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Covid-19 and European integration

A qualitative comparative analysis of EU
integration during crises

Bachelor's thesis in European studies

Supervisor: Tobias Etzold

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Norwegian University of Science and Technology
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Kunnskap for en bedre verden

Sammendrag

Denne oppgaven utforsker hvordan europeiske kriser påvirker europeisk integrasjon ved å analysere og sammenligne COVID-19-krisen med både Eurozone-krisen og Schengen-krisen. For å gjennomføre denne analysen benytter jeg av en kvalitativ komparativ tilnærming, med bruk av liberal intergovernmentalisme og neofunctionalisme som teoretisk rammeverk for å forklare de ulike utfallene av integrasjon. Ved å benytte to ulike teorier, øker det forklaringskraften og bidrar til en styrket forståelse av hva som fører til integrasjon og ikke. Oppgaven konkluderer med at det er mer sannsynlig å oppnå integrasjon hvis problemene som oppstår omhandler økonomi, i motsetning til politiske problemer.

Abstract

This thesis explores how European crises affect European integration by analyzing and comparing the COVID-19 crisis with both the Eurozone crisis and the Schengen crisis. To carry out this analysis, I use a Qualitative Comparative Approach with liberal intergovernmentalism and neofunctionalism as the theoretical framework to explain the different outcomes of integration. By using two different theories, it increases the explanatory power and contributes to a strengthened understanding of what leads to integration and not. The thesis concludes that it is more likely to achieve integration if the problems that arise concern the economic area unlike political areas, such as border control and migration where there is more difficult to find common ground.

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Abbreviations

EU	European Union
ECB	European Central Bank
ESM	European Stability Mechanism
RRF	Resilience and Recovery Facility
EMU	Economic and Monetary Union
EASO	European Asylum Support Office

1 Covid-19 and European integration during crises

1.1 Introduction

After a decade with a succession of major crises for the European Union (EU), such as the Eurozone crisis, the refugee (Schengen) crisis and Brexit, the COVID-19 crisis struck Europe, with enormous consequences (Jones et al., 2021, p. 1519; Luo, 2021, p. 1). The COVID-19 crisis (the pandemic) has involved every level of government, from local to global, it has affected all citizens and touched every sphere of life, from public to private (Goetz & Martinsen, 2021, p. 1003). The effects of the pandemic have extended to every policy domain and its political effects have been swift, prevalent and profound (Goetz & Martinsen, 2021, p. 1003). The severity of the challenge brought by the pandemic resulted in what Angela Merkel called "the European Union's biggest test since its foundation" (Reuters, 2020). The containment measures put in place to combat the pandemic have profoundly disrupted people's lives and the economy (European Commission 2020, p. 1). Supply chains, industrial output, commodity prices, global demand, labor supply, foreign trade and capital flows have all been affected by the pandemic (European Commission 2020, p. 1). As a result of this unprecedented worldwide shock, the EU entered its deepest economic recession in history (European Commission 2020, p. 1).

In the context of integration, crises are open decision-making situations which can trigger policy reform leading to further integration, but also present a probable threat to disintegration (Schimmelfennig, 2018, p. 969). This thesis will use Schimmelfennig's (2018) definition of integration, following an institutional concept of integration: "I define (dis)integration as a decrease or increase in the level of centralization (depth) or membership of EU policy regimes (width)". It is crucial to understand the circumstances under which crises bring about either integration or disintegration (Schimmelfennig, 2018, p. 970).

All three crises are similar in the respect that they all came under pressure owing to exogenous shocks (Schimmelfennig, 2018, p. 970; Wolff & Ladi, 2020). These shocks revealed major integration deficiencies, created severe intergovernmental conflict about burden sharing during the crises, and led to high domestic politicization (Schimmelfennig, 2018, p. 970; Wolff & Ladi, 2020). However, the crises have resulted in different integrational outcomes. In the Eurozone crisis and the pandemic, governments have agreed on major leaps forward in integration through the creation of a permanent rescue fund, banking union, greater macroeconomic and budgetary supervision in the case of the Eurozone crisis and developing a common health agenda, adopting reforms in terms of recovery fund, support to workers and businesses (Schimmelfennig, 2018, p. 970; Wolff & Ladi, 2020). However, the Schengen crisis and the pandemic differ from the Eurozone crisis in that Member States retook control of their open borders and the

Schengen crisis failed to achieve any significant integrational progress (Schimmelfennig, 2018, p. 970; Wolff & Ladi, 2020). The differences in outcomes despite similar causes (exogenous causes) is what this thesis will address. For this reason, the research question for this thesis is how the pandemic affected European integration in comparison to the Eurozone and the Schengen crisis.

The methodology for this thesis is a qualitative comparative analysis of the Covid-19 crisis, Eurozone crisis and the Schengen crisis. I have chosen this methodology to help explain why the crises have spurred different integration outcomes. To do this I use a brief literature review covering the response from the first six months of the pandemic, because of the recency of the crisis, with literature regarding the Eurozone crisis and the Schengen crisis. There are gaps in the literature on the pandemic, as it has only been two years since it started, and it is still ongoing. However, integration outcomes are present and comparable to the previous crises. I will use liberal intergovernmentalism and neofunctionalism to explain the integration outcomes. There is still limited literature on comparative analysis of the pandemic compared to other crises and how it affects integration. I have chosen this topic to learn more about what drives European Integration, especially during crises.

This thesis starts by presenting the theoretical framework for the analysis, which includes neofunctionalism and liberal intergovernmentalism, followed by a brief methodological explanation. From there I will present a thorough empirical background of the pandemic and more briefly, the Eurozone crisis and the Schengen crisis. Finally, I will present my empirical analysis, comparing the different crises and their different integrational outcomes.

