

## SAVING LIBERAL INTERNATIONALISM FROM A LIBERAL WORLD ORDER IN CRISIS

*Abstract.* The paper explores the apparent crisis of the liberal world order, arguing that liberal internationalism is today still more part of the solution. In particular, it argues that political disintegration tendencies reflect the declining costs of independence and ever smaller role of political power in general; that democratic opposition to trade should be seen in the context of increasingly mobile 'winners' and immobile 'losers' with populist nationalism being the only way in which territorialised systems of representation can respond; and that the centrifugal tendencies observed in regions are a sign of competitive and multilateral rather than a conflictive and regiocentric world.

*Keywords:* liberal world order, regionalisation, globalisation, centripetal vs centrifugal forces, political disintegration, populism, Brexit

### Introduction

By unleashing the power of globalisation, the conclusion of the Cold War was expected to replace all existing forms of governance with liberal democracies, thus marking the 'end of history'.

Ever since the Enlightenment, liberal democracies have – in pursuance of the absolute welfare of their citizens – been expected to renounce nationalism in its political and economic forms and maintain cooperative relations with other countries.

Already in the 1990s, the limits of the 'post-ideological' era in international politics started to appear; initially, in the crisis of multilateral trade negotiations. The Doha Development Round, the first to be launched under auspices of the newly established World Trade Organisation, had failed. Some blamed China and other new not-yet-democratic economic powers for social and environmental dumping and for political meddling. The second big challenge came in the form of the global financial and economic crisis of 2008 and thereafter, not being the first crisis related to globalisation.

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The true impact of crises, however, usually occurred in the peripheries, for which poor local institutions were blamed. The 2008 crisis was the first since 1929 to affect Western countries as the centre of global capitalism, somewhat in line with Marx's original predictions (Svetličič and Lovec, 2014). Moreover, even though anti-globalisation sentiments have been escalating since the 1990s, the crisis highlights the deteriorating position of the middle class in advanced countries (Milanovič, 2005), showing the 'trickle-down' argument did not actually work in practice.

Revealing that the world's largest monetary union was only built for 'good times', the eurozone crisis has raised doubts about the sustainability of the European Union (EU) as the greatest achievement of liberal internationalism. This crisis had not been completely resolved before the EU faced yet another challenge, this time concerning policy on migrants and refugees (Lovec, 2017a). Euroscepticism has since spread across the EU, with populists becoming a major force in its southern and eastern parts (Lovec, 2019).

The 2016 vote in the UK to leave the EU followed by Donald Trump's victory at the US elections under the slogan "America first" seemed symptomatic of problems building up over the years. Yet, if the USA as a defender of the liberal democratic order since World War II is turning inwards and the EU, established to bolster the position of small European countries in a global context, is falling apart, what hope is there for liberal internationalism?

The crisis of the liberal order was anticipated by critical and realist thinkers, pointing out the antagonisms and structures of power (Lovec, 2014). However, this paper seeks to explore the crisis of the post-World War II order based on growing trade, multilateralism and US hegemony from the perspective of the liberal theories that gave it scientific legitimacy in order to help stem any rush towards 'back to the future' nationalist/socialist alternatives.

Given that individual aspects of the phenomenon are covered by different strands of the literature, we proceed by breaking it down into three apparent paradoxes of liberal thought, each addressed by one of the disciplines, as explained below:

- Dealing with the interactions of wealth and power, the international political economy sees ever more economic wealth being generated via the integration of markets and bringing with it stronger secessionist tendencies, be they within nation states or regionally. The 'economic integration-political disintegration' paradox (Svetličič, 1993: 2015) may be explained by the declining costs of independence due to more wealth and ways of creating it becoming available, as sheltered by the global economic system.

