

[DOI: 10.20472/EFC.2020.013.017](https://doi.org/10.20472/EFC.2020.013.017)

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## **FAILURE OF EUROPEAN UNION INSTITUTIONS IN RESOLVING CORONAVIRUS CRISIS AND IN SUBSEQUENT REDISTRIBUTION OF FUNDS**

### **Abstract:**

The goal of this article is to carefully analyze the political-economic reactions of the European Union Institutions on the pandemic crisis created by the SARS-CoV-2 virus causing Covid-19 disease, commonly known as coronavirus. The first part of the article is dedicated to the general theory of integration, the history of European integration, and the historical development of EU institutions. The general theory of integration and EU institution's development are both included because understanding these basic principles and processes is vital in understanding the contemporary problems within the European Union. The second part of this article is dedicated to the analysis of the reactions done by EU institutions, regional Visegrad group, and selected EU member states to the rapidly spreading Covid-19 disease. The third part of this article is dedicated to possible future outcomes for European nations once the coronavirus pandemic is over. The possible future outcomes of pandemic crisis are in the context of this article changes in European or national legislative, changes in money redistribution done by EU institutions, or changes in the mood among the people living in member states of the European Union.

Acknowledgment: The publication of this article was supported by the University of Economics, Prague research grant IGA no. IGS F5/41/2020

### **Keywords:**

Institutions of the European Union, European Union, European Integration, Covid-19, Coronavirus, Visegrad 4

**JEL Classification:** F50, H75, I38

## 1. INTRODUCTION AND WORK METHODOLOGY

The aim of the research is to assess the responses and measures taken by the European Union institutions and by selected national executive branches in reaction to external shocks in connection with the COVID-19 pandemic. The primary method used in the research is an analysis, based on the systematic mental breakdown of the objects being researched into narrower segments, which then became the subject of a further, deeper research. By analyzing the properties, relationships and facts and by proceeding from whole to part, we are then able to compare the individual phenomena and their consequences. The authors assume that there is a system behind the described phenomena (a set of elements and relations existing among them which form a given whole) and that established regularities typical for the functioning of the system apply to it. Thanks to analytical processes, we have been able to separate the essential from the non-essential and distinguish lasting relationships from the random ones. Subsequent comparison of selected Member States of the European Union and the individual steps they have taken in the fight against Covid-19 helped us to identify the mistakes that occurred in the given period.<sup>1</sup> The secondary method is a chronological analysis of these measures and assessment of their functioning across selected countries and the European Union as a whole. The main methodological difficulty is to clarify the concepts associated with "death from coronavirus." The difference between death "from coronavirus" and "with coronavirus" has made it significantly more difficult for authors to compile more detailed analyzes and time series. Ladislav Dušek, Director of the Institute of Health Information and Statistics of the Czech Republic, publicly commented on the issue of the methodological procedure, drawing attention to the poorly defined methodology. The problem is that 60 percent of people whose deaths are part of coronavirus statistics did not primarily die from Covid-19. Director Dušek added: "Most of them had other chronic diseases, more often more than one. Most often, these were diseases of heart, the respiratory system, or diabetes".<sup>2</sup>

## 2. FROM ROME TO BRUSSELS AND STRASBOURG – THE PATH FROM BREAKING ECONOMIC BARRIERS TO BUILDING ADMINISTRATIVE AND BUREAUCRATIC JUGGERNAUT

The history of the European Union as we know it today officially begins on March 25, 1957, with the signing of the Treaties of Rome. France, the Federal Republic of Germany, Italy, Belgium, Luxembourg and the Netherlands have committed themselves with their signatures to the creation of the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM), which have been transformed into the European Community by the merger treaties less than ten years later. The European Community was then transformed into the European Union (EU) through the Maastricht Treaty (1993). In 2007, through the Lisbon Treaty, it embarked on a path of centralist tendencies with the aim of creating a single fiscal center. And it is no secret that the ultimate goal is to create a full political union, a kind of United States of Europe.<sup>3</sup>

The lead institutions of the newly formed Union have been the European Parliament (directly elected body with legislative, budgetary and supervisory powers), the European Council (defining the general political direction and priorities of the European Union), the Council of the European Union (interpreting the views of EU Member States, approving EU legislation and coordinating its policies) and the European Commission (promotes the general interests

<sup>1</sup> In this context, the specified period is the period of the outbreak and mass spread of Covid-19 disease.

