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CHANGING INTERNATIONAL RELATIONS AFTER THE COVID-19 PANDEMIC: MANAGING THE GROWING GAP BETWEEN NATIONAL AND MULTILATERAL RESPONSES¹

Abstract. Covid-19 pandemic came during the globalization backlash and accelerated two important millennial mega trends: the changing nature of production and innovation, and the changing global world order and trading system. Although stronger multilateralism was seen as a key approach to tackling the tough global challenges before the global crisis, the national responses at the start of Covid-19 have crowded out multilateral and even regional initiatives and revitalised the role of the state. A growing gap between national, regional and multilateral responses to Covid-19 challenges the development of global governance and regional integration, as well as the future of the EU and its capacities for international economic and political cooperation. All the dimensions of the complex multifaceted systemic crisis exacerbated by the Covid-19 pandemic are, however, still to be established, and their impacts on individual countries as well as on international relations continue to be an important topic of discussion and research.

Keywords: *Covid-19 pandemic, globalisation, shocks, crisis, international relations, multilateralism, nation state*

Introduction

Seen in a long-term perspective, the processes of globalisation and internationalisation have faced many challenges and shocks. The end of the period of the Cold War in international relations (1989/90) was marked by certain radical geo-strategic, geo-political and geo-economic changes to the international environment. The bipolar order of the international system

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disintegrated, parallel to the falling apart of certain multinational states (Soviet Union, Czechoslovakia, Yugoslavia), together with the assertion of the market economy model on the global level etc. (Grizold, Svetličič, 2019: 334).

In this context, the sources of the threat to the security and well-being of populations, states and the entire international system have changed. Once the dominant threat to security – the global military conflict between the two superpowers – was replaced by other security challenges and threats: dangerous climate change, the intense destructiveness of weather phenomena (tempests, windstorms, hail etc.), environmental pollution – of air, seas and rivers – the global spread of infectious diseases, famine, mass migration, terrorism, internal state armed conflicts with international implications, but also connectivity and the technology divide.

The expectations of many that the end of the Cold War would bring a definitive end to the tensions and conflict-riven relationships between states, enabling the gradual assertion of a new, collaborative model for the provision of international peace, security and well-being, based on the reformed UN system of collective safety, did not come to fruition (Grizold et al., 2015: 8). On the contrary, in the decades following the end of the Cold War new tensions have pervaded international relationships. They are mainly a result of inadequate strategic state leadership and alterations to the global power structure: The USA as the dominant force in global politics has been losing elements of its power and domination, primarily in the area of the economy, politics, culture/ideology, while the power of new potential global hegemony like China, India etc. has been strengthening. The first decades of the new millennium have been marked by the enhanced interdependence of states due to highly fragmented and complex international production networks as well as the remarkable growth of international transactions which are increasingly digitalised. We have also faced the transition to a multipolar world together with a weakening of multilateralism and rising (economic) tensions. A new bipolarity is seen, particularly between the USA and China, two essential players in any global development project.

Covid-19 has entered and accelerated two important millennial mega trends: (i) the changing nature of production and innovation (chiefly caused by the fragmentation of production and the new technologies); and (ii) the changing global world order and trading system (due to rising nationalism, populism and protectionism).

The new international environment, which includes prevalent complex threats on national, regional, international and global levels, requires an adequate response from modern state and non-state actors and state leaders based on a joint and integrated approach. Yet, economic nationalism and protectionism have started to raise. An adequate response of the modern state and international community to the complex crises on both the national

and global levels consists of the use of mechanisms and instruments of crisis anticipation and management within the existing institutional framework of the state, and international collaboration or, if necessary, joint action with other states. Crisis situations are what the crisis management plan is prepared for in a modern state, when it needs to ensure adequate organisation for the strategic crisis management of the country and, in this framework, to provide continuous and consistent (short, clear and unambiguous) information to the population about the situation in their country and the world.² Moreover, the crisis management plan involves continuous adequate decision-making to enable the leadership and functioning of the state and the entirety of its social subsystems in critical conditions. Of utmost importance in critical conditions is the government's transition to crisis management as soon as possible. This not only enables the adapted functioning of the state in the new situation, but also the strategic assessment and planning for normal work in the country and society after the crisis ends.

