the threat from Russia, but also because of their own socio-economic difficulties and lack of specific tools to help the Belarusian economy. Belarus has tried for years to forge closer ties with the EU, but it still depends too heavily on Russia to do so, especially on energy. The main challenge for Poland and the Baltic states is that Belarus’ unstable political and economic environment will spill over into Ukraine.

*Black Sea Region*

The Black Sea region is a flashpoint between the West, Russia and the Middle East. It was the site of two recent Russian ground combat operations, in 2008 and 2014, and is a critical transit area for Russian maritime access to Syria. Since 2014, Russia has expanded and modernized its Black Sea Fleet. The fleet now includes new cruise missile-capable diesel submarines and frigates, as well as deployments of air and coastal defense assets in Crimea. Russia has also deployed additional ground troops in its Southern Military District, which extends between the Black and Caspian seas and into the North Caucasus.

Turkey, on the other hand, aspires to become an important power in the Middle East and beyond via its neo-Ottoman policy. It has engaged in modest cooperation with Russia in the Middle East at a time when Ankara’s ties with Washington and major European capitals are fraying. Russia also has acquired more influence with Turkey (and potentially Bulgaria) via its TurkStream gas pipeline. All the while, the U.S. is trying to depart the Middle East but can’t ignore developments around the Black Sea. And because of the pandemic, the region is in flux. It has weakened the economies of both Russia and Turkey, making them only more alert to potential dangers in their borderlands. The crisis in Nagorno-Karabakh is one such example.

Given its shaky relations with Turkey, the U.S. has put more emphasis on its military relationship with Romania. The Mihail Kogalniceanu air base near Constanta, initially a transit base for U.S. military operations in Afghanistan, has grown in importance in recent years as the U.S. stepped up
its participation in regional exercises. The Black Sea port of Constanta has also received periodic visits by U.S. vessels. This trend has been accelerated by recent events in the Caucasus and the potential for new problems in the region (for example, the power transition in Moldova, where a pro-EU candidate defeated the pro-Russian incumbent) or in Central Asia.

In early October, the U.S. and Romania signed a 10-year defense cooperation roadmap and an $8 billion financing agreement for the modernization for the Cernavoda nuclear power plant. The U.S. also announced another $7 billion financing agreement to modernize and complete road and railway infrastructure linking the Black and Baltic seas. Then in late October, the U.S. and Bulgaria signed a memorandum of understanding on nuclear cooperation, indicating that Bulgaria will probably use U.S. technology to develop its Kozloduy nuclear reactor. The two countries also signed a 5G security agreement. Though there was no mention of Bulgaria’s Belene nuclear project, currently being developed with Russia, these announcements point to steps taken by the U.S. to limit Russian influence in the region. Indeed, this is one of the most important challenges for the countries of the Black Sea region: making sure that Russian influence remains limited and that, considering its weakness, Russia doesn’t become more aggressive in trying to project power in the region.

Conclusions

It’s still too early to know what Eastern Europe’s post-pandemic future will look like. But we can already see three changes taking shape that will impact the regional balance of power.

First, U.S. engagement in the region will increase. Considering its growing ties with Poland and Romania, the United States will likely take on a bigger role in regional governance. This will present new opportunities for economic development and structural reforms that could lead to further integration within the greater Eastern European region, from the Baltic to the Black Sea. At the same time, however, it will also increase the potential for resistance in areas and sectors where Russian influence is strong.

Second, the EU’s economic sovereignty will increase. The common market is the foundation of the bloc, and as protectionism grows across the globe – most notably in the U.S. and China – its member states will likely look to Brussels to impose protectionist measures to match those introduced by other global powers. Considering that Western and Eastern European countries have different economic interests, these measures could divide the bloc. If, however, its members come to a rare agreement on how to impose them, they could actually turn into a first step toward increased political unity.
Third, the energy sector will remain key for EU integration and stability. The EU has not given up on the Green Deal. On the contrary, support for it seems to have grown. The Green Deal advocates equal access to modern energy infrastructure for all EU members – which is especially important during crises like the one Europe is currently facing. However, the Green Deal also acknowledges the divide between Eastern and Western Europe when it comes to energy. It seems that some Eastern European countries – namely Poland, Romania and Bulgaria – have been looking to the U.S., instead of their neighbors to the west, for support in modernizing their nuclear energy production. Projects like Nord Stream 2 and Turkish Stream have also divided the Continent.

Europe’s biggest challenge remains polarization, particularly of its eastern nations. The divide between rural and urban and between classes is likely to deepen as the pandemic continues. Anarchism will become an increasing threat, as entire areas within these states could become ungovernable.

But as these challenges become clearer, openness for reform could also grow. Leaders will need to adapt to the new realities and find creative ways to bridge the gaps, making use of the technological progress available. Eastern Europe has the human resources needed to sustain technological progress, but it remains to be seen how much of that creativity and adaptability will translate into political restructuring and whether it will ultimately lead to positive change for the region.

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