

CARDINAL ASPECTS OF LIBERALIZATION OF INTERNATIONAL TRADE, AND ITS EFFECT ON NATION-STATE SOVEREIGNTY

ALEX PONGRÁCZ *

1. CLASSIC NATION-STATE SOVEREIGNTY AND ITS RELATIONSHIP WITH TRADE POLICY

Bodin, the first systematic theorist of the doctrine of sovereignty, examining the traits of sovereignty, a. k. a. the attributes of the main source of power in the last quarter of the 16th century, was able to put a comprehensive list together with ease.¹ In his work entitled *On the Rights of War and Peace* (1625), Grotius could still be confident, talking about sovereignty, to define the essential meaning of it as a power “whose act are not subject to the control of another, so that they can be rendered void by the act of any other human will”.² With the same confidence he could also say that the general subject of this highest power is the state, *the perfect community*. In their writings Bodin and *Hobbes* espoused the necessity of strong national power as opposed to feudal anarchy, territories ruled by mini-kings and oligarchs, chaotic conditions of religious and civil wars. This is why they urged to create a strong power with the function of maintaining law and order³. Thanks to these theories, the state became an operating mechanism, a *neutral machine*, which “transforms right into law, constitution into constitutional law, law into order - into a calculable instrument of forced psychological motivation to be applied to the populace”.⁴ The dynastic state was soon to be replaced with the entity of the civil state. Thus, Bodin’s and Hobbes’ sovereignty theories, serving to legitimize the new system, led to the emergence of the concept of state sovereignty.⁵ Following a brief empire-building intermezzo (the reign of *Karl V*), the plural system of modern European nation states has developed and this system had been made universally dominant in 1648 by the *Treaty of Westphalia*.

Due to the absolutization of the concept of sovereignty, the first “threads of connection” between state and economy started to develop. The state, at this time, interfered with economical processes only a little, with decisions on economic policy being made by the state itself, rather than by a person (i.e. the king). This is how mercantilism could become the mainstream ideology of this era in the economy, and absolutism in politics. The economic realm was de facto subject to the interests of the state.⁶ *Fichte*’s concept of the *closed trading state* has found active followers among public authority figures: many preferred the possible existence of a state which influences economic life with increasing intensity, reforming economic structures using centralized, well-planned policies and replaces the regulative role of the market with a system based on central control.⁷

However, in Western Europe, as the messenger of the modern world, capitalism has taken root, creating the rational-capitalist organization of free labor: an economic system which has the imperative to gain continuous profit by rational, capitalistic means as its central focus, and where the appropriate course of action is decided by how much profit is to be made with how much investment.⁸ *Calculatory capitalism* thus became the “catalyst” for a reliable, understandable, rational political and legal system.⁹ Money has taken on a tremendously more powerful role and the increasing vigor of industry and trade has created

* PhD candidate, Széchenyi István University, Department of Theory of Law, Győr. Email: pongracz@sze.hu.

¹ Bodin, Jean: *Az államról (About the State)*. Gondolat Kiadó, Budapest, 1987, 115-122.

² Grotius, Hugo: *On the Rights of War and Peace*. John W. Parker, London-Cambridge, 1853, 37.

³ Bayer, József: *A politikai gondolkodás története (The History of Political Thought)*. Osiris Kiadó, Budapest, 2003, 104.

⁴ Cs. Kiss, Lajos: *Egy keresztény Epimétheusz (A Christian Epimetheus)*. In: Schmitt, Carl: *A politikai fogalma (The Concept of the Political)*. Pallas Stúdió – Attraktor Kft., Budapest, 2002, 271.

⁵ Shaw, Malcolm N.: *Nemzetközi jog (International Law)*. Complex Kiadó, Budapest, 2008, 43.

⁶ Galgano, Francesco: *Globalizáció a jog tükrében. A gazdaság jogi elemzése (Globalization in the Context of Law. Legal Analysis of Economic)*. HVG-ORAC Lap-és Könyvkiadó Kft., Budapest, 2006, 46.

⁷ Bretter, György: *Fichte eszményi állama (Fichte’s Platonic State)*. In Bretter György: *Itt és mást. Válogatott írások. (Here and Other. Assorted Writings)*. Kriterion Könyvkiadó, Bukarest, 1979, 439.