<sup>2</sup> *Radio* [online]. Chief of statisticians Dušek: 60 percent of victims of Covid-19 disease have died primarily of other diseases. Prague, 26 May 2020

<sup>3</sup> Schulz will Vereinigte Staaten von Europa bis 2025. *ZEIT: Online* [online]. 7 December 2017

of the EU by drafting legal regulations and enforcing compliance with them, implements EU policies and the EU budget).

To get a full picture of the issue of European integration itself, we must first introduce a body of knowledge of integration. The process of integration begins with economic integration, which aims to balance economic differences between individual states.

The first phase is the "Free Trade Zone", in which each country externally maintains its own tariff rates, but among states, tariff and other barriers to mutual trade are removed. Examples of free trade zones are, for instance, the North American Free Trade Area (NAFTA) or the European Free Trade Association (EFTA).

The second phase of integration is the "Customs Union", which removes barriers to trade among the participating countries, but introduces common, single customs duty vis-à-vis third countries.

The third phase on the way to economic integration is the "Common Market", which has 4 basic and, indeed, very essential conditions. These are: the free movement of persons, goods, services and of capital. In addition to the free movement of goods and the customs union, the free movement of so-called factors of production, especially labor and capital, is also introduced. At this stage, the common market spills over into other, secondary areas, such as social policy, regional policy or environmental policy.

The fourth stage of economic integration is then the "Economic Union", and its subsequent ultimate stage, the "Monetary Union."

The entire integration process is to end with the fifth phase - the "Political Union", in which the Union's institutions not only pursue a common economic policy, but also expand their activities into the foreign, security and defense fields.

### **3. RESPONSE OF EU INSTITUTIONS, THE VISEGRAD GROUP AND SELECTED EU MEMBER STATES**

We can undoubtedly say that during the coronavirus pandemic, the EU and its institutions did not live up to the meaning of integration and cross-border cooperation, but left the entire crisis management of the issues that arose to the individual Member States. The individual EU institutions have then only proved that trying to find a flexible solution to the pandemic crisis in one central headquarters **is ineffective and dangerous** for all Europeans. The important question is **wherein lies the cause of a failure of such magnitude?** Consequently, this fundamental failure has cost the lives of thousands of people in some EU countries who have not received aid at all, in inadequately low quantity, or too late.

The roots of the failure of the EU institutions can be found at the outset of the integration process. This inability of European integrators to follow the basic, successive stages of integration has resulted in the current political, institutional and identity crisis in the EU.<sup>4</sup>

Skipping the theoretical intermediate stages of integration was detrimental not only politically, but also economically. The disunited common market is spread across many Member States, whose economies are not consistent even within the individual segments. This ill thought-out and unprofessional approach in an effort to rush the integration process has resulted in the political and economic disunity of the current EU. Individual Member States thus face a highly competing environment in which they seek to advance their national interests. This is especially striking in the case of Germany with the assistance of France. Unfortunately, their interests must also become the interests of other Member States. The complicated history,

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<sup>4</sup> Ševčíková (2015, p. 29)

the confusing division of powers and the incomplete stages of economic integration have paved the way for the EU's disunity and unpreparedness to face future challenges.

This challenge came in the form of an external shock which was the pandemic crisis of the SARS-CoV-2 viral disease causing COVID-19, publicly known as the "coronavirus." Coronaviruses are well-known strains of RNA viruses that are originally animal viruses and that primarily came under veterinary medicine. Researchers in the 1960s discovered that coronaviruses have historically been transmitted to man in the long term. Since this discovery, and in their relatively short history with humans, coronaviruses have been able to spread fear every time the disease they cause has passed to humans. In 2002, SARS became a publicly known disease caused by coronaviruses after 2000, which broke out in the Chinese province of Guangdong. In 2012, MERS broke out, spreading mainly in the Middle East. The last significant addition to the group of coronavirus diseases transmitted to humans was the SARS-CoV-2 virus, which began to spread from Wuhan, China.

### 3.1. Rebutting the myth of the European Commission's ability to act

It should come as no surprise that "unelected" commissioners, who in a way are merely Euro-civil servants, often losing their national identity, respect and loyalty to their own country on arrival in Brussels (partly in accordance with the rules and requirements of their office, partly out of enthusiasm for building European values) were among the first to neglect their accountability to the EU population and to respond inadequately with tragic delays. The European Commission, which had felt the impending danger since January, "strategically" waited and defended itself by saying that it had no authority with regard to the health issues of the Member States.