2. Theory and methodology

To explain why some crises triggered bursts of political reforms and others largely failed to push for substantial integration the theoretical framework for this thesis is a combination of liberal intergovernmentalism and neofunctionalism. This is because both theories only partially explain the different integration outcomes to the crises and provide different perspectives on how EU Member States responded, within their national capabilities and the supranational collective responses.

2.1 Neofunctionalism

Neofunctionalism explains integration as a transformative process, stressing change in both expectations and activities on the part of actors participating in the process (Niemann et al., 2019, p. 45). It is not only the creation of regional institutions and the gradual expansion of their role, but also of the actor's expectations and activities (Niemann et al., 2019, p. 46). Path-dependency is central for the integration process for neofunctionalism, as high sunk and exit costs create further interdependence and enabling spillover (Schimmelfennig, 2018, p. 974).

Neofunctionalism deals only with the process of integration, once it has started and before it has ended (Niemann et al., 2019, p. 47). It has five assumptions about the driving forces behind its progress:

First, it assumes self-interested (imperfectly) rational actors who are able to learn and change their preferences, regarding both their interests and strategies (Niemann et al., 2019, p. 47). The key driving force is interdependent national and supranational elites, who can recognize the limitations of national policy solutions (Jensen, 2013, p. 61; Niemann et al., 2019, p. 47). Their shift in expectations (and possibly loyalties) towards the new center is regarded as motivated by the actors' conceptions of their own material interests (Jensen, 2013, p. 61; Niemann et al., 2019, p. 47).

Second, once regional institutions are established, they can acquire a degree of policy-making autonomy, allowing the employees to become agents of further integration by identifying new projects and influencing perceptions of interest of both private and public elites, thus transforming the definitions of the national interests in their member state (Niemann et al., 2019, p. 47).

Third, policy decisions introduced by regional institutions tend to be incremental (Niemann et al., 2019, p. 47). Decisions are based on a continuous compromises and marginal adjustments, resulting in unintended consequences (Niemann et al., 2019, p. 47). The political actors seem incapable to engage in "correct" long-term purposive behavior, and they "stumble" between decisions, often with imperfect knowledge and under pressure of crises and deadlines (Niemann et al., 2019, p. 47).

Fourth, exchanges between actors are characterized as positive-sum games, not zero-sum, in which all those involved can benefit and a "supranational" style of decision-making tends to develop, where the actors refrain from vetoing proposals and rather seek to reach agreement (Niemann et al., 2019, p. 49).

Fifth, national, subnational and supranational actors become more independent and embedded in complex networks of production, exchange and diffusion (Niemann et al., 2019, p. 48). As functional problems arise, they cannot be resolved within states, and the European level of aggregation seems to provide the best available framework for dealing with them (Niemann et al., 2019, p. 49).

For neofunctionalists, the dynamics of the integration process is explained by the core concept of spillover (Jensen, 2013, p. 54). Haas (1958) first described it as an "expansive logic of sector integration", where integration in one sector will induce "technical" pressures that push integration in other sectors (Niemann et al., 2019, p. 49). Thus, the effect is the notion that integration in one sector will "spillover" to other sectors, as functional problems become so interdependent that they can only be resolved by integrating even more tasks, resulting in *functional spillover* (Jensen, 2013, p. 54; Niemann et al., 2019, p. 49). For this reason, neofunctionalism can be used to argue that functional deficiencies in the capacities of the EU during the pandemic will lead to functional pressure and further integration.

2.2 Liberal intergovernmentalism

Liberal intergovernmentalism rests on two basic assumptions about politics at the international level. First, international politics happens in a context of international anarchy, where the critical actors are states who seek to achieve their goals through intergovernmental negotiation and bargaining, rather than through a centralized authority that makes and enforces political decisions (Moravcsik & Schimmelfennig, 2018, p. 65). This is not a "realist" assumption, as national security is not the main motivation, state preferences are not identical and state power does not depend on coercive capabilities (Moravcsik & Schimmelfennig, 2018, p. 65). The EU, in liberal intergovernmentalist terms is seen as an international regime for policy co-ordination, where member states are "masters of the treaty" and uphold their decision-making power and political legitimacy (Moravcsik & Schimmelfennig, 2018, p. 65).

Second, states are purposive and boundedly rational actors; they calculate the utility of different choices and choose the one that satisfies, or maximizes, their utility (Moravcsik & Schimmelfennig, 2018, p. 65). The results of the aggregation of and interaction among the individual actions based on relatively efficient pursuit of these preferences result in *collective outcomes* (Moravcsik & Schimmelfennig, 2018, p. 65). Liberal intergovernmentalism explains the merging of sovereignty at the supranational European level as an attempt by national governments to rescue the nation-state and improve their decision-making capacity through elevating domestically controversial issues to the European level (Milward 1992; Moravcsik, 1998). Thus, agreements to cooperate or to develop international institutions can be explained as collective outcomes of interdependent rational state choices realized through intergovernmental negotiation (Moravcsik, 1998; Moravcsik & Schimmelfennig, 2018, p. 65). Liberal intergovernmentalism explains international cooperation in a three-stage framework: first, states define their preferences, second, bargain to substantive agreements and third, create (or adjust) institutions to uphold the agreements in the face of political uncertainty (Moravcsik & Schimmelfennig, 2018, p. 65).

