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COVID PANDEMIC AND ITS INFLUENCE AS FRAGMENTATION OF EU MARKET AND SECURITY

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Abstract: *The prevalence of the COVID 19 virus from an epidemic evolved into a pandemic and that was proclaimed by the WHO. Managing health problems has inherently come in a direct connection with a range of systems and industries such as health, economy, and national security. The measures that are taken to curb the virus have had an extremely adverse effect on the EU and its Member States, which are among the most affected ones. Achievements such as the common market and internal security that are built on the free movement of the four freedoms are limited for the first time in a way that affects the whole Union and its Member States. In most of the EU Member States state of emergency is established and the governments apply restrictive measures. The article examines the impact of the health problem and the achievements of the common market and concludes further normalization of free movement in the EU. The economic effects of the COVID pandemic will prevent emerging countries from providing key services. This will lead to trust undermining in government and internal security challenges.*

Keywords: EU Common Market, Pandemic, Restrictive Measures, State of Emergency, Security

1. Introduction

The Covid-19 health pandemic has become a problem with economic and legal consequences affecting the functioning of the EU. The severe virus has brought forth a crisis, which does not stop at borders and affects all areas of our life, even European justice is not an exception in this regard. In a statement after European Union (EU) leaders held a video summit, Macron commented that the EU rescue package for a speedy recovery should be worth at least 5 to 10 percentage points of the bloc's gross domestic product. The fundamentals of the European Single Market are the following four freedoms: free movement of goods, services, people, and capitals. In this study, we aim to reveal the changes in the European single market concerning the four freedoms during the COVID-19 pandemic. The financial instability of the global financial crisis and its reflection on the European markets has raised many questions concerning the European mechanism of operation [1]. According to [2] the pandemic is, in fact, a severe shock to the economy, which is very different from the traditional functioning of a financial crisis. The financial crisis can also break out sharply, but it is usually as a result of the accumulation of various factors - accumulation of different risks and debts, economic bubbles, bad investment procedures, etc., while the pandemic isan exogenous factor that suddenly changes the economic relationships.

2. European common market during COVID-19 pandemic

Some of the EU Member States took

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unilateral measures during the COVID-19 pandemic. Their actions impact on the EU Single Market and the free movement of goods and services. Solidarity between EU members is important for the protection of health, business, and our European society.The internal market must be protected by the Commission carefully. This may happen by monitoring any strains in the internal market and preventing the creation of national barriers that do not consider the basic topics for solidarity and proportionality [3], [4]. In particular, the transport of goods within the single market, for example by truck, must not be blocked. Cross-border access to critical services for the production and maintenance of medical equipment must be ensured, and export bans recently introduced by the Member States on personal protective equipment, medical equipment, and medical devices must be lifted as a matter of urgency. The situation created by this pandemic is unprecedented because until now the borders of the EU member states have never been closed at the same time. This directly affects the working of the internal market, which dependent on Article 26 (2) Treaty on the Functioning of the EU (TFEU) [5] gives that the internal market involves a region without inside territory in which the free development of merchandise, people, services, and capital is guaranteed by the arrangements of the Treaties. The Council will decide the essential rules and conditions to guarantee adjusted advancement in all the concerned segments. Now it is the time for the EU to set up a mechanism with flexible forms and measures that work in the context of the whole area, and not just one or a few countries that have regained border controls only when organizing mass events or have restricted trade, due to animal diseases.

Article 35, TFEU prohibits the restrictive national measures on exports because the integrity of Single Market and solidarity of the Member states are essential to mitigate the negative consequences of the crisis. According to [6] Member States may argue in the future that such restrictions could be justified under Article 36 TFEU since they are aimed at the protection of health and human life. Nevertheless, Czech Republic Germany, France, and Hungaryreacted to the pandemic as they prevented exports of protective equipment, medicines, or other medical products.

During the pandemic crisis, the stability of the EU and the euro area is vital. Nowadays, the uncertainty for the stability of the EU and the euro area is increasing because of the Federal Constitutional Court has ruled the multibillion-dollar purchases of governmentbonds by the European Central Bank (ECB) as partially unconstitutional. Following the decision, the German central bank will be able toparticipate in the purchase program only under certain conditions. The decisionfocused on the Public Sector Purchase Program (PSPP), while the Pandemic Emergency Purchase Program (PEPP) program was explicitly excluded from the decision of the German constitutional judges. EU laws take precedence over national ones and, of course, the decisions of the Court of Justice are obligatory for all national courts, so this national judgment runs the risk of undermining the entire EU legal order during a period of an unprecedented crisis.