Instead of resolutely resolving the pandemic, it turned its attention to the Greek-Turkish border to further address the outcome of the **long-overdue migration crisis**. When the commissioners returned to tackling the coronavirus crisis after the end of the toughest fighting on the Greek border, the virus was already killing hundreds of people in northern Italy.<sup>5</sup>

The European Commission had kept waiting with issuing clear instructions for so long that individual Member States took the initiative and started fighting the contagion on their own. The rigid institutions first criticized the Member States for hermetically closing their borders, and soon afterwards ordered all their members to close the borders. The Presidency of the European Commission then let it be known that in January, it was not possible to predict the extent of the dangers posed by COVID-19.<sup>6</sup> The fact that the Commission did not consider the coronavirus as danger is also proved by the statement of its President, Ursula von der Leyen, who mentioned the People's Republic of China only once in her 1,765-word speech, and this was not in connection with the new deadly virus. Von der Leyen preferred to congratulate China on its successful efforts to reduce CO2 emissions.<sup>7</sup> However, President Leyen had then no idea of what "involuntary" emission reductions would lie ahead for the world in a few weeks' time.

Another example of the European Union's belated response is information from documents and emails that showed how EU leaders modified deliberately and on purpose coronavirus reports to conform the People's Republic of China.<sup>8</sup>

<sup>5</sup> HERSZENHORN, David M. and Sarah WHEATON. How Europe failed the coronavirus test: Contagion's spread is a story of complacency, overconfidence and lack of preparation. *POLITICO* [online]. 7 April 2020

<sup>6</sup> *ibidem*

<sup>7</sup> *Keynote speech by President von der Leyen at the World Economic Forum* [online]. Davos, 22 January 2020

<sup>8</sup> APUZZO, Matt. Pressured by China, E.U. Softens Report on Covid-19 Disinformation. *The New York Times* [online]. 24 April 2020

China, an important trading partner, was identified in the first draft of the report as the place where the virus began and from where it spread.

In the second, already revised edition, the EU leadership agreed with some of China's conclusions, citing Chinese criticisms of France and of the United States of America, which were described as "conscious international spreaders of the virus".<sup>9</sup>

On 5 March 2020, the European Parliament adopted a draft resolution on the "European Optimism Day" to show that the EU institutions were dealing only with the essential issues in a crisis situation.<sup>10</sup>

This initiative of the European Parliament has found support in the statistics of the World Health Organization (WHO), which applies optimism as a partial indicator of the quality of human life.

Václav Klaus, for example, pointed out to the inefficiency and inability of the EU institutions to respond appropriately to the spreading of the pandemic panic in the publication *Quarantine* (2020, p. 54), where he states, among other things, that it became clear that:

- *"The nation-state has proven to be the most capable organization in managing society".*
- *"National governments need to act at home, Brussels summits are holding them back".*
- *"The search for a supranational consensus in a situation of everyday micromanagement of the state's operation is not only impossible. It is excluded".*
- *"The governments of nation-states are democratically elected bodies and act in accordance with the majority will of their citizens. They seek to protect the interests of these citizens - not the interests of supranational institutions in Brussels".*
- *"People want solutions that take into account the national (i.e. their specific) interest. They see possible calls for "European solidarity" through the European institutions as a requirement that is insincere and false".*

### 3.2. Responses of selected states and their groupings

Across the EU countries, the speed and effectiveness of safety and health measures varied in each Member State. Some states waited with imposing more severe restrictions, while some countries on the contrary embarked on early bans to prevent the spread of the disease as much as possible. However, most EU countries have faced the same issue, i.e. shortages of medical supplies. However, each country has chosen a completely different, unique approach to solving this burning problem. Germany, for example, has been accused of detaining medical supplies several times. The German federal government has banned the export of medical equipment unless it was exported as part of a "coordinated international effort." It was not specified who should coordinate the effort or what material was covered by the ban. This German move has been criticized not only by other Member States, such as

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<sup>9</sup> MAYERS, Steven Lee. China Spins Tale That the U.S. Army Started the Coronavirus Epidemic. *The New York Times* [online]. 13 March 2020

<sup>10</sup> B9-0127/2020: Draft resolution of the European Parliament on the European optimism Day [online]. Brussels: European Parliament 2020

Austria<sup>11</sup> and Switzerland<sup>12</sup>, but also by the institutions of the European Union.<sup>13</sup> Less than a month later, the German government thus decided to abandon the controversial ban.<sup>14</sup>

In the following table compiled by the POLITICO server, we can find an international comparison that will show us how quickly and to what extent the individual governments of the European Union Member States began to respond to confirmed deaths from coronavirus:

**Table 1: Speed of response of selected EU countries**

The table shows the speed and extent of the response of each government in days since the death of the third patient infected with Covid-19.