Moravcsik (1993) explains how intergovernmental bargaining takes place during crises: the nature of the asymmetry of interdependence and unequal distributions of costs and benefits of integration set the scene for intergovernmental bargaining. This can be caused by distributional implications, which means that even if agreements are reached on a joint response, the burdens of adjustment are likely to be unequally distributed. Thus, states will negotiate to push for those integration outcomes that are most beneficial according to their national interests. The states who are most affected by a crisis and stand to either gain most from further integration, or lose most from disintegration, will be in a weak bargaining position (Schimmelfennig, 2018, p. 973).

Therefore, liberal intergovernmentalism can be used to explain how Member States bargain and present their national preferences in intergovernmental bargaining on policy responses to the pandemic.

2.3 Methodology

The methodology for this thesis is a qualitative comparative analysis, based on Charles Ragin (1987, 2008) approach: *Qualitative Comparative Analysis* (Esser & Vliegenthart, 2017, p. 7). This approach is a holistic comparative method, which considers each case as a complex entity, as a "whole", requiring it to be studied in a case sensitive way (Esser & Vliegenthart, 2017, p. 7). The method combines a variable-based logic and qualitative, case-based interpretation (Esser & Vliegenthart, 2017, p. 7). Qualitative research involves collecting information in depth but from a small number of cases (Burnham et al., 2008, p. 40). Qualitative Comparative Analysis assumes that (i) causality is a mixture of different "conditions" (explanatory variables) that in interaction eventually produces a phenomenon (outcome); (ii) different combinations of conditions may produce the same outcome; and (iii) depending on the context in a specific condition can potentially have a different effect on the outcome (Esser & Vliegenthart, 2017, p. 7). Thus, different causal chains, where each chain is relevant in their own way, might lead to the same outcome (Esser & Vliegenthart, 2017, p. 7).

The documents and literature used in this text is mainly articles and books about European integration and EU policy.

3. Empirical background

3.1 EU 's first response to the pandemic

The initial first response to the pandemic appeared uncoordinated with disorganized lockdowns between the member states (Wolff & Ladi, 2020, p. 1027). The lack of exports of medical equipment from other member states to Italy made it appear that protectionism would govern the reaction of the member states (Wolff & Ladi, 2020, p. 1027). Further reintroductions of internal border controls without any coordination, thus suspending the freedom of movement, by 17 member states did not relay a positive outlook for European integration either (Wolff & Ladi, 2020, p. 1027). The unprecedented case of the pandemic caused a lot of uncertainty between the member states, resulting in a "blame game" dictating who was responsible and what policy decisions should have been put in place (Rhinar, 2020; Wolff & Ladi, 2020, p. 1027). The pandemic, as a public health problem, quickly became another economic crisis for the EU (Ladi & Tsarouhas, 2020 p. 1045). Only two years after Greece exited its last economic commitments from the Eurozone crisis, the EU was now facing a new economic crisis which was more unpredictable and potentially bigger than the Eurozone crisis (Ladi & Tsarouhas, 2020, p. 1045). However, the pandemic is caused by exogenous factors and its shock are symmetric for all countries. The shock and effects were symmetric (health hazard), but the receiving countries had asymmetric conditions in place, thus the effects were felt different (Ladi & Tsarouhas, 2020, p. 1045; Celi, Guarascio & Simonazzi, 2020, p. 411). Yet, after a decade plagued of a succession of crises, the EU appeared to fumble again, only to pull itself together and craft a common response, time and again (Jones et al., 2021, p. 1519). The common EU response has turned out to be more effective than its critics would have hoped for, but still less than what proponents might have imagined (Jones et al., 2021, p. 1519). Nonetheless, beneath the turbulent surface, the EU 's authority is once again strengthened (Jones et al., 2021, p. 1519).

However, measures were quickly adopted by the EU, indicating its adaptability to the pandemic as a crisis (Wolff & Ladi, 2020, p. 1027). Rhinard (2020) suggests in order to analyze the first response of the EU and its performance through a classification: one needs to look at (i) whether the already existing tools that the EU has in place for crisis management are functioning as planned or being used, (ii) what is the EU's ability to anticipate cascading effects of the pandemic/crisis and (iii) whether the EU has been "projecting an image of competence" in its communication and handling of the crisis.

First, the EU were quick to mobilize existing tools for crisis management and preparedness. The EU adopted decisions on Protective Equipment (PPE), which allowed for equipment to be bought, fully coordinated by the European Commission and through EU funds (Wolff & Ladi, 2020, p. 1027). Because of this, the EU Solidarity Fund was revised in order to "provide financial assistance to member states seriously affected by a major public health emergency" (Regulation 2020/461). Swift decisions also took place regarding vaccine research and "green lanes" were implemented to allow essential workers and patients to move across countries and borders despite Schengen suspensions. Prior to the peak of the pandemic, the Croatian presidency activated the EU's Integrated Political Crisis Response mechanism (IPCR) on 28 January 2020 (Wolff & Ladi, 2020, p. 1027). This enabled information sharing and is one of the tools the presidency can utilize to coordinate political response to complex crisis. This allowed for the coordination of meetings with representatives from The European Council, the European Commission, the European External Actions Service and member states to develop and adopt specific responses to the pandemic (Wolff & Ladi, 2020, p. 1028).

Second, the EU was able to predict the cascading effect of the pandemic on the economy and the harsh socio-economic impact of imposing lockdowns. Economic support for businesses and workers were quickly made available. By July 2020 €540 million were invested in supporting jobs in the EU (Wolff & Ladi, 2020, p. 1028). €100 million were invested to mitigate unemployment risk during the emergency (SURE), €200 million was made available to provide a pan-European guarantee fund for loans to companies by the European Investment Bank and €240 million went through the European Stability Mechanism (ESM) to member states for expenses related to public health. Likewise, European leaders recognized that they had to cooperate and act together. The EU was trying to avoid a North/south division that had poisoned the Eurozone crisis by the joint debt issuance alongside the corona bonds dispute, which received a lot of media attention during the first months of the pandemic and the debate was highly politicized (Wolff & Ladi, 2020, p. 1028).

On March 19 2020, the European Commission introduced a temporary framework which allowed for state aid to combat the economic impacts of lockdowns (Meunier & Mickus, 2020, p. 1079). For example, the EU, together with its member states, supported national airlines, which is a big shift compared to the EU legal principles of the Single Market, which disallows state aid as a result of its competition policy (Meunier & Mickus, 2020, p. 1079; Wolff & Ladi, 2020, p. 1028).

To further demonstrate its capacity to handle and anticipate the cascading effects, the EU launched a public health strategy, EU4Health, which was adopted in July 2020 (Brooks & Geyer, 2020, p. 1060; European Commission, 2022). The EU4Health program's main objectives are increasing preparedness for cross-border health threats, strengthening health systems and making medical equipment and medicines both affordable and available (Brooks & Geyer, 2020, p. 1060). The EU also launched a vaccine strategy, adopted June 2020, providing funding to startups, small and medium enterprises for researching vaccines (Wolff & Ladi, 2020, p. 1028). The European Council revised the EU budget for 2020 in September 2020, with an additional €6.2 billion to allow the European Commission to invest further in developing a Covid-19 vaccine and to tackle the effects of the pandemic through the Corona Response Investment Initiative (CRII) (Wolff & Ladi, 2020, p. 1028).

However, the most important decision from the EU for tackling the cascading effects were taken by the European Council in July 2020, where it was decided to create a Resilience and Recovery Facility (RRF) (Ladi & Tsarouhas, 2020, p. 1041). "The exceptional nature of the economic and social situation due to the Covid-19 crisis requires exceptional measures to support the recovery and resilience of the economies of the Member States" (Special Meeting of the European council, Conclusions, 21 July 2020, Article A1). The Recovery and Resilience Facility is the centerpiece of NextGenerationEU program and has made over €700 billion in loans and grants available to support the necessary reforms and investments to mitigate the socio-economic impacts of the pandemic and make the EU member states more sustainable, resilient and better prepared for both the challenges and opportunities that can arise in the green and digital transitions (EC:RRF).

Third, the EU has projected an image of competence by highlighting acts of solidarity and cooperation which the media did not report, the European Council on Foreign Relations explained that Poland supplied medical personnel to Italy, Lithuania supplies 35,000 protective gloves the Croatian police and the Czech Republic donated over 200,000 respirators to Slovakia (Wolff & Ladi, 2020, p. 1028). The EU has also taken a firm stance against disinformation, by actively combating it (Carrapico & Farrand, 2020, p. 1111). The spread of online disinformation has resulted in a divide in the levels of trust placed in cybersecurity actors, as social media platforms have been deemed as not sharing EU values of both free and harmful speech which has been amplified by the proliferation of conspiracy theories related to the pandemic (Carrapico & Farrand, 2020, p. 1112). The European Commission identifies the spread of disinformation as a source of rising instability in the EU and a hindrance to effective policymaking in health and climate areas (Carrapico & Farrand, 2020, p. 1118). However, the EU failed to project an image of competence in the multilateral institutions, primarily the World Trade Organization (WTO) and the World Health Organization (WHO), where the pandemic exacerbated the weakening of these institutions as a result of an already present US-China competition, where the EU remained silent (Alcaro & Tocci, 2021, p. 3)

The EU's response to the first six months of the pandemic portrays an actor who has taken swift decisions on complex matters. By mobilizing existing tools for crisis management, the EU was able to acquire protective equipment, develop a health agenda and fund vaccine research, revise the Solidarity Fund and implement "green lanes" to

support workers and businesses. The EU was able to anticipate the cascading effects of the pandemic and put in the necessary measures to limit some of the socio-economic effects of the pandemic. Through cooperation between the Member States and the EU institutions, especially the European Commission, which launched ambitious reforms and programs to help the EU recover through green and digital development.

3.2 The Eurozone and the Schengen crisis

The decade prior the pandemic (2010s) was plagued by a succession of crises: the Eurozone crisis, the Schengen/refugee crisis and Brexit have all been definite threats to European integration. The decade of crises has led scholars to craft new theories of European integration. Even though these crises have given the EU a beating, they have also pushed for further integration (Biermann et al., 2019; Davis Cross, 2017; Genschel & Jachtenfuchs, 2018; Hooghe & Marks, 2019; Schimmelfennig, 2018). These scholars have revisited existing grand theories of European integration, such as intergovernmentalism, neofunctionalism and post-functionalism to explain the effects of these crises on European integration. However, other scholars crafted disintegration theories to explain the effects (Jones, 2018; Vollaard, 2014).

The literature in focus for this literature review stems from the Eurozone crisis and the Schengen crisis. Both crises originated from exogenous shocks, where the Eurozone crisis can be traced back to the US subprime mortgage crisis and the Schengen crisis to armed conflict and political repression in the Middle East (Schimmelfennig, 2018, p. 977). Scholars agree that both crises have contributed to a rise in Euro-skepticism (Baerg & Hallerberg, 2016; Bickerton, Hodson & Puetter, 2014; Bulmer & Joseph, 2015; Schimmelfennig, 2018).

The Eurozone crisis was caused by European banks participation and linkages to the US financial markets (Schimmelfennig, 2018, p. 975). When the US subprime mortgage crisis hit, it triggered a deep financial crisis and economic recessions which led to the European banks becoming consumed by the crisis forcing the European banks to be bailed out by their governments (Schimmelfennig, 2018, p. 975). The economically weaker Eurozone members, who were given cheap loans after the introduction of the euro, defaulted on their bonds, leading to further bank bailouts and the credit squeeze, which brought them to the brink of sovereign default (Schimmelfennig, 2018, p. 975). The Eurozone crisis revealed how the EU institutions and the member states as slow to react and politically frail in the financial markets (Bulmer & Joseph, 2015, p. 726).

Scholars agree that the Eurozone crisis led to a deepened integration within the Eurozone (Biermann et al., 2019; Bulmer & Joseph, 2016; Börzel & Risse, 2018; Genschel & Jachtenfuchs, 2017; Schimmelfennig, 2018). The fact that every member of the Eurozone remained, and no one decided to exit demonstrates resilience. Further, the rigid no-bailout policy in the EMU was replaced with practices and institutions allowing countries in deficit to get sufficient public credit to stay afloat (Schimmelfennig, 2018, p. 979). In March 2012 the European Stability Mechanism (ESM) superseded its predecessor from 2010 the European Financial Stability Facility (Schimmelfennig, 2018, p. 979). The ESM has a capital stock of €80 billion from the Eurozone members and has a lending capacity of €700 billion (Schimmelfennig 2018, p. 979). This demonstrates a serious and permanent financial commitment from the Eurozone members and further integration. Fiscal regulation and supervision were also strengthened through the

introduction of legislative acts, especially the "Six-Pack" and the "Two-Pack" (Bickerton et al., 2014; Schimmelfennig, 2018). The EU has also put in motion a "banking union", through the Single Supervisory Mechanism (SSM) which has given a new supranational authority at the European Central Bank (ECB) the role to supervise systematically significant banks (Schimmelfennig, 2018, p. 980).

The Schengen crisis threatened EU migration and asylum policy, creating new divides between member states (Bulmer & Joseph, 2015, p. 726). The freedom of movement is a quintessential value of the EU, but this core value was threatened in 2015 when the migration crisis broke out, creating the Schengen crisis. The Schengen agreement is a critical component of the Single Market, allowing the citizens of 26 European countries to freely cross the borders to live, work or travel, without border checks (Popa, 2016, p. 96). By the end of 2016, over 5 million refugees had reached European shores, seeking refuge from war and political repression in the Middle East (UNHCR, 2022). This caused a reintroduction of border checks in the Schengen area, threatening the free movement within the EU (Börzel & Risse, 2018; Colombeau, 2019, p. 2258). Most of the literature regarding the Schengen crisis has been concentrated on the external borders (Colombeau, 2019; McMahon & Sigona, 2018; Pallister-Wilkins, 2015). A chain reaction of reintroducing border checks began in September 2015 with Germany, Denmark, Sweden, Norway and Austria all adopting border controls (Colombeau, 2019, p. 2258; Niemann & Zaun, 2018). Börzel and Risse (2018) interprets this as a dislocation of the Schengen area, as it moved the external borders of the EU, thus triggering a Schengen crisis. Further doubts were cast on the EU as thousands of refugees and migrants died on its external borders, broadening the horizon of the crisis into a humanitarian crisis as well (Niemann & Zaun, 2018). The EU's Dublin Regulation was also broken by the two Mediterranean countries receiving the biggest influx of migrants and refugees: Greece and Italy (Nedergaard, 2019, p. 81). The Dublin regulation determines that the first EU country that receives migrants and refugees are supposed to handle their cases and migrants can only apply for asylum in one country, which Italy and Greece both broke (Nedergaard, 2019, p. 81). Their justification for doing so was a lack of financial and administrative capacity to deal with the sudden, large influx of migrants and refugees (Nedergaard, 2019, p. 81). To cope with this, the EU has focused on externalization by looking to third countries to prevent the migrants from reaching the EU in the first place (Schimmelfennig, 2018, p. 981). An agreement with Turkey in 2016 were put in place to prevent major influxes from the East (Schimmelfennig, 2018, p. 981). The Schengen area also lacked a burden-sharing mechanism to assist the border countries, resulting Greece and Italy stopping registering a large number of migrants, failed to properly manage their asylum procedures and turned a blind eye to migrants leaving for other Schengen countries (Schimmelfennig, 2018, p. 977). However, the European Asylum Support Office (EASO) and Frontex received a large expansion of budgets and personnel but did not receive any supranational competencies (Schimmelfennig, 2018, p. 981). EASO is a support institution and is limited in its supranational capacities, but Frontex, now called the European Border and Coast Guard (EBCG) Agency, were proposed given supranational competencies by the Commission where it could return rejected migrants and deploy border guards to EU states without government consent (Schimmelfennig, 2018, p. 981). These proposals did not pass the European Council of Ministers, nor the European Parliament (Schimmelfennig, 2018, p. 981).

In sum, the EU was not prepared for either the Eurozone or the Schengen crisis. However, the crises spurred divergent outcomes (Schimmelfennig, 2018, p. 979). The Eurozone persevered and went through a series of deepening integration by introducing the ESM, ECB programs, creating a centralized financial market supervisor and reducing Member States autonomy in budgetary policies (Schimmelfennig, 2018, p. 980). However, the integration was not as deep as many had hoped for. The North/South divide came in the way for further economic integration.

The Schengen crisis led on a suspension of the Schengen regime, not a transformation. Instead of creating deepened integration it resulted in a quantitative expansion, more agencies, not more supranational competence.