- Economics, with its main focus on how globalisation improves welfare by expanding and deepening markets, has struggled with the rising democratic opposition. While even basic economic models show the effects of trade tend to be unequally distributed, there is mounting evidence that the internationalisation of trade and finance has, especially in the late stages, led to a concentration of benefits while constraining the use of distribution mechanisms, thereby affecting the legitimacy of national political elites and fuelling the rise of nationalist populism (Rodrik, 2018).
- Finally, international relations have been challenged by the centrifugal forces found in the regional blocs. These go against the expected strengthening of regional hegemonies in the context of an increasingly multipolar world. Garzon (2017) explains this by pointing to the persistent role of cross-regional and extra-territorial dependencies which enables powers to challenge the regional hegemons from both within and outside, a feature of decentred/competitive multilateralism rather than of a regiopolarity.

Taken together, the three theses - concerning the declining economic costs of independence, growing political costs of trade, and global linkages hampering regional powers - highlight the continuing explanatory power of liberalism. Not just in general terms but, as we hope to demonstrate, also regarding particular events such as the shift in US foreign policy, Brexit and the populist/authoritarian trends seen in Central and Eastern Europe.

### **First paradox: on economic integration and political fragmentation**

The first paradox refers to why the rising wealth enabled by economic integration creates political divisions, usually along cultural/ethnic lines. Following Kindleberger (1984: 30), the history shows the optimum economic area is larger than a nation state, the optimum cultural area is smaller than one, while the optimum political area is identical to one. From a political economy perspective, as countries integrate to improve their market efficiency they enhance the availability of resources, thus allowing smaller political units to survive. Moreover, as markets develop, size no longer matters.

#### *Economic integration*

The political economy understanding of economic integration is based on customs union theory, stating there are two types of static effects of lowering barriers to trade between two or more (but not all) partners: trade creation and trade diversion. Static effects refer to an improvement in efficiency and growth via competition from external economies of scale and

improving the terms of trade via trade creation effects (by definition, more important than the effects of trade diversion). Compared to static effects, dynamic ones are usually considered more important. Salvatore's (2001: 335) empirical studies show they may be as much as five to six times larger than static gains.

According to Svetličič (2015), countries integrate when: (a) the positive effect of short-term trade creation outweighs the negative trade-diversion effect; and (b) positive long-term dynamic effects are expected. Other, non-economic considerations also come into play, such as enhanced security, positive effects of coordinated policies etc.

One side-effect of economic integration is that a country's size is becoming less important because small states can also gain from economies of scale and scope through the ever freer access to global markets. From a dynamic perspective, due to changing patterns of wealth creation, wealth depends less and less on natural resources or physical capital (i.e. quantity intensive growth, depending on territory, natural resources, number of people) and more on creative capacities like human capital (i.e. quality intensive growth, depending on the quality of institutions, research and development). By the 2000s, the World Bank (2011) states that even in low-income countries intangible capital constituted more than half the total wealth. Small countries are thus able to more than compensate for their shortage of quantity-based strengths via different applications of existing technologies.

Following Becker (1994: 11), the boom of international trade following World War II, partly due to multilateral tariff reductions and partly to lower costs of transporting goods and people and new communication methods, has sharply lowered the economic costs of independence. Yet, it is not just physical size that has lowered, but also political weight, making size even less important (Ohmae, 1999). As a result, ethnic communities have made more successful claims for independence. While the United Nations was founded by 41 countries in 1945, by 1997 there were 210 (Alesina and Spolare, 2000: 126; Svetličič, 2015: 21). As the global economy has grown, the dimensions of its parts have shrunk (Naisbitt, 1994).

It was also possible to actively overcome size-related disadvantages by regional integration or the strong internationalisation of economic activities in the form of inward and outward investment and by a bigger share of trade in national product (Svetličič, 2015: 28). Thus, especially since the 1990s, small countries have themselves become proponents of economic internationalisation.