Country	Public events cancelled	Schools closing	Shops closed (except for the necessary ones)	Restrictions on movements(except for the necessary ones)	Borders closed	Unimportant production halted	Date of 3 <sup>rd</sup> confirmed death
Italy	9 days	9 days	14 days	14 days	X	30 days	25 Feb
France	0*	13 days	11 days	14 days	X	X	03 March
Spain	4 days	9 days	9 days	10 days	10 days	23 days	06 March
Britain	8 days	14 days	12 days	15 days	X	X	09 March
Belgium	2 days	3 days	5 days	5 days	8 days	X	12 March
Germany	8 days	3 days	X	9 days	4 days	X	12 March
Greece	0*	0*	1 day	8 days	0*	X	15 March
Poland	0*	1 day	0*	10 days	0*	X	15 March
Sweden	0*	X	X	X	X	X	16 March
Austria	0*	0*	0*	0*	X	X	17 March
Portugal	0*	0*	0*	0*	0*	X	20 March
Hungary	0*	0*	0*	7 days	0*	X	21 March
Czech Rep.	0*	0*	0*	0*	0*	X	25 March

Source: Self-created in accordance with data from POLITICO Research, Frontex, Oxford COVID-19 Government Response Tracker.

### 3.2.1. Visegrad Group

The Visegrad countries, although often one of the most criticized, have been able to effectively prevent the massive spread of coronavirus infection. Most importantly, the Visegrad states were able to help themselves, with few exceptions. The governments of the Visegrad Group decided to close the national borders, thus effectively preventing the massive spread of the pandemic.<sup>15</sup> Instead of offering constructive solutions, the European Union insisted, quite incomprehensibly and belatedly, on maintaining open borders within the Schengen area and criticized the decisions of national governments as threatening freedom. Their fundamental mistake is also evidenced by the fact that the so-called hard core of the Union then followed the example of Visegrad, but with a much higher number of infected and dead.

The Republic of Hungary has become the European Union's most criticized country among the Visegrad states, whose parliament, in addition to closing borders and canceling all public

<sup>11</sup> KERLES, Marek. Germany blocked our medical supplies for coronavirus for 2 weeks, says Austrian Chancellor Sebastian Kurz. *REMIX News* [online]. 30 March 2020

<sup>12</sup> Coronavirus: Germany blocks truck full of protective masks headed for Switzerland. *The Local* [online]. 9 March 2020

<sup>13</sup> Question for written answer E-001633/2020 to the Commission: German ban on medical equipment exports. *European parliament* [online]. Brussels, 16 March 2020

<sup>14</sup> NIENABER, Michael. Germany lifts export ban on medical equipment over coronavirus. *Reuters* [online]. 19 March 2020

<sup>15</sup> BRUDZIŃSKA, Kinga. Central European response to #COVID19 crisis. *GLOBSEC: Ideas Shaping the World* [online]. 6 April 2020

events, has pushed through extraordinary powers for the cabinet of Prime Minister Viktor Orban. The media followed the trend set by the Union and competed in demonizing the Hungarian situation. The headlines read: "Did coronavirus kill the first democracy?" and the catastrophic nature of the Hungarian situation, as it was described, seemed to be permanent.<sup>16,17</sup> Hungarian Foreign Minister Peter Szijjarto then had to refute one lie after another, spreading over the world about his country, on the American TV station CNN, in Amanpour program. He had to deny fake news about the non-functional Hungarian parliament, which secured powers for Prime Minister Viktor Orban, that were unlimited in time and scope of powers<sup>18</sup>. Contrary to the theories of journalists and political scientists, the Hungarian government sent a bill to the Chamber of Deputies at the end of May to end special powers for the Prime Minister and his cabinet. The Prime Minister's office said it expected ratification of the law within two weeks.<sup>19</sup>

### 3.2.2 The Federal Republic of Germany

Although the Federal Government saw the situation in the world (People's Republic of China) and in Europe (Italy) as serious, it waited too long for the borders to close. A proof that there was awareness of how serious the situation was is contained in the prediction of Chancellor Angela Merkel. With Federal Health Minister Jens Spahn by her side, she informed the world on March 11, 2020, that the government expected 60-70% of Germans to become infected with coronavirus. However, she added in one breath, that Germany was ready to spend any amount, no matter how high, to isolate the virus in Germany and that Germany did not think about helping Italy in any way, while Italy was the most affected Member State at the time.<sup>20</sup> At least for now, German charity begins at home rather than in Italy.