2.1. COVID-19 pandemic and “Mobility” package

The main of the EU is to keep the economic activity stable, this transforms the transport sector into an essential one. With the adoption of the "Mobility" package, the trucks are expected to return to the country where the company is registered, every eight weeks, and the driver himself - every three or four, depending on the work schedule. The normal weekly rest period is at least 45 hours and must be spent outside the cab. If the holiday is used outside the home, the accommodation must be at the expense of the employer, the changes say. Road transport, which accounts for 75% of intra-EU freight transport, has been disrupted by the pandemic as countries impose urgent border checks, leading to a build-up of trucks and a waiting time of more than 24 hours to cross some of the internal boundaries of the block. The coronavirus crisis has highlighted the importance of transport rules. The countries of Bulgaria, Hungary, Lithuania, Poland, Cyprus, Latvia, Malta, and Romania said the EU should support its transport companies. Their positionregards the fact that the adoption of a "mobility" package will deepen the crisis in the logistics network, the supply of medical products to the most affected countries and the effective functioning of the European internal market will be threatened. This shows that EU law is not prepared to function in such conditions. It is precisely these shortcomings and gaps that lead to the disruption of the normal functioning and rules of the internal market. Attempts to restrict road transport restrictions or requirements should be stopped very clearly - the Mobility package has no grounds and attempts to adopt it in the European Parliament should be stopped.

2.2. Free movement of goods by the network of Green corridors

The Commission created a series of actions to protect the optimal functioning of the single market. It incorporates the free development of transport laborers, "green lanes" - neededcorridors for cargo transport, adaptability for rules on driving and rest times. Green corridors are a limited means, to compensate for the dynamics of the movement of goods and services in a pandemic. The aims of their establishment are: to protect the health of the EU citizens and to ensure that vital goods and services are available within the EU's Internal Market.

The COVID-19 pandemic put the focus of attention on the long chains of deliveries. Nowadays there has been a relocation of some key industries, seeking balance not only for the low costs but because of optimal positioning and efficient supply chain management. The business realized that the farther the country-producer is, the greater the risk. When your supply chains are very long and to countries that you cannot control, this creates a risk for the economies of those countries. The COVID-19 pandemic is having a delayin China's Belt and Road Initiative (BRI). Nowadays, many analyzers believe that BRI should be reconsidered because of the extended Chinese influence.

2.3. Free movement of persons and the Internal market

During the COVID-19 pandemic, there are problems not only with the movement of goods but with the movement of persons. Under the EU rules, EU citizens have the right to travel freely within the territory of the EU. Article 29(1) of Directive 2004/38 [7] permits the Member States to limit the free movement of people from the other Member States on the grounds of general wellbeing. This measure is just defended in a tight arrangement of outstanding conditions, relating specifically to infections with potential as characterized by the important instruments of the World Health Organization (WHO). Notwithstanding the standards on free movement, the Schengen Agreement permits EU residents to go through the internal borders in the territory of the EU without being subjects of border checks when crossing. Member States are allowed to incidentally re-establish controls at their inside borders for a restricted period under Articles 25, 28 et seq of the Schengen Border Code. Since the start of the COVID-19 pandemic, some Member states have presented these transitory measures [8]. EU countries have different standards and conditions for the movement of people, and this again has an adverse effect on the EU. Austria organizes the reception of seasonal workers, while France does not allow seasonal workers.The free movement of persons within the EU is essential for economies such as Germany, Italy, and France. Many people from the Balkans make a living in sectors such as agriculture and services.

2.4. Capital movement and Investment Policy

Free movement of capital and flexible investment policy can contribute to mitigating the negative economic and social effects of the pandemic. Several Member states have taken measures in support of investments to protect different industries in their national economies. Paper [9] uncovers the accompanying supporting measures: the accelerating of the investment approval procedure, the quickened utilization of online devices and e-commerce, COVID-19 - related administrations of investment promotion agencies (IPAs), motivating force plans for health-related R&D and development, medical supplies, the procurement by conditions of value in battling residential key organizations just as state credits and assurances for household providers in esteem chains. The UNCTAD [10] demonstrates that:" The worldwide spread of COVID-19 is unequivocally influencing outside venture. The recent Global Investment Trends Monitor of UNCTAD predicts a drastic drop in global foreign direct investment (FDI) flows – up to 40% – during 2020-2021, reaching the lowest level of the past two decades." A portion of the strategy measures could be tested by remote financial specialists through arbitration procedures under IIAs. This spotlights on the need to shield adequate administrative space in IIAs to secure general wellbeing and to limit the risk of investor-State dispute settlement (ISDS) proceedings. The COVID-19 caused changes in the investment policy and priorities of the Member States. The EC has announced that it will also implement all the flexibility of the Stability and Growth Pact, which, means loosening the rule introduced after the crisis in Greece not to exceed the 3% budget deficit. As a response to the crisis, the EC created a package of measures called Coronavirus Response Investment Initiative Plus (CRII+). The CRII+ introduces flexibility by transfer possibilities across three cohesion policy funds transfers between the different categories of regions; and flexibility.

3. Economic Policy Responses of COVID-19

The priorities in the national policies of the Member States are changing. Each country is focused on: containment and treatment of the disease; financial support and liquidity for sectors, tourism, transport, and firms; support for the labor force, workers.