Further, the reactions of states and their politicians in responding to the current, most complex, global crisis to which the coronavirus Covid-19 pandemic has added the final nail, with the closure of borders by individual countries and their individual responses to the crisis, have been quite contrary to what might have been the expected; enhanced international cooperation. Although stronger multilateralism was seen as a key approach to tackling the tough global challenges before the global crises, the national responses at the start of Covid-19 have 'crowded out' multilateral and even regional initiatives. The Borderless World (Ohmae, 1990) and globalism might have seemed like the new norm before the crisis, but this extraordinary crisis has 'revitalised' the role of the state. The nation state has returned in all policies and areas that were subjects of global governance and a wave of (trade and other) restrictions has emerged. The health crisis has monopolised the world's attention, yet also accelerated the rate of local responses and exacerbated the pre-existing tensions in conflict zones.³

Even the transnational European Union has been unable to stand together and activate all of its available mechanisms to confront the current Covid-19 pandemic, just like it was unable to in the 2015/16 migration crisis. Especially indicative is the fact that the EU has more or less left the solving of both of these crises to the individual members. Despite the high level of

² *Society needs to be well informed about the dilemmas faced by policymakers, and for this, the communication between the government and the citizens must be clear, transparent and secure a sufficient level of trust and confidence in society (Sabat et al., 2020: 917).*

³ *Certain armed groups have taken advantage of the current situation to seize control of new territories and step up their attacks on civilians, hospitals, schools and economic infrastructure. Two wars have started since the Covid-19 pandemic (the Nagorno-Karabakh war and the Eritrean–Ethiopian war).*

political commitment from the EU⁴, the ongoing spread of Covid-19 reveals important obstacles to developing a comprehensive European response to infectious disease outbreaks. Existing coordination mechanisms, such as the Health Security Committee or the European Centre for Disease Prevention and Control (ECDC) which also includes an early warning and response system – an online portal that connects public health agencies in Europe, should be used to successfully resolve the Covid-19 pandemic (Anderson, Mckee and Mossialos, 2020) and prevent any further divide. At the beginning of the Covid-19 crisis, European institutions and member states relied on the available instruments to mitigate the economic contraction and their individual vulnerabilities. Greater commitment to economic integration and cross-country solidarity in the EU was only seen during the summer of 2020 when the European institutions also developed emergency programmes.⁵ However, the risk remains that the current crisis will deepen the economic divergence across the Economic and Monetary Union (EMU) which started a decade ago. The severity of the recession but also the strength of the recovery may vary across euro area countries (Camous and Claeys, 2020)⁶, but also around the world. All in all, the pandemic has been evolving not only into a health, but also an economic crisis, exacerbating the other persisting crises like the environmental crises, the inequality and poverty crises. While the pandemic can be managed when the vaccinations commence, other crises are much deeply rooted and more difficult to conquer.

The radically changed international environment is also reflected on the level of individual nation states and their societies in the form of “deep social changes of which most people have never experienced before: the globalisation of economy and politics, the severe and long term economic crisis from 10 years ago, the growing threat to the natural environment with ever more frequent and intense natural disasters, migrants and migrations, terrorism, new information-communication technologies and robotisation, the ageing of the population, growing social inequality, Covid-19” (Svetlik, 2020: 8).

⁴ On 10 March 2020, the European Council met by video link to discuss the joint European approach to Covid-19; four priorities were identified: limiting the spread of the virus, the provision of medical equipment, the promotion of research, and dealing with the socioeconomic consequences. The importance of strengthening solidarity, cooperation, and the exchange of information between member states was also reiterated (Anderson, Mckee and Mossialos, 2020).

⁵ EU countries agreed on 21 July 2020 to develop, for the first time, countercyclical fiscal transfers financed by common debt issuance (a package combining the future Multiannual Financial Framework (MFF) and a specific Recovery effort under Next Generation EU (NGEU)).

⁶ Divergence may accelerate for three main reasons: Some countries were affected by the pandemic earlier and more than others; some countries rely more on sectors (e.g. tourism) that have been heavily affected by the pandemic; and some countries have more policy space to react to the crisis. In the absence of risk-sharing mechanisms at the EU level, this means that the cohesion and sustainability of the monetary union could be threatened (Camous and Claeys, 2020).

The recent complex global crisis brought by the Covid-19 pandemic is affecting all spheres of life in modern society: healthcare, the economy, education, social care, politics, education, culture, the environment, security etc. It again highlights that in the conditions of globalisation, internationalisation, the existing mode of production and in the current critical circumstances, deficient and inadequate strategic state governance (mainly due to the decision-makers' lack of awareness that all parts of the world form the interdependent "global village", and their consequent unilateral state actions), the modern international community must look for new and renewed models of cooperation. The currently limited growth and development prospects pose a threat not only to the well-being of people in individual countries, but also to the existence of the world as a whole.⁷

The complex multifaceted systemic crises exacerbated by the Covid-19 pandemic are still underway, and their impacts on social life in individual countries as well as on international relations continue to be an important topic of discussion and research. In this context, at least three urgent issues of the present international (economic) relations may be identified:

- a. the gap between national, regional and multilateral responses to Covid-19 and its influence on the development of global governance, regional integration – the future of the EU and its capacities for international economic and political cooperation;
- b. the relationship between nationalism and the Covid-19 pandemic which is fuelling ethnic and nationalist conflicts, and the risk of civil wars; and
- c. reinforcing or broadening the nation-state role in the long run (Woods et al., 2020) in the context of "postterritorial governance of international relations" (Baylis and Smith, 2001: 30).

From analyses to responses

The editors of this special issue of *Teorija in praksa* wish to contribute to discussions made on the above-mentioned topic and, to this end, we invited some distinguished researchers of international relations at the Faculty of Social Sciences, University of Ljubljana to present their views. There is a consensus that the world after the Covid-19 pandemic is very different and the Covid-19 crisis may be seen as both a crisis and an opportunity (as Chinese writings on the crises reveal) for future international cooperation. The crisis has accelerated changes and the initiated trends. Analyses of the changing international environment, the renewed role of individual actors and

⁷ *It may be expected that with the new American administration the general atmosphere in international relations will be improved in the direction of greater predictability and mutual trust. The latter are paramount for solving the problems of our time (Cerar, 2020: 8-9).*

their activities are on the rise. Scholars argue that the Covid-19 pandemic's impact on the global economy may be deeper and more widespread than the impact of the recession we have faced so far. Like all global economic crises, the Covid-19 crisis will also have a significant impact on the global power configuration. A new international system may emerge, or the existing system may be revised entirely as a direct or indirect consequence of the recent crisis.

The response to any crises depends on the analysis of all relevant data, the critical starting point of strategic thinking and scenario-making. The set of analyses in this special issue combines a variety of diverse theoretical and empirical approaches to analyse changes in international (economic) relations, and the global and regional environment. The economic analyses mainly take a long-term perspective; the authors discuss the potential impacts based on theory and evidence from past global crises, particularly the global recession in 2008, that revealed cracks in the international order. They compare the responses to the current Covid-19 crisis with the reactions in the last great recession and discuss what can be learned from the last global crisis to combat the recession. They also consider which lessons can developed countries offer for the Covid-19 exit strategies. Theoretical analysis discusses how various theories explain the progress of the European integration during the crisis while the analysis of selected EU policies further illustrates the dilemmas, challenges, problems and progress made during the Covid-19 pandemic.

The issue starts by analysing what can be learnt from the state aid in the past global recession. Anže Burger evaluates the impact of anti-crisis state aid measures implemented in Slovenia between 2009 and 2015 to combat the Great Recession and uses the insights for an ex-ante assessment of a series of fiscal relief and stimulus measures adopted by the Slovenian government during the first 6 months of the Covid-19 pandemic. The anti-corona fiscal policy actions are expected to effectively mitigate the Covid-19 crisis' severe consequences in the short term as the size of the recently introduced measures is exceptional compared to the previous recession. The key difference is that the majority of total fiscal stimulus has been allocated through grants and allotted to individuals. The Methodological Appendix appearing at the end of this special issue gives insight into two econometric techniques applied to evaluate the counterfactual effect of state aid; i.e. firm-level effects are estimated using the propensity score matching method and the difference in difference regression.