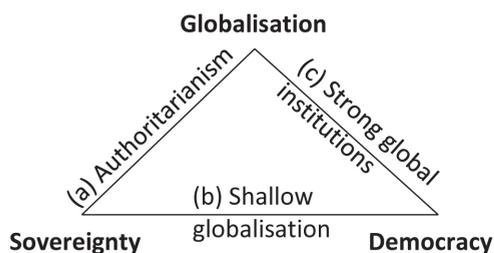
### **Globalisation**

Globalisation – i.e. the greater mobility of goods, capital and, to a smaller extent, of people, often the outcome of pressures from centres of finance

and capital and linked to needs for domestic reforms (Lovec and Svetličič, 2011) – is the point where internationalisation becomes an outside-in force. Globalisation creates certain uncertainties and risks as it shifts power from states to markets. Globalisation in terms of pressures towards homogenisation can trigger the resistance of local identities – even though globalisation has not just simply enforced global standards but also enabled local adaptations and greater diversity (Svetličič, 2015: 27).

Rodrik (2011: 200) describes the limits of globalisation as constituting a ‘globalisation trilemma’, according to which we cannot have democracy, nation state and hyper-globalization all at once but are forced to sacrifice one, namely we can: (a) restrict democracy to prevent a backlash due to possible asymmetries and locally concentrated costs and have national interests and globalisation; (b) have less globalisation and more democracy; or (c) wither the national interest and have strong global institutions (see Scheme 1 below).

Figure 1: THE GLOBALISATION TRILEMMA



Source: own elaboration.

Option (a) is what we often witness in some transition countries facing strong external pressures; option (c) is what, at least until recently, was typically viewed as a solution by some of the most developed countries; and option (b) has surfaced during the recent sovereigntist turn. The reason for that is not necessarily related to economic integration as such but may be due to changes in the distribution of wealth and shift in economic power, issues to be dealt with in sections 3 and 4.

### Regionalisation

Regionalisation is the movement of two or more societies that is usually associated with stronger centripetal forces and/or an institutional superstructure. Regionalisation can be a defensive instrument to protect local industries or a step towards a multilateral trading system, depending on its design (e.g. trade blocs vs open regionalism). According to Krugman,

regional blocs may be a bad idea in principle but good in practice (Svetličič, 2015: 25), while for Bhagwati (1993: 2) they are good in principle but likely to be bad in practice as regional liberalisation may become seen as a substitute for multilateral liberalisation, increasing the chances of an inter-bloc trade war. In a regional context, culture, religion and language may be more important (Kindleberger, 1984: 14).

Regional integration can be regarded as a 'club' that gives certain benefits to its members but also has rules and requires a 'price' to be paid. Regional integration occurs when the gains exceed the costs (Svetličič, 1993: 110). According to Milanović (2001: 48), small, poor and democratic countries are most likely to join since they typically gain in sovereignty terms (a multilateral setting) and welfare (access to a bigger market, distribution), while the membership of small and rich countries depends on the ratio between sovereignty gains and the relative decline in income (as well as budget transfers). Big countries typically use regional integration as a lever against other powers or to counter the instability created by contestation in unipolar systems. This explains much of European integration, created to counterbalance the Soviet Union's role, balance trade in the Atlantic system, and prevent conflicts between Germany and France by subjecting German power to Community institutions and, more practically, make it depend on French support.

### *Political disintegration*

The argument that deeper economic integration (via formal free-trade agreements and globalisation) inspires political disintegration tendencies was put forward by Svetličič already in August 1991 at the Congress of European Regional Science Association in Lisbon, but was not well received. The main arguments against it were that the world is becoming ever more integrated, interdependent and globalised, that political disintegration is carcinogenic, counterproductive and "contre courant", that firms need economies of scale and scope, unachievable in small countries. The most salient political argument was that the dissolving Yugoslavia (Slovenia and Croatia were separating from Yugoslavia at the time) should not be a showcase for the Soviet Union's disintegration and could invite some regions in Europe to follow suit.