The German government's lax attitude did not close the German border until **March 15, 2020**<sup>21</sup>, after a jump by 3,378 new cases four days following Chancellor Merkel's statement. By the end of the week, i.e. by 20 March 2020, 9,119 new cases had been added.<sup>22</sup> In retrospect, it can be said that what Chancellor Merkel promised to Germans then became partially true. They recorded the highest number of infections regionally<sup>23</sup>, and according to the predictions of Olaf Scholz, the Federal Minister of Finance, they also have the opportunity to spend the amount - "no matter how high", as some estimates speak of up to 156 billion euros in government debt for the next year and up to 600 billion euros for large German businesses.<sup>24</sup> Due to the lax approach of the Federal Government, a higher number of Germans became infected with coronavirus than if the government would have intervened earlier. Due to the higher number of the infected, the demand for medical supplies increased rapidly, which quickly became a scarce commodity that was lacking in Germany. The Germans took a radical step, not only for the above reason, of withholding medical material that was being transported through their territory to other destinations, or that already had another owner.

<sup>16</sup> TRUČHLÁ, Helena. Zabil koronavirus první demokracii? Těmito kroky Orbán uzurpuje moc v Maďarsku. *Aktuálně.cz* [online]. 2 April 2020

<sup>17</sup> THAROOR, Ishaan. Coronavirus kills its first democracy. *The Washington Post: Democracy Dies in Darkness* [online]. 31 March 2020

<sup>18</sup> Szijjarto: 'Fakenews and lies' spread on Hungary. 14:32 minutes. [online]. Amanpour: CNN

<sup>19</sup> CROWTHER, Craig. Viktor Orban and Hungarian government poised to give up unrestrained powers. *EURONEWS* [online]. 27 May 2020 [cit. 2020-06-04].

<sup>20</sup> SMITH, Elliot. 60% to 70% of the German population will be infected by the coronavirus, Merkel says. *CNBC* [online]. 11 March 2020

<sup>21</sup> Coronavirus: Germany latest country to close borders. *BBC News* [online]. 16 March 2020

<sup>22</sup> *Google News - Coronavirus (COVID-19): Germany* [online]. 2020

<sup>23</sup> In this context, the region means Central Europe, more precisely the neighbors of the Czech Republic, i.e. the Federal Republic of Germany, Polish republic, Slovak Republic and the Austrian Republic.

<sup>24</sup> HALLAM, Mark. What's in Germany's emergency coronavirus budget? *DW: Made for Minds* [online]. 25 March 2020

### 3.2.3 France

Despite the serious situation in the world, France did not pay the needed attention to testing patients suspected of being infected with coronavirus, and only in retrospect did it find out that patients with coronavirus were moving across France as early as in December, i.e. months before the first official case.<sup>25</sup> France, like the Federal Republic of Germany, waited with closing the borders. The French government did not close the borders until 17 March 2020, i.e. shortly after the European Commission changed its official position and allowed Member States to close their borders. The French Observatoire français des conjonctures économiques agency (OFCE) has estimated that the country's two-month lockdown will cost France around € 120 billion in unrealized revenues and € 55 billion in forced savings.<sup>26</sup> At the same time, the French Ministry of Labor informed that it registers a new 9.6 million of partially unemployed Frenchmen, whose jobs have been canceled or partially reduced. The OFCE finally stated that the economic restart would be gradual and slow, quoting Budget Minister Gérald Darmanin as saying: "Our country (France) has not experienced such a deficit since World War II."<sup>27</sup> The coronavirus crisis in France is most likely to end up in a court trial as the Paris Chief Prosecutor, Remy Heitz, announced the opening of investigations into the "French handling of coronavirus", "involuntary killings" and "threats to life"<sup>28</sup>