4. Empirical analysis

4.1 The Covid-19 pandemic and the Eurozone crisis

The pandemic and the Eurozone are similar in the sense that they both are economic crises, even though the pandemic originated as a health crisis. However, the economic policy regimes of the EU were affected differently. The Eurozone crisis revealed weaknesses in the Economic and Monetary Union (EMU), with a lack of efficient European rules and mechanisms for bailing out systematically relevant banks and rescuing insolvent member states in balance-of-payment crises (Schimmelfennig, 2018, p. 976). The preexisting EMU rules prohibited supranational or intergovernmental bailout and deficit financing (Schimmelfennig, 2018, p. 976). At the same time, a state-bank "doom loop" developed, which means that during crises, bank risk and sovereign risk interact to create further risks endogenously (Alogoskoufis & Langfield, 2019; Schimmelfennig, 2018, p. 976). Governments were bailing out their domestic banks, causing an increased sovereign credit risk, resulting in an increase in the vulnerability of banks invested in sovereign bonds and the interest rates governments had to pay to keep their credit access (Schimmelfennig, 2018, p. 976). As a result of the growing balance-of-payment issues, the Eurozone countries did not have the option to devalue their currency nor receive bailouts or fiscal transfer from the Eurozone policy regime (Schimmelfennig, 2018, p. 976). The EMU rules and the lack of suitable policy instruments increased the risk that the Southern deficit countries would default and abandon the euro, a perfect primer for spillover (Schimmelfennig, 2018, p. 976). However, the Eurozone crisis did result in both widened and deepened integration as no countries left and the strict no-bailout policy was replaced with institutions offering deficit countries with public credit to stay afloat, an example of functional spillover (Schimmelfennig, 2018, p. 979). In 2012, the ESM superseded the European Financial Stability Facility of 2010, providing a lending capacity of €700 billion, similar to the pandemic (Schimmelfennig, 2018, p. 979). The Eurozone crisis unfolded in 2009, and it took the EU three years to introduce the ESM and the Fiscal Compact, which can be seen as sluggish (Schimmelfennig, 2018, p. 980).

On the other hand, when economic consequences of the pandemic were unfolding the EU was quick in its response. Supranational bailouts and deficit financing were introduced only a few months after the pandemic broke out in March 2020 (Wolff & Ladi, 2020, p. 1028). This highlights the difference between the Eurozone crisis, where the EU institutions and Member States were slow to react and appeared politically frail in the financial markets (Bulmer & Joseph, 2015, p. 726).

Liberal intergovernmentalism can explain the quick EU response, as each Member State had a domestic interest in formulating a common EU response to address the concerns of trade, economy and tourism (Sharma, 2021, p. 138). During the Eurozone crisis, there was more interstate bargaining, as the Northern states were reluctant to bail out the Southern states. However, from a neofunctionalist approach it can be suggested that based on the pre-existing ESM mechanism, the pandemic would also trigger spillovers (Sharma, 2021, p. 136). Indeed, a similar spillover occurred when the ESM mechanism was used for loans up to 2 percent of GDP for health-related purposes, agreed upon by both Member States and supranational elites, resulting in political spillover (Sharma, 2021, p. 136).

To prevent the conditionality and austerity measures which characterized the Eurozone crisis response, the EU issued joint debt (Wolff & Ladi, 2020, p. 1028). The joint debt issuance alongside the corona bonds dispute received a lot of media attention during the first months of the pandemic and the debate was highly politicized (Wolff & Ladi, 2020, p. 1028). To prevent the "morality tale" of the North/south division that had plagued the Eurozone crisis, with Northern virtues of "hard work, prudent savings, moderate consumption, wage restraint and fiscal stability" to the Southern vices of "low competitiveness, meagre savings, undeserved consumption, inflated wages and fiscal profligacy", the EU issued joint debt and corona bonds (Matthijs & Mcnamara, 2015, p. 135; Ladi & Tsarouhas, 2020, p. 1046). This was a way to avoid the conditionality and austerity measures which defined the Eurozone response through highlighting the differences through the "morality tale" in the media, thus politicizing the debate (Ladi & Tsarouhas, 2020, p. 1046; Wolff & Ladi, 2020, p. 1028). Also, in contrast to the Eurozone crisis, the EU revised state aid rules as early as 19 March 2020, breaching the EU legal principle of not allowing state aid in the Single Market (Meunier & Mickus, 2020, p. 1079). The revised state aid rules are another example of functional spillover. The EU, alongside its Member States, supported national airline companies, an unprecedented case in the Single Market (Meunier & Mickus, 2020, p. 1079; Wolff & Ladi, 2020, p. 1028). However, not all Member States are in the same economic position, with differences in economic capabilities, the Northern countries can gain an unfair advantage over the more limited Southern countries, thus skewing the functioning of the Single Market and the level of integration (Salvati, 2021, p. 11).

Another similarity between the Eurozone crisis and the pandemic is that both crises had an exogenous cause and was a symmetric shock, but with asymmetric effects (Luo, 2021, p. 10; Schimmelfennig, 2018, p. 975). The Member States' economies were affected differently as debt levels varied (Ladi & Tsarouhas, 2020, p. 1042). The Eurozone crisis revealed the North/Southern divide, where the "South" had more debt, were less wealthy and under pressure from the financial market, than the "North" (Schimmelfennig, 2018, p. 977). Thus, the Southern states had to be bailed out by the Northern (Schimmelfennig, 2018, p. 977). However, the pandemic hit all states without discrimination, leading to *all* member states having a skyrocketing unemployment rate and record-high GDP reductions in 2020 (Ladi & Tsarouhas, 2020, p. 1042). As some Southern states such as Spain, Italy and Greece were already burdened with unprecedented debt and rising unemployment, their economic and political stability were threatened (Ladi & Tsarouhas, 2020, p. 1042). Liberal intergovernmentalism can explain why all Member States had national interests in acquiring cheap ESM loans to finance their public health services, which was agreed upon without much bargaining (Sharma,

2021, p. 138). This was also the case for the EIB loans and the SURE program, as worker layoffs would have led to economic consequences (Sharma, 2021, p. 138). This also demonstrated solidarity to keep each other afloat, not just a “Northern” bailout like in the Eurozone crisis.