Nations within multinational states are starting to rethink their position since the relative roles of production factors within states, regions and in the world have altered dramatically. "If the costs of integration outweigh the benefits, then the disintegration process starts. Instead of allocation of factors within the (old) country, the world market is increasingly becoming the optimal, first best solution for disintegrating regions or nations" (Svetličič, 1993: 110).

Recently, we can see the replication of such trends culminating after the fall of the Berlin Wall with the UK disintegrating from the EU (Brexit) and many other political parties in EU member states placing the same question on the agenda. There is another aspect of political disintegration which entails the rejection of trade agreements and growing economic nationalism as seen in the cases of the USA with Trump rejecting the Trans-Pacific Partnership (TPP) or the rejection of the Transatlantic Trade and Investment Partnership (TTIP). Initially, countries like Slovenia were accused of being *contra-courant*, yet this is no longer the case when it comes to today's secessionist, nationalists and sovereigntists. There may be several explanations for this. One is that the context has changed. Hurt the most by global integration, the middle class sees the solution lying in disintegrating on the basis that globalisation (or China specifically) is to be blamed for the worsening of their position and blaming local elites that advocated free-trade regimes. The fear of separatism becoming a bad example for their own unitary states (like after the fall of the Berlin Wall) is ever less pronounced, albeit still strong in certain countries (Spain/Catalonia and the EU's response). With the latter as exceptions, political disintegration today seems a normal response to hyper globalisation.

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Obviously "the nation state isn't going to go away, but ethnic locality is becoming more important. People needs roots. You'll see more Slovenias", Drucker claimed in his interview with Forbes (Skousen, 1991). Gary Becker also admitted that: "I can't see the pressure for autonomy by ethnic groups in Yugoslavia, Czechoslovakia, the Soviet Union, Canada, Ethiopia, Iraq, or elsewhere slackening. On the contrary, the divergent trends toward greater political autonomy and wider economic alignments seem sure to continue into the next century" (Becker, 1991). One reason is that a minority of states in the world (about 14%) are ethnically homogeneous (Rizman, 1991), whereas most are multinational.

The emancipation of nations is a historically irreversible trend. "The right to self-determination is of course the political basis for it" (Svetličič, 1993: 111). The earliest motivation was to attain large markets. Now freer access to markets is replacing this motivation because access to a market is more important than its size. Smallness is no longer a handicap (Becker, 1991: 11).

### **Second paradox: on the democratic rejection of international trade**

The second paradox refers to the rejection of global trade by democracies, despite the general welfare it has brought. Following Dani Rodrik (2018), even though the growing inequalities, crises and shocks produced by the international market are not new, the overall gains of global trade tend to become highly concentrated in the later stage of international

trade-led economic development, only marginally exceeding the growing costs. Second, since in reaction to the global economy political supply has moved to the centre and largely abandoned strong intervention, creating a mass of underrepresented ‘losers of globalisation’, established politics has become susceptible to populist attacks. In countries characterised by higher development levels and a welfare state, the populist backlash has been expressed more in terms of opposition to economic migrants.

### *The distributive implications of trade*

According to standard economic models, trade has different effects on individual factors involved in production. In line with the Stolper-Samuelson theorem (1941), in a two-good, two-factor model (with full mobility of other factors), the factor used intensively in importable goods experiences a decline in real earnings in absolute terms – as long as the importable good is produced. Consequently, those employed in the importable sector (under free trade) lose out.

Unlike early research which attributed greater importance to technological change and skills, recent research assigns more importance to trade. While trade is still seen as creating net gains, as trade barriers get smaller, net gains also become smaller while the redistributive effects get larger. To use Rodrik’s (2018) terms, “trade agreements become more about redistribution and less about expanding the overall economic pie”. Further, as trade negotiations progress from tariffs to regulatory and technical (behind-border) issues, they become more complex and demanding, strengthening the role of specific interest groups expecting high gains (Lovec, 2016). This explains why globalisation is becoming more contentious.