The priorities of the EU budget are to keep low unemployment and take measures for the financial support of companies. The EC implemented Temporary Support to mitigate Unemployment Risks in an Emergency – SURE. The main aim of SURE is to help the citizens of the EU to keep their job during the crisis.

The measures in Germany are in 4 directions - compensation of workers, rescheduling of tax payments, liquidity support for companies, and a European fund. Measures in Italy are dynamic, but a plan for about 25 billion euros has already been announced. The measures incorporate help for laborers confronting redundancies, the state ensures for loaning to little and medium-sized ventures, and remuneration for organizations that have been hit hard by the emergency. Some tax payments, incl. VAT and social security will be deferred by one month - applies to specific sectors and separately to companies with a turnover of fewer than 2 million euros. The focus of the French government is also to provide a liquid resource for companies and support the income of workers who stay at home.In Denmark, the most important measures to mitigate the negative effects of restrictions on social and economic activity are two: the introduction of a scheme to partially subsidize the labor costs of employers in the sectors concerned and a liquidity support scheme.The government is also creating two schemes for government-guaranteed short-term loans - for small businesses and large enterprises. The measure introduces a state guarantee for up to 70% of new loans granted by commercial banks to businesses, which prove a significant decline in revenues since the beginning of the crisis. Like Denmark, in Bulgaria, the state will cover part of the salaries of people working in businesses affected by the coronavirus and threatened with redundancies. In Denmark it is 75% for three months, taking five days of paid leave, in Bulgaria 60% - only for a month.The only state-owned bank, the Bulgarian Development Bank (BDB), announced on March 16th a line for special liquid support for businesses suffering from a lack of sufficient funds.In this regard, the legislation in Bulgaria recognizes another mechanism for facilitated liquid support - the provision of loans on preferential terms by commercial banks with a state guarantee [10]. At present, this mechanism is applied only in the field of student lending, but in the future, it is worth considering the possibility of its principle of operation to be adapted to provide liquidity in other sectors during the crisis. Likewise, the government is proposing to stretch out until June 30 the cut off time for the yearly bookkeeping shutting and accommodation of yearly fiscal reports and announcements under the Corporate Annual Assessment Act. Financial strategies to moderate the negative effect of the COVID-19 in Bulgaria incorporate expanded liquidity gracefully, advance ban, work backing, and deferral of different assessment and utility installment cut off times.

As indicated by [11] the coronavirus will have a noteworthy negative effect on Bulgaria's economy. Enrolled joblessness surpassed 110,000 since the beginning of the crisis circumstance. In the interim, the effect on the state spending plan in the initial four months has not been critical. The term for payment of local taxes and fees at a discount will also be extended. Austria has announced that it has set aside 4 billion euros for economic measures in response to the coronavirus. The measures include support for companies' liquidity through loans and tax rescheduling, a new model for subsidizing workers who have to switch to reduced working hours, support for small family businesses, and sectoral measures in tourism and culture.

It is the first time when the European Commission has triggered the 'escape clause' for permission of exceptional fiscal support.

This is applied to support the healthcare systems and business at the national level and to keep employment in the Member States during the COVID-19 pandemic. Government debt management is relevant to the stability of the banking and monetary union and the internal market, respectively.

4. Flexibility - the required essential characteristic of the EMU

Paper [12] presents that the flexibility clause was incorporated by the fathers of the Treaties in acknowledgment of the way that it is difficult to accommodate all possibilities that may emerge all through the integration procedure. It permits the EU to act in territories where EU capabilities have not been expressly conceded in the Treaties yet are important to the accomplishment of the goals set out in the Treaties.It, therefore, speaks to a method for adjusting to new difficulties. The origin of the European Stability Mechanism is connected to Article 352 TFEU[13]. This became clear when the European Court of Justice managed on the legitimateness of the European Stability Mechanism in the 'Pringle' case. It thought about how conceivable it is that Article 352 TFEU could give the EU the important forces to build up a changeless component taking into account budgetary help to euro-region individuals under tension. Article 352 TFEU was at that point utilized for the formation of the equalization of installments office: an advance office set up to help the Member States encountering parity of installment challenges.

5. Conclusions

The Single Market of the EU will reduce the negative effects of COVID-19 on the economy of the EU member states. Based on the aforementioned analysis we may recommend the following measures:

1. To find a balance between health and epidemic measures;
2. To have a model of functioning of the internal market in conditions of border control and regime, i.e. in a space with borders.
3. To reduce the administrative burden on certain sectors such as the transport sector.
4. Do not accept the Mobility package. To take into account the interests in the internal market of all EU member states, not just the largest and mostinfluential ones.
5. The EU needs to restructure its production capacity and reduce its dependence on external economies, especially in the areas of health and health security-medicines, substances, protective clothing, etc.

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