On the other hand, the biggest difference between the Eurozone crisis and the pandemic is the decision from the European Council to create the RRF, granting loans to all member states, allowing them to increase their public spending (Wolff & Ladi, 2020, p. 1028). The implications of introducing the RRF is multidimensional (Luo, 2021, p. 12). It is the first step towards a fiscal union within the Eurozone (Luo, 2021, p. 12). The absence of a fiscal union in the EMU has long been a critical weakness of it, as the economic performance between the member states has persistently been divergent since the launch of the EMU (Luo, 2021, p. 12). The Eurozone crisis also demonstrated the importance of establishing a fiscal union but attempts from five presidents of different EU institutions and French president, Macron, have failed in their push towards further fiscal integration, mainly due to resistance from the northern countries, especially Germany’s rejection of a fiscal transfer union (Luo, 2021, p. 12). The RRF came from a Franco-German proposal, thus being a full reversal of Germany’s prior rejections (Luo, 2021, p. 12). Olaf Scholz, German finance minister at the time, described the proposal as a “Hamilton’s deal”, referring to the initiation of the US fiscal integration towards a fiscal union in 1790 (Luo, 2021, p. 12). From a liberal intergovernmentalist perspective, the different preference constellations are apparent, with the North/South divide. However, intergovernmental bargaining led to the Franco-German proposal, rendering the Northern coalition dissolved (Luo, 2021, p. 12). Germany’s prior preferences left many surprised as the Northern coalition fell apart when its front seat driver left the wheel (Ladi & Tsarouhas, 2020, p. 1046). This highlights the contrasts between the pandemic and the Eurozone crisis in the German position in the intergovernmental bargaining.

The RRF can also be seen as a return to Keynesian economic in Europe, increased government spending to raise the aggregate demand in the economy, which drove the European economies in post-war Europe, this is a stark contrast to the Eurozone crisis austerity measures (Clarke, 1988; Luo, 2021, p. 11). This change of mind from the Northern countries towards fiscal transfers can be explained by the neofunctionalism concept of *functional spillover*, as the pandemic threatened to undermine the EMU (Becker & Gehring, 2022, p. 6). The EMU limits the ability of Member States to act in economic crises and prohibits them from introducing counter-cyclical economic policies (Becker & Gehring, 2022, p. 6).

A similarity between the Eurozone crisis and the pandemic is the blame game that took place during both crises. A difference between the two blame games is that during the outbreak of the pandemic, the Member States were blaming each other for causing the contagion of the virus, but in the Eurozone crisis they were blaming the Southern Member States for lacking fiscal discipline and supervision. However, the blame game during the pandemic was very brief, unlike the blame game that took place during the Eurozone crisis. The “morality tale” of the Eurozone crisis was avoided during the pandemic and instead acts of pan-European solidarity was displayed (Ladi & Tsarouhas, 2020, p. 1046; Loss & Puglierin, 2020). These blame games can be interpreted as a form of interstate bargaining, as the ones who put blame on others attempt to weaken their

bargaining position by blaming them. The European Solidarity Tracker, a project by the European Council on Foreign Relations, provides data on which actors showed solidarity with whom during the pandemic (Loss & Puglierin, 2020). This data reveals that every EU member has shown solidarity with other members with over 600 instances in the period March-September 2020 (European Solidarity Tracker, 2020). In the beginning acts of solidarity took form in deliveries of medical equipment, admission of foreign covid-19 patients and assistance from foreign medical personnel to hard-hit areas (Loss & Puglierin, 2020). Cicchi et al (2020) compare attitudes from the EU on public support for solidarity between pandemics and debt crises, revealing a strong support for European solidarity in the case of a pandemic, compared to a debt crisis.

4.2 The Covid-19 pandemic and the Schengen crisis

The most obvious similarity between the Schengen crisis and the pandemic is the border control both crises gave rise to. The reasoning, however, was different. The immediate contagion threat from the Covid-19 virus was different from the migration influx of the Schengen crisis (Börzel & Risse, 2018; Colombeau, 2019, p. 2258; Wolff & Ladi, 2020, p. 1027). The sudden reintroduction of border controls in the Schengen area for both crises are justified differently; the pandemic posed health threats to EU citizens while the migration crisis was linked to traditional notions of security (Wolff & Ladi, 2020, p. 1031). Both reintroductions of border controls can be interpreted as a step towards disintegration, as it is a suspension of the Schengen regime and it prohibits the free movement within the EU.

The Schengen crisis was also an exogenous shock, like the pandemic, but the reasons for imposing border controls differed. The pandemic was trying to prevent virus contagion, while the Schengen crisis was a result of the migration crisis and was trying to prevent a mass influx of migrants and asylum-seekers (Colombeau, 2019, p. 2258; Wolff & Ladi, 2020, p. 1027). The director of Frontex, Fabrice Leggeri, claimed that the EU was “protecting its external borders to guarantee free movement in Europe”, but when the border controls were imposed during the pandemic, the internal borders were also closed (Colombeau, 2019, p. 2259). However, there was one exception, the French authorities decided to reinforce internal controls on its southeast border with Italy in June 2015, before the peak of the migrant crisis (Colombeau, 2019, p. 2259).