⁸ Weber, Max: *A protestáns etika és a kapitalizmus szelleme (The Protestant Ethic and the Spirit of Capitalism)*. Gondolat Kiadó, Budapest, 1982, 11-12.

⁹ Szigeti, Péter – Takács, Péter: *A jogállamiság jogelmélete (Law Theory of the Rule of Law)*. Napvilág Kiadó, Budapest, 2004, 46.



that middle class of great reputation which had the impossibility to continue the chaotic ways of the feudal world in its interest. Trade barons and bankers – such as Fugger or Whittington – began to accumulate more power than feudal notabilities and their freely available capital even gained them political influence.¹⁰ Thus capitalism was born and along the same lines of logic, the liberal state, the product of the 19th century that Carl Schmitt identified as the liberal century was also formed.

The biggest critic of this state model was *Carl Schmitt*, who described it as a system where public power is being reduced to the minimal possible level of influence, preventing economic intervention as much as possible, following the dogma according to which society and the economy make their own decisions, governing themselves by their own immanent principles, like the laws of physics. “The freedom of contract and trade prevailed in the free play of the social and economic forces, and as a result, the greatest economic prosperity seemed assured, as long as the automatic mechanism of free trade and of the free market steered and regulated itself according to the economic laws (through the supply and demand, the competitive exchange, the capital accumulation of political economy).”¹¹ Bódog Somló gives a graphic description of the liberal dogma which gives free reign to the blows dealt by the “invisible hand”: they claim that “the automatic self-regulation of supply and demand, the development of money and currencies, all these institutions that hold the utmost importance in trade and industry, are institutions which emerged without any state interference, and they are all more perfect and more important than the well-defined results of well-defined state intervention”.¹² According to such an analysis, *Adam Smith*’s thesis of the invisible hand is nothing else but the declaration of the faith that “only peace, mild taxation, and a viable justice system are needed to elevate a state from the lowest point of barbarism to the highest point of flourishing, and everything else will be brought on by the natural flow of things”.¹³ Legislatively speaking, this means that after the Industrial Revolution, most states declared civil liberties, including the liberty of industry and trade. The separation of law and economy, however, led to the victory of the dogma which defines law as a function of the state, in all nation states. “Thus, tension grows continually between internationally expanding trade and national rights bound by state borders.”¹⁴

2. THE DECLINE OF CLASSIC NATION-STATE SOVEREIGNTY AND THE GATT/WTO REGIME

The post-WW2 “golden age”, that is, the welfare state of Keynesian organizational capitalism, although it represented a paradigm shift from the classic concept of economic policy known as liberalism,¹⁵ later there came another paradigm shift against the practice of welfare states by the neoliberal orthodoxy, gaining ground from the late 1970s onwards and attaining complete dominance. This paradigm shift has also received government approval by the Thatcher (1979) and Reagan (1980) administrations from the dawn of the 1980s onwards. Under the leadership of global powers of regulation preferring the neoliberal model, such as the *International Monetary Fund* (IMF), the *World Bank*, and the *World Trade Organization* (WTO), the idea of globalization being “necessary” has gradually gained ground. The globalization of markets called for uniform rules throughout the whole of international trade, as a prerequisite. These new players completely revamped the old argument about economic relations being built upon trade/monetary relations between sovereign nation states.¹⁶ The new *lex mercatoria* “aims at the comprehensive regulation of trade relations which function independently from the political sphere of state influence, within the

¹⁰ Fisher, H. A. L.: *A History of Europe: From the Origins to the End of the 17th Century.* Eyre&Spottiswoode, London, 1949, 774.

¹¹ Schmitt, Carl: *The Way to the Total State.* In: Schmitt, Carl: *Four Articles. 1931-1938.* (Edited by Simona Draghici). Plutarch Press, Washington D. C., 1999, 7-8.

¹² Somló, Bódog: *Állami beavatkozás és individualizmus* (*State-Intervention and Individualism*). Grill Károly Könyvkiadó Vállalata, Budapest, 1907, 175-176.

¹³ Somló: *op. cit.* 180.

¹⁴ Galgano: *op. cit.* 47-48.

¹⁵ After World War II a new economic system emerged in Western Europe. One of the most characteristic elements of postwar Western regime was state interventionism. The mixed, mostly private, partly state-owned economic system based on Keynes’ ideas. Ivan T., Berend: