

EDITORIAL COMMENTS

FROM GLOBALIZATION TO GEOECONOMIC FRAGMENTATION: RESHAPING THE STATE'S REGULATORY ROLE¹

In an era of rapid globalization, technological advancements, and evolving socio-political landscapes, the regulatory role of the state is undergoing a profound transformation. As societies grapple with complex challenges in governance and market regulation, it becomes increasingly crucial to understand the dynamics at play and explore innovative approaches to address them. This thematic issue of our journal delves into the recent regulatory and governance challenges faced in the European Union and other parts of the world. Through a collection of insightful articles, we explore diverse topics that intersect with the central question of the evolving role of the state in regulation.

After decades of increasing global economic integration, the world is facing the risk of geoeconomic fragmentation, as concluded by a recent IMF study (Ayar et al. 2023). The idea that most leaders around the world agreed on after the Second World War – that more open markets foster innovation, competition and growth, and consumer welfare, and that led to the creation of such dominant international trade integrations as GATT (General Agreement on Trade and Tariff, now World Trade Organization, WTO) and the European Communities (now European Union) – was reversed after the 1990s. Yet the appetite for freer trade is not what it was (The Economist 2021a) in the ‘Golden Age’ of liberalization. Officially, it is derived from the worldwide crises in 2007-8 as a visible phenomenon of this shift (Csaba 2018), however, balancing between integrative and sovereign-based efforts started earlier in some respects (Horváth 2020). At the same time, the crises have undoubtedly accelerated and deepened this process.

For the past decade and a half, the world has been facing a series of crises that have significantly contributed to a reshaping of the previously established and considered model of the state role in a market economy. It all began with the above-mentioned 2007-2008 real estate and banking crisis, which originated in the United States and spread to the continent's banking and financial system. At the central bank level, activism aimed to contain the chain reactions in the financial markets. Following the example of the US Federal Reserve to a greater or lesser extent, European crisis management also sought to implement some forms of direct intervention, particularly during the 2011-12 eurozone crisis in relation to the looming Greek debt situation (Horváth et al. 2023). In Europe, the withdrawal of the United Kingdom from the Union in 2020 also contributed to the crisis of the single market (Horváth et al. 2023).

The Covid-19 pandemic, which began in Europe in March 2020, resulted in a much greater and global crisis which also supported the process being described as "The Return of the State" (Garrard 2022). The Russian invasion of Ukraine on February 24, 2022 and the subsequent energy crisis opened up another phase in this process. The

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combination of these effects intensifies competition and struggle, not only between national economies but also between integrations on a global scale. In the European Union, it also meant that member states received broader authorization to provide various forms of economic support or to use other means of market intervention.

Themes analyzed in most of the studies published in our thematic issue can also be linked in some way to the above-mentioned crises. For example, *Dóra Varga's* study explores the profound impact of the "Coronavirus Decrees" on employment relations in Hungary, contemplating whether the measures taken during the pandemic represent a temporary response or a long-term transformation. The contribution of *Sebestyén Márk Pella* raises a similar question in relation to price control in the Eastern European region imposed on various products in response to the energy crisis. In times of crisis and lack of economic resources, it is also crucial to continue investing in innovative technologies, such as space programmes, as *Boudour Mefteh's* paper highlights.

Changes in the state's role towards increased public control and intervention also reflect a growing recognition of its responsibility to address societal challenges and market failures. In the area of cross-border employment relations and movement of persons, this has taken several forms. The challenges often arise from the lack of respect of fundamental rights experienced by migrant workers in host countries. Although there is a growing tendency of including, in certain form, provision(s) on the protection of labour rights, the virtuous commitments embedded in trade deals often lack teeth and there are serious doubts if these have much effect (The Economist 2021b). In our thematic issue, the article of *Aya AlDabbas* analyses the remuneration rights of irregular migrant workers in the European Union, shedding light on the challenges faced by this vulnerable group and calls for greater attention to their rights and protection. *Zhansulu Muratova's* contribution also focuses on the duties of states to protect human rights as required by global instruments, providing a case study example on the enforcement of the right to education in Kazakhstan.

As climate change has become a global challenge, there is a growing recognition of the links between trade and the environment (The Economist 2021c), and of the responsibility at all levels of governance to integrate climate considerations in trade policy and regulation. It means, among others, the inclusion of preferences² and incentives in trade agreements, international or national legislation or other forms of regulation that support environmental protection. However, it is not always possible to reconcile the two aspects, and therefore climate considerations can also be a legitimate reason for states to deviate from the main rules of market liberalization, laid down in international or EU rules, if trade-restrictive measures prove to be necessary to ensure adequate protection. Environmental issues (often together with other drivers such as consumer preferences) can also serve as a rationale for harmonization at the supranational level, as *Roxána Bereczki's* study on the future of standard mobile phone chargers shows. At the same time, environmental interests may also conflict with other public interests (such as road safety), as highlighted by *Petra Kanyuk's* paper through the example of an area not yet regulated at the EU level (the use of electric scooters).

² See for example the trade agreement (2021) between Indonesia and the European Free Trade Association (EFTA), that offers Indonesian palm-oil exporters lower tariffs if they meet certain environmental standards (The Economist 2021c).

Despite the tendencies against global economic integration indicated above, some moves towards further liberalization have continued (The Economist 2021a). For instance, in 2020 15 Asia-Pacific countries signed the Regional Comprehensive Economic Partnership, and the African Continental Free Trade Area, a deal ratified by 38 countries, began to operate in 2021 (The Economist 2021a). That is why there is still a need for legal mechanisms whose widespread adoption is linked to the heyday of international market opening. The earlier upward phase of global trade has led to an increased demand for alternative dispute resolution mechanisms, such as arbitration or mediation. Cross-border trade relations involve transactions between parties from different countries, each with its own legal systems, cultural norms, and business practices. Although litigation is still the primary method of dispute resolution in most Western legal systems, there has been a search for alternatives to it for several decades (Hoellering 1986) to meet the increasing complexity and volume of modern international trade. However, there are still a number of questions and challenges regarding the use of these alternative dispute resolution tools, which act as a disincentive for market players and even for states to develop an appropriate regulatory environment [as regards the latter, see a Jordan case study (Alfaouri 2022) in our previous journal issue]. In the present volume, *Mourad Yousfi* examines the reluctance of businesses in the European Union to utilize mediation as a means of dispute resolution and identifies common barriers to do so, by exploring the factors influencing this approach. *Layan Al Fatayri's* contribution delves into the role of arbitrators in investigating corruption by highlighting the complexities of such cases in the realm of international commercial arbitration.

We hope this collection serves as a catalyst for further research, inspires fruitful discussions, and encourages the authors, other researchers and practitioners to engage in thoughtful deliberations about the changing regulatory role of the state and its implications for governance and market regulation. The academic website (blog) of the DE Public Service Research Group publicgoods.eu offers an opportunity to continue the debate, even after the publication of the present thematic issue.

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