The biggest difference between the Schengen crisis and the pandemic is that the effects of the Schengen crisis were very asymmetrical, while the initial shock of the pandemic was symmetric. This resulted in intergovernmental conflict which can be explained by liberal intergovernmentalism, as the different state preferences depended mostly on their geographical positions (Schimmelfennig, 2018, p. 978). Biermann et al (2019) use two groups of Member States to capture the political preferences during the Schengen crisis: *affected states* and *non-affected states*. The big influx of migrants from Northern Africa and the Middle East led the affected states to put forward reform proposals for fairer burden-sharing, this was however opposed by the non-affected states (Biermann et al., 2019, p. 255). The German minister of foreign affairs at the time, Steinmeier, said that “it is unacceptable for European countries to overcome their problems by putting another European partner in a state of need” (Biermann et al., 2019, p. 257). This bargaining comes from the affected states, as Germany along with most of the Northern coalition

along with the southern “frontline” states demanded more from the non-affected, mostly eastern states (Biermann et al., 2019, p. 257). The main objective of the non-affected states was to remain non-affected and avoid potential negative externalities from the incapability of the affected states to handle the migrant flows (Biermann et al., 2019, p. 257).

In comparison to the pandemic, where the border controls were internal and EU-wide. The present economic and administrative burden and the lack of necessary burden-sharing among the Member States, the Schengen crisis led to intergovernmental distributional conflicts resulting in a stalemate (Alcaro & Tocci, 2020, p. 9; Schimmelfennig, 2018, p. 977). As the border controls of the pandemic were not caused by high pressure from a migrant influx, but rather virus containment, there was no burden to bear.

Another similarity between the pandemic and the Schengen crisis is that even though both raised major issues of border politics within the EU, neither led to any substantial integration. There was considerable functional pressure during both crises, but the integration dynamics in this policy area did not lead to any functional spillover (Becker & Gehring, 2022, p. 12). They differ in the sense that during the pandemic, the unilaterally imposed border controls and travel bans within the EU undermined the free movement of EU citizens, while the Schengen crisis was trying to prevent a massive migrant influx (Becker & Gehring, 2022, p. 13). Liberal intergovernmentalism can help explain why there was functional pressure and still no integration, as there was an unfavorable cost-benefit ratio, reflected in the intergovernmental bargaining logic (Becker & Gehring, 2022, p. 13). In this case, if Member States were to give up their border controls and travel restrictions as instruments of domestic pandemic policy would have necessitated making health policy supranational (Becker & Gehring, 2022, p. 14). As domestic pandemic control measures differed, along with infection rates, countries with lower infection rates and stricter measures could have faced negative externalities from their neighboring countries with possibly more flexible approaches and higher rates of infection, unless the Member States harmonized their disease control measures (Becker & Gehring, 2022, p. 14). The gradual move towards coordinated soft measures put forward by the European Commission follows the logic of neofunctionalism, as these instruments allowed the European Council to efficiently work together and “ensure smooth border management for persons and goods and preserve the functioning of the Single Market” and to address problems concerning cross-border and seasonal workers” to mitigate the negative effects of border controls for the Single Market (Becker & Gehring, 2022, p. 14).

5. Conclusion

After a decade of crises, the EU was once again struck by another, the covid-19 pandemic. However, it seems that the EU can bounce back from whatever challenge thrown at it. EU crises definitely posit an opportunity for further (dis)integration.

This thesis has tried to explain how the covid-19 pandemic affected European integration in comparison to the Eurozone and Schengen crisis. By using a liberal intergovernmentalist and a neofunctionalist theoretical framework this thesis has attempted to show how these theories can explain the different integration outcomes. All three crises came about from exogenous shocks but revealed endogenous deficiencies.

In sum, it is more likely to achieve integration if the problems that arise concern the economic area unlike political areas, such as borders and migration where there is more difficult to find common ground. It seems like the EU learned from the Eurozone crisis, resulting in a quicker policy response during the pandemic, building on tools implemented during the Eurozone crisis, but also introducing new policies. Liberal intergovernmentalism gives a better explanation than neofunctionalism for why the Schengen crisis did not produce any substantial integration, as the burdens were unequally distributed, skewing the bargaining game. As for the pandemic, the functional pressure was not high enough as almost every Member State closed their borders for national health security, leaving nothing to be bargained for.

Liberal intergovernmentalism can explain the different state preferences, the distributional conflicts that arise and the interstate bargaining occurring in all three crises. Liberal intergovernmentalism can therefore explain how and why some Member States were pushing for further integration or maintain the status quo, while others were against it. Thus, liberal intergovernmentalism demonstrates why the Schengen crisis and the pandemic did not lead to any substantial integration in the border control area. However, there was functional pressure during both crises in this area, but it did not lead to any functional spillover, liberal intergovernmentalism can explain this, as there were unfavorable cost-benefit ratios which can be seen in the intergovernmental bargaining logic.

Neofunctionalism, on the other hand, explains why integration occurred from the Eurozone crisis and the pandemic, as the economic area was already integrated, resulting in a financial interdependence with prohibitive exit costs led both crises to result in functional spillover. As the Eurozone crisis and the pandemic both posed a threat to the EMU, the functional pressure in the economic area was immense, thus leading to functional spillover.

The functional spillover in the economic area with the RRF, led to what some scholars refer to as a "Hamilton's deal", comparing it to the US deal, where the states moved towards a fiscal union. This could be an interesting topic for future research, as time will show if this actually was a first step towards a European fiscal union.

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