Firm-level strategic responses to crises are further analysed through their internationalisation strategies. In the context of a discussion on how important complex internationalisation is for small economies, Andreja Jaklič and Anže Burger evaluate geographical and product diversification during

the period of the great recession and early changes in export diversification behaviour after the Covid-19 pandemic. The authors demonstrate that market and product diversification have provided a vital source of enterprise growth, value creation and revenue scaling during the great recession; exporters with the highest growth after the global recession showed high export diversification. In the post Covid-19 period, on the contrary, the majority of firms have not changed their export behaviour, but invested in digitalisation, automation and new technologies. Those that implemented changes prefer to localise their exports, reduce their export markets or reduce the product portfolio to diversification. Only a small share of the firms that used a complex diversification strategy in exports reported more optimistic recovery plans. Will the post-Covid-19 situation bring the more active reaction of firms in terms of export diversification behaviour and complex internationalisation strategies? Although questions on how the complexity influences economic growth started to be explored in the past, many questions about the sources and effects of the rising complexity of internationalisation deserve further theorisation and empirical evidence from different economic environments.

The third article discusses the context of global crises for firms within complex international production networks. The Covid-19 pandemic has led to renewed discussions on the benefits and costs of global value chains (GVCs), particularly whether GVCs increase risks and vulnerabilities to shocks. Questions are being raised about whether the gains from deepening and expanding international specialisation in GVCs are worth the associated risks, and whether more localised production would assure greater security against disruptions that can lead to shortages in supply and uncertainty for consumers and businesses (OECD, 2020). Jaklič, Stare and Knez (2020) analyse the structure of GVCs, factors and policies that can build the resilience and stability of GVCs during crises and identifies the most important structural changes that may deepen following the global pandemic and digitalisation. The consequences of Covid-19 pandemic pose a restriction on the future development of GVCs, which especially impacts small and export-oriented economies. The authors apply a new measure of value chain participation that allows the simultaneous examination of the global and domestic integration of economies/industries into GVCs. The changes in value chain structure during the past recession serve as a possible indication of the consequences of the current crisis. The great recession proved a short-term increase in the domestic value chain share that mirrors the reduction in the GVC share, but the relatively high stability of simple value chains in the EU and in Slovenia. Yet, deeper analysis of a small country case demonstrates that a number of manufacturing sectors in Slovenia have faced a high and permanent increase in the share of complex value chains in the

post-crisis period. Countries and industries have shown a mixed response in GVCs depending on their resilience capability.

The diverse responses of firms and countries to crises are further discussed by Marjan Svetličič. He explores the learning lessons from previous crises in nowadays developed countries (DCs) and examines whether their strategies can be applied in today's crisis-exit strategies, including for the Covid-19 pandemic. DCs have relied in their transition to higher development levels mostly on protectionist policies in the areas of trade, patents and foreign direct investment until they reach the top, when they have kicked away the ladder of protectionism and started hypocritically propagating liberalism. Such experiences are also useful for now less developed countries so long as the international context provides them with adequate policy space and they use the crisis as an opportunity and react on time. A few famous cases from 2020 (like Tik Tok, Huawei etc.) show that emerging economies are quickly learning the lessons of the developed economies. The pandemic may be a good starting point for structural changes in the system of international (economic) relations if mind-sets and the system which created all of these crises can be changed. Although the moment of crisis is seen as the right moment for change, the author finds the pool of potential actors able to make changes is limited.

The challenges of the Covid-19 pandemic for economic integrations, their future deployment and role in transformation of the global world order is the next research issue. Marko Lovec regards the Covid-19 pandemic as a litmus test for the grand theories of European integration. A number of crises in the past decade showed the inability of the European integration to reconcile dysfunctionalities related with the partial transfer of authorities to the transnational level and raised criticism of the alleged pro-integration bias of the grand theories – neofunctionalism, liberal governmentalism and postfunctionalism. He therefore reflects on the conditions for integration through three grand theories placed in the framework of the demand for and supply of integration. In his view, liberal institutional theories explain the nationalist response to the health crisis (missing demand and supply) and the integrationist decision on economic recovery (sufficient demand and supply). Moreover, they do this better than the nationalist or federalist approaches that either understate the demand for (the former) or overstate the supply of the integration (the latter). He describes the most recent decisions in the EU and progress in the new MFF and RRF as a “Milwardian rather than a nationalist or Hamiltonian moment”.