### **The US–China case**

The argument concerning the adverse effects of trade in late stages is supported by empirical evidence: while economists struggled to show the overall net gains of the North American Free Trade Agreement (NAFTA) for the economy, Hakobyan and McLaren (in Rodrik, 2018) found it produced modest effects for most US workers, but that an important minority of ‘blue collar’ workers and their localities had suffered substantial losses. Conversely, the effects of the volume of trade were much larger as imports from Mexico roughly doubled after the agreement. Ex-ante studies on some other mega-regional trade agreements such as the TTIP had similar results (Lovec, 2016).

Due to its size, several effects of global trade can be attributed to a single country – China (Svetličič, 2019). Rodrik (2018) observes that the USA opened up relatively late to trade: the share of imports in GDP more than

doubled between the mid-1970s and 2000s, from 7% in 1975 to 17% in 2008, based considerably on rising imports from low-income countries such as China, resulting in structural adjustment problems. Following Rodrik (2018), import competition is the key factor behind the decline in labour shares at the level of individual industries in the USA since the 1980s, although generally the role of skill-biased technology change was relatively more important. Moreover, wage reductions were largely underestimated because of the increase in non-participation and the unemployed are more likely to have lower earnings.

### *Implications of global finance*

Financial globalisation should also enhance markets via the greater availability of capital, better allocation, higher dispersion, enhanced liquidity and inter-temporal consumption. However, in practice, countries that should import capital become exporters and countries with deep financial markets become safe heavens, receiving excessive inflows. Rodrik (2018) believes financial globalisation accentuates the strengths and weaknesses of states, such as the role of domestic institutions. This was the case in the eurozone where financial markets in the periphery first fuelled the balloons and then speculated against debtors (Lovec, 2017b). Moreover, as Reinhart and Rogoff (2009) showed, there is a perfect coincidence between globalisation and banking crises, which can be related with more risky systemic conditions. Finally, the globalisation of finance also increases inequality since capital mobility makes employers a credible threat. Global finance mainly allocates the costs of crises to labour, which is less mobile and easier to tax (directly or via consumption).

### *Populist nationalism*

Asymmetrical pressures and discontent fuel a political backlash in terms of criticism of the elites and the growing role of populists. The latter can take diverse forms depending on a specific context. For example, in less developed countries the typical target would be international financial elites while in a more developed welfare state the typical target would be economic immigrants. Where there are cases of stronger effects and weaker institutions, more authoritarian forms of (populist) backlash are possible, as seen in the cases of Central and Eastern European countries (Lovec, 2019). Authoritarian developments can signal an attempt to concentrate the remaining sources of power.

The empirical evidence presented by Rodrik (2018) shows that in the USA the Chinese trade shock has aggravated political polarisation in terms of the

districts affected moving further to the right or left. Colantone and Stanig (2017) made a similar analysis for 15 European countries for the 1988–2007 period and established such effects on an individual and regional basis, associating support for nationalist parties and a shift toward radical right-wing parties with larger trade effects. Finally, Guiso et al. (2017) who looked at survey data on individual voting behaviour found an important role of economic insecurity – including exposure to competition from imports and immigrants – in driving the growth of populist parties. Research on populism and attitudes towards the EU in CEE established similar conclusions (Lovec, 2019).

### **Brexit**

Sampson (2017) reviews the evidence on how Brexit will affect the UK economy and finds that the losses outpace fiscal savings with a negative impact not only mainly from trade but also from reduced FDI and immigration. According to him, it is unlikely the new trade deals can compensate for this, with the claims they will reap positive effects from deregulation being even less convincing. On the other hand, inequality would be reduced by Brexit even though skilled and unskilled will be worse off in absolute terms. Similarly, there is some evidence that immigration has reduced the wages of lower-paid, which might be reversed in relative terms with new rules on immigration.