### 3.2.4 Italy

The Italian Republic has become the first and at the same time the most affected focus of the coronavirus pandemic. Italy was facing a situation for which there was no precedent in Europe. Given the mixed reports from China and the non-existent precedent from the European environment, the Italian authorities did not have much chance of predicting what course would the pandemic crisis take. All of a sudden, Italy has become a pioneer in the fight against coronavirus in the European continent. Other EU countries became spectators and watched the development of the whole situation with interest, but also with concern, while Italy became the sad first victim of coronavirus. The Italians did not receive any help from the EU institutions and, in the first phase, not from individual EU countries either. Instead of coordinated assistance, they were given several "well-meaning", but unnecessary, even "patronizing" advice. Without hesitation, the Italians decided not to wait for the help that did not come and for the material confiscated by the Germans and turned to partners outside the EU. However, according to the EU, some of these partners were at least "untrustworthy". Stocks of medical supplies have begun to flow into Italy, especially from Cuba, Russia and China.<sup>29</sup> The presence of Russian doctors and suppliers then caused controversy both in Italy and beyond. Italian Prime Minister Giuseppe Conte closed the episode of Russian aid with the following words: "Although we are grateful for the Russian aid, we must criticize the inappropriate tone of a spokesman for the Russian Ministry of Defense" who fiercely defended the Russian Federation from accusations of espionage.<sup>30</sup> Although Italy emerges from the EU's post-coronavirus financial assistance as a net beneficiary of € 56.7 billion (please see Table 2), the wound left in Italy by the inaction of the Commission and of other institutions is deep and the question is whether it will ever heal. Thus, in the light of all the

<sup>25</sup> *Koronavirus se ve Francii objevil už v prosinci: 'Vrhá to na všechno zcela nové světlo,' uvedl mluvčí WHO* [online]. Geneva, 5 May 2020

<sup>26</sup> Two months of Covid-19 lockdown will cost France €120 billion, report says. *FRANCE 24* [online]. 20 April 2020

<sup>27</sup> *Ibidem*

<sup>28</sup> Paris prosecutor opens investigation into France's handling of Covid-19 crisis. *FRANCE 24* [online]. 9 June 2020

<sup>29</sup> BOFFEY, Daniel. Italy criticizes EU for being slow to help over coronavirus epidemic. *The Guardian: International Edition* [online]. 11 March 2020

<sup>30</sup> Italy and Russian spar over alleged coronavirus spies. *Raidió Teilifís Éireann* [online]. 3 April 2020



events of the past months, financial aid seems more like payoff money for keeping silence and as simply seeking an alibi, by which the European Union is trying to say: "You have received the money, so be quiet and keep your head down." Italy has thus become a country whose population has lost to the greatest extent their illusions of the ability of the EU institutions to provide solidarity in times of need.

#### 4. EUROPEAN REDISTRIBUTION

The starting positions for the post-coronavirus period are completely different for most Member States. The reasons for these differences are both the use of different economic policies and the different starting points arising from the developments of the recent past. Despite the differences in both the institutions and the economic history of the individual states, the Union, in our view, has skillfully agreed to take a position of a "false arbitrator" and it has decided to actively redistribute the money it has collected from the Member States' taxpayers. This redistribution process in the total amount of 749.9 billion euros (19.9 trillion Czech crowns) is **absolutely far from the ideals of a fair redistribution in a meritocracy**. There is also very strong doubt that this is a "solidary" redistribution. If someone wants to call it solidarity, then it is solidarity which has been artificially constituted, enforced and imposed by legal means. It lacks any form of voluntariness. The money collected from taxpayers is then redistributed and sent by the European Union to the Member States as a merciful gift that people would not receive without the EU. As mentioned above, Italy will become a net beneficiary in a total value of € 56.7 billion, while the Czech Republic will become a net payer with a contribution of € 11.9 billion and an income of € 11.3 billion. The money is allocated according to the following key used by the European Commission:

**Table 2: Allocation Keys of the European Commission**

Country	Allocation key	Group	GDP (bn)	Share in EU27 GDP	Received in bn	Contribution (bn)	Net (bn)	NET (% GDP)	GDP per cap
BE	1,6	H	474	3,4%	12	25,5	-13,5	-2,9%	35 900
BG	2	E	61	0,4%	15	3,3	11,7	19,3%	6 800
CZ	1,5	E	220	1,6%	11,3	11,9	-0,6	-0,3%	18 000
DE	0,6	H	311	2,2%	4,5	16,7	-12,2	-3,9%	49 190
DE	6,9	H	3436	24,7%	51,8	185,1	-133,3	-3,9%	35 980
EE	0,3	E	28	0,2%	2,3	1,5	0,8	2,6%	15 670
IE	0,4	H	347	2,5%	3	18,7	-15,7	-4,5%	60 350
EL	5,8	S	187	1,3%	43,5	10,1	33,4	17,8%	18 150
ES	19,9	S	1245	8,9%	149,3	67,1	82,2	6,6%	25 170
FR	10,4	H	2419	17,4%	78	130,3	-52,3	-2,2%	33 360
HR	2	E	54	0,4%	15	2,9	12,1	22,4%	11 990
IT	20,4	S	1788	12,8%	153	96,3	56,7	3,2%	26 860
CY	0,3	S	22	0,2%	2,3	1,2	1,1	4,9%	24 250
LV	0,7	E	30	0,2%	5,3	1,6	3,7	11,8%	12 490
LT	0,9	E	48	0,3%	6,8	2,6	4,2	8,6%	13 880
LU	0	H	64	0,5%	0	3,4	-3,4	-5,4%	83 640
HU	2	E	144	1,0%	15	7,7	7,3	5,0%	13 180
MT	0,1	E	13	0,1%	0,8	0,7	0,1	0,3%	21 890
NL	1,7	H	812	5,8%	12,8	43,7	-30,9	-3,8%	42 020
AT	1	H	399	2,9%	7,5	21,5	-14	-3,5%	38 240
PL	8,6	E	529	3,8%	64,5	28,5	36	6,8%	12 980
PT	4,2	A	212	1,5%	31,5	11,4	20,1	9,5%	18 550
RO	4,4	E	223	1,6%	33	12	21	9,4%	9 130

SI	0,5	E	48	0,3%	3,8	2,6	1,2	2,4%	20 490
SK	2	E	94	0,7%	15	5,1	9,9	10,5%	15 890
FI	0,7	H	240	1,7%	5,3	12,9	-7,6	-3,2%	37 170
SE	1,2	H	475	3,4%	9	25,6	-16,6	-3,5%	43 900

Note: E, S and H groups refer to EU countries with below the average GDP per capita (low debt), EU countries with below the average GDP per capita (high debt) and to EU countries with above the average per capita income (high income).

Source: Own table in accordance with EC data.

As can be seen in the table, countries such as Italy or Spain, i.e. countries with a higher GDP per capita compared to the Czech Republic, will become net beneficiaries of redistributed financial aid. We should think about why Czech taxpayers are forced to contribute to countries that are richer than the Czech Republic in terms of purchasing power parity.<sup>31</sup> As a result, it can be said that the new allocation key of the European Union has become a tool to force the economically efficient and non-indebted to pay under the guise of solidarity for states unable to cope with the debt burden. These states in the hopeless debt trap situation are primarily the states in the South of Europe.<sup>32</sup>

Redistribution according to the Gross National Product (GNP) indicator should be a more appropriate key for redistribution within the EU distribution of aid, which should contribute to the elimination of the consequences of the coronavirus pandemic. In the Czech Republic, it is lower than the gross domestic product (GDP) which is better known to most of the professional and lay public. To this end, it is important to note that it is the GNP per capita that better reflects the economic and therefore living standards of the country. This is the value that represents the final amount that the people of a given state can consume. Therefore, according to the GNP indicator, the Czech Republic is "poorer" than according to the GDP indicator. If the GNP per capita indicator were taken into account, the Czech Republic (now a net payer by a narrow margin) would probably become a net beneficiary.

Gross National Product per capita is obtained by a simple calculation:  $18,000^{33} - (18,000 * 6.47\%^{34}) = 16,835$

**Table No. 3: Calculation of the difference between the GNP/GDP for the period of 2010 - 2018**

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Year	2019
GDP	154,8	175,7	157,2	151,8	171,5	171,9	185,3	179,9	212,9	GDP	219,563
GNP	143,4	162,4	147,5	142,8	159,9	160,3	173,3	168,8	202,2	Expected GNP	205,4
Decrease of GNP compared to GDP	7,38%	7,57%	6,20%	5,97%	6,74%	6,74%	6,48%	6,15%	5,02%		
Average for the period of 2010/2018	6,47%										

Source: self-created in accordance with data from the World Bank and CEIC

Table No. 3 shows the GNP / GDP relationship between 2010 and 2018. The decrease in GNP / GDP is expressed as a percentage. Due to the absence of GNP data for 2019, a rough estimate of this quantity is made on the basis of data from the previous years. This expected GNP for 2019 is further used for the GNP per capita conversion. The calculation is

<sup>31</sup> *Purchasing power parity; international dollars* [online]. INTERNATIONAL MONETARY FUND, 2020

<sup>32</sup> BEDNÁŘ, Milan. Southern Countries of the European Union in a Debt Trap: What Options are on the Table? *International Journal of Economic Sciences* [online]. 2018 (Vol. VII, 2), 34. DOI: 10.20472/ES.2018.7.2.001.

<sup>33</sup> Original GDP per capita from Table No. 2.

<sup>34</sup> Average percentual difference for the years 2010 – 2018 from table No. 4.

performed illustratively for the Czech Republic, but it would be possible to perform it for the rest of the member countries.