Daniel Crnčec next discusses whether the Covid-19 crisis may be used as an incentive for the EU integration process. He first analyses the Covid-19 crisis' impact on EU integration, and second the impact on the EU's energy policy and climate action. Based on the frameworks developed by

Schimmelfennig and used by Falkner, Crnčec establishes that the Covid-19 crisis and EU response to it have led to a step forward in EU integration. The EU response has also significantly impacted the trajectory of the EU's energy policy and climate action by strengthening elements of the EGD and its green transition.

The EU may also use the Covid-19 crisis to strengthen EU actorness. Increased external actors' competition is particularly seen in the Western Balkans (WB). Požgan, Ana Bojinović Fenko and Faris Kočan examine the WB' integration process during the Covid-19 crisis and argue that other powerful external actors should be taken into consideration besides the EU. Based on the external incentives model, they analyse Russia, China and Turkey as competing external actors to the EU's enlargement policy in the WB. These actors have increasingly competed with the EU's policies in the region during the Covid-19 crisis, especially with respect to the determinacy of conditions via state propaganda and by attacking the EU's credibility with disinformation campaigns. Their influence in terms of the size of rewards and domestic adoption costs however have dropped compared to the EU as the latter has increased its rewards, strengthened conditionality and regained some of its lost credibility capabilities. The authors see the potential for strengthened EU actorness in the context of the Covid-19 crisis since the EU remains the only external actor capable of addressing individual WB states.

The Covid-10 crisis has in addition 'revitalised' and strengthened the role of international diplomacy. Discussions on the role of diplomacy and its challenges in post-corona times have intensified along with the rise of new daily tasks for diplomats after the lockdown. Apart from a range of challenges following the Covid-19 pandemic, diplomats need to daily resolve diplomatic disputes arising from the new travel and trade restrictions, but also facilitate international collaboration on a vaccine and enhance efforts for a multilateral system. Boštjan Udovič discusses the main characteristics of Slovenia's consular activities during the first wave of the Covid-19 pandemic (in spring 2020). The analysis arrives at three research outcomes. The first outcome complements the finding of the revitalised role of the nation state. Consular assistance on the EU level is still under the 'coordinated approach', lacking efficiency. Second, in times of crisis management what matters most are good state-to-state connections and the people you know. Official channels are too slow and not effective. Third, high politics marginally influences consular assistance (being understood as low politics), meaning that open political questions usually do not hinder consular cooperation (as seen especially in the case of Slovenia and Croatia helping each other). Diplomacy of the 21st century has thus come to the essence of diplomacy: to establish and keep reliable and trustworthy relations. Diplomats'

core communication may hence focus on regaining public trust in the institutions and processes of diplomacy.

Conclusion

The common message stemming from the analyses in this thematic issue is that the Covid-19 crisis needs a joint response and strengthened efforts for a multilateral approach that leverages capacity, knowledge and experience, although the immediate responses have been more national and inward-looking. Covid-19 is a global crisis and a global response may still work. The Covid-19 pandemic has crystalised the need to improve the effectiveness of international organisations and their ability to respond to crises. This is particularly evident from the perspective of a small country that faces a range of new challenges in the context of weak multilateralism and the “revitalised” role of the nation state. The small country case in the global economy that started to be explored in the era of increasing globalisation and liberalisation emphasises the value of a multilateral approach to global development. Studies of small countries in the context of the globalisation backlash, global crises and rising nationalism are on the contrary rarer, but may contribute to the knowledge and motivation needed for a future multilateral system. The revitalised state may not be seen just as an impediment to multilateralism. Multilateral organisations’ dependence on states and complex procedures and bureaucracies may create difficulties in the development and implementation of timely and effective strategies, but more responsive (digitally experienced) and responsible national policies may impact the effectiveness of multilateral actions and stimulate political compromise and agreement on key development policies.

Shocks and crises require a response. These up-to-date analyses will hopefully stimulate future research, the gathering of new data and doing of new analyses, motivate learning and responsible decision-making. Although the vaccination is ever closer and the ‘battles’ for masks and health supply ...) are in full swing. And many decisions and compromises have yet to be made. Both national and multilateral responses are still emerging and analysis may still influence or prevent decisions and measures with long-term negative consequences.

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