Analyses on who voted to leave (Sampson, 2017) show that education and to a smaller extent age were the most significant factors broadly characterising the skill and mobility gap in a changing environment that affects status quo. The second major factor was association with poor economic outcomes on the individual or area level (e.g. higher unemployment). Specifically, exposure to Chinese competition led to greater support for Brexit. Third, support for leaving the EU was associated with self-reported opposition to immigration but, interestingly, not with exposure to immigration (a bigger share of immigrants – typical of multicultural and more propulsive urban environments – was actually associated with support for Remain) (Sampson 2017: 176). Once again, similar conclusions on socio-economic backgrounds of those who would vote for leave were reached by research on CEE (Lovec, 2019).

Another Brexit factor touched on in section 1 is the particular role of the UK in the EU, which has been side-lined by Germany and France and benefiting relatively less in sovereignty terms than developed smaller Northern countries, or in economic terms than the poorer Southern members. The Eastern enlargement did not change European integration more in the direction of a free market with flexible political architecture in line with the UK's ambitions – at least not before Brexit (Primatarova et al., 2018).

Yet, there is also a third element: how is it possible that, in an increasingly multipolar and unstable environment, which otherwise should strengthen the EU's role, the UK decided to leave?

### Third paradox: rise of the multipolar world and a weakening of the poles

An increasingly multipolar environment whose centres of power are unable to influence global affairs, i.e. affairs in the proximity of other centres should lead to the stronger role of regional hegemonies, with countries expected to be driven towards the powers in their regions. However, in contrast, what we are witnessing are regional divisions and crises. According to Grazon (2017), this may be explained by the persistent role of extra-regional linkages and concentrations of power which challenge would-be regional patrons. In other words, what we are observing is still a multilateral but an increasingly competitive world.

#### *Regiopolarity vs. decentred multilateralism*

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Most IR scholarship considers the growing multipolarity – weakening of the USA as the remaining post-Cold War superpower and the EU and China not being there yet – to lead towards ‘regio-centrism’ or ‘regional unipolarity’, where great powers as regional centres or hegemons would increasingly define boundaries, institutions, security architecture and dynamics within regions (Buzan, 2011; Archya, 2014). This is not restricted to a realist way of thinking. Following Keohane and Nye (2001, in Garzon, 2017), multipolarity enables fewer states to manipulate the ‘asymmetries of interdependence’ to their own advantage, not only to reap material gains but also to deny more powerful actors to exercise economic power over them.

In contrast, empirical evidence shows that emerging powers are increasingly operating in multiple regions: be it the engagement of the USA in Eastern Asia and North Korea, the engagement of Russia in Syria and in the six-party talks on denuclearisation of the Korean peninsula or China's engagement in Middle East politics and South East Europe via 16+1. How to explain this? First, while the realist approach (Buzan and Waeber, 2003; Buzan, 2004) mostly focuses on absolute and military power such as full-fledged military operation and post-conflict transformation, which is expensive, there are – as Garzon (2017) points out – also other equally important sources, instruments as well as intensities in which power can be applied.

Second, according to Garzon (2017) regional powers do not concentrate most of the region's political and economic linkages – instead, the latter transcend regions in all directions with significant extra regional power

concentration, which enables the regional hegemonies to be challenged. This helps smaller states to “engage in an adaptive form of foreign policy behaviour that seek to minimize political costs while accessing the external sources they need such as markets, investments etc.” (Garzon, 2017: 106). Rather than a world of ‘regiopolarity’, this situation resembles more a multipolarity in circumstances of growing competition, known as ‘decentred multilateralism’.

### *Centripetal vs centrifugal forces*

From a political perspective, regional integration is about transferring powers in return for benefits. The supply can be explained in terms of functionalism and demand in terms of politicians’ incentives. Garzon (2017), following Mattli, regards as strong supply conditions: (a) economic gains significant enough to offset political losses; and (b) the presence of an undisputed regional leader that can use the gains to ease distributional conflicts. While regiopolarity would positively affect at least the second supply condition (it could also impact the first condition by raising the political costs of an alternative economic agreement) in Europe and in several other regions (Garzon, 2017), we are witnessing opposing trends. The reason for this may lie precisely in the high number of external actors/centres and asymmetries which not only limit the role of centripetal forces *from within*, but also *from outside* in terms of containing the ‘external threat’.