The European Commission has made it clear in its official document <sup>35</sup>that the above-mentioned € 750 billion will be used for post-coronary economic recovery. It is important to recall that the European Commission also attaches a list of rules according to which the funds can be used. The most frequently mentioned condition is the need to use redistributed funds in accordance with the goals of the transformation to a fully green - the so-called ecological economy. **We can conclude that the European Commission collects money from the Member States, which it then redistributes and, with much fanfare, returns it disproportionately to the states, together with strict conditions on how they can use the money that was initially theirs.** If this redistribution were to resemble some sort of a tailor-made post-crisis assistance, at least in trace quantities, the Member States should be given the opportunity to comment on the proposed sub-chapters of financial assistance and on the volume of such aid.

**Ultimately, Member States should be allowed to modify or transfer these amounts to other, more necessary purposes.**

In connection with the proposed plan, MEP Alexandr Vondra stated that if it were not possible to change the recovery plan, all that remains is *"In the opposite case, veto the plan. It will be part of the EU's multiannual budget, so it requires unanimity. Next time we will not have such a lever. The climate and green finances targets are approved by the majority. Last time, the Prime Minister missed the chance. Now, he has the second and the last chance. At the same time, his negotiating position is complicated by the conflict of interests and the fact that his business collects money from the budget..."* (Vondra 2020)

## 5. CONCLUSION

For the EU as a whole, the coronary crisis is a crossroads that can fundamentally change the perception of the whole integration project. The Italians have become a symbol of pandemic resistance to the European Union. Many of them demonstratively held signs saying "Let's Help Ourselves" while singing the Italian anthem, while others publicly burned the flags of the European Union<sup>36</sup>.

The European institutions have failed not only to secure internal borders, but also Europe's external borders. In terms of agreement, coordination and border policy, a situation similar to that in 2014 arose, when at the beginning of the European migration crisis, the EU was not able to ensure a coordinated approach by Member States or the protection of external borders.

**At the same time, the pandemic has further deepened distrust between the individual Member States of the Union.** The growing gap in the Union continues with the discussion on corona bonds. According to the leaders of Spain, Italy and France, their emissions should help the most severely tested (indebted) states of Europe to get back to their feet. **Due to certain coincidences, these are the same states that are most affected by high internal public debt, and which have been hit hardest by the coronavirus, and therefore call for corona bonds the most.**

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<sup>35</sup>Europe's moment: Repair and Prepare for the Next Generation. *EUROPEAN COMMISSION* [online]. 27 May 2020, 53

<sup>36</sup>ADLER, Katya. Coronavirus outbreak eats into EU unity. *BBC* [online]. 3 April 2020

The Germans and the Dutch are not enthusiastic about the possibility of buying bonds and helping the indebted.<sup>37</sup> **In the most affected countries, Italy and Spain, Eurosceptic voices are gaining in strength and calling for a revision of membership in a union that fails to live up to their expectations.** The most indebted countries need, in order to overcome their long-term chronic problems exacerbated by the current external shock, a weaker currency, which the euro is not. Indeed, thanks to the Germans, the single currency, the Euro, is too strong, which makes it impossible for the affected states to deal with past sins. Thus, it can simply be said that the southern states are dependent on the help of the North, which in principle does not like the role of the savior (who is going to pay).

However, Euro zealots see the coronavirus crisis as an absolute success of the European Union, which, according to them, has managed the hardships with ease and at the same time lived up to all the ideals of cooperation and solidarity. But the opposite is true. **The specter of heightened Euroscepticism, which terrifies many European radicals, is haunting Europe.**

Former European Commission President Jacques Delors commented: "... Lack of European solidarity poses a mortal danger to the European Union."<sup>38</sup> "The virus is a deadly risk" and "Europeanism faces a new crisis," commented Italian ex-Prime Minister Enrico Letta.<sup>39</sup>

The crisis, mismanaged by the European Union, has reopened the debate on the direction of the European project. The question is whether the EU will respond to it through constructive dialogue, or whether European integrators will use the pain and confusion in the Member States for a further, much deeper process of integration.

**This is currently a unique opportunity for the Czech Republic to reject the original project of redistribution of funds proposed by the European Commission using a veto.**

## LIST OF TABLES

Table 1: Self-created in accordance with data from POLITICO Research, Frontex, Oxford COVID-19 Government Response Tracker. [created on 2020-06-15]. Available at: <https://www.politico.eu/article/coronavirus-europe-failed-the-test/>

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