In an economic sense, regionalism can be driven by an interest to attract FDI and enhance bargaining power in international trade negotiations. However, this all assumes a certain distribution of the gains which the multiple powers and asymmetries make increasingly difficult to realise (Garzon, 2017: 117). As an alternative, open regionalism as a shallower form of economic integration less about intra-regional trade and more about forming a larger market attractive for market-seeking investors can be pursued.

### **The state of multilateral trade**

Multilateral trade has been affected by the shift in economic power due to the accession of a large new trading nation – China – as well as the emergence of new issues on the multilateral trade agenda such as digitalisation, intellectual property and domestic support (Baldwin, 2016). In the context of status-quo-oriented decision-making arrangements such as consensus, differential and special treatment, this led to the proliferation of preferential agreements. Compared to 70 PTAs in the 1990s, by the mid-2010s there were 300, with many pursuing WTO-plus/extra objectives. At the same time, multilateral trade also continues to grow: in 2016 with the accession of Afghanistan, the WTO membership reached 164 members, with 21 more

in the process of accession – compared to 24 GATT contracting parties in 1948.

Following failure of the multilateral process, mega-regional initiatives such as the TPP and TTIP were initiated in the late 2000s to move matters forward. These were massive and strategically important deep integration arrangements (Lovec, 2016). The driving force behind those was the USA which wanted to retain its position vis-à-vis China. China, on the other hand, had its own strategy based on the Asian infrastructure investment bank and the Belt and Road initiative. However, there was ultimately not enough in the regional agreements for the USA and Trump withdrew, turning towards more direct and bilateral use of economic and political power asymmetries to renegotiate the USA's position against China, the EU and its NAFTA partners.

While Trump's behaviour may be seen as a realist/nationalist strategy, it is in fact domestically driven, with post-strategic behaviour indicating the declining stage of the hegemony of the USA, including the regional one, as well as reliance on the remaining (shallow) trade multilateralism. Moreover, Trump's 'America first' policy could, by reorienting economic ties out from the USA to other regions/countries through its partners, easily turn into "America second" (Raškovič et al., 2019).

## Conclusion

This article concerns the apparent crisis of the liberal order which has somewhat exhausted the liberal institutional vision of its future development. While the intention was not to save globalisation from its critics, be they from the left or right of the political spectrum, the desire was to show that liberal thought still provides competitive explanations of the modern world and retains political relevance by containing power politics and keeping off the table various bad policy ideas that would make everyone worse off.

The paper observed three apparent paradoxes of current liberal internationalism: economic integration followed by political disintegration; growing welfare via trade followed by political backlash and the rising importance of regions along with the weakening of regional integration. In order to prevent these paradoxes from becoming anti-liberal myths nourishing illiberal political strategies, vis-à-vis the first paradox the paper argued that the greater wealth acquired via economic integration enabled the independence of several political units which rely on economic integration. Needless to say, decentred integration, enhancing independence and welfare are at the heart of liberal theory. Second, the political backlash against global trade may be attributed to the growing asymmetries in the globalised economic

system still made up of territorial constituent parts on which the systems of checks and balances are based. The problem here is as much political as it is economic since the new functional hierarchy established by trade was only partly followed by the development of political institutions and policy mechanisms that would make it sustainable in the long run. While speaking of global governance – the enhanced role of the new regional powers (vis-à-vis the post-World War II hegemony of the USA) has been considered to be the main obstacle to any deepening of the international institutions. However, it was argued that multi-level global linkages and concentrations of power in fact prevent regional powers from playing any more important role, implying that we are not faced with the return of power politics but a crisis of the old hegemonies in a highly competitive and rapidly changing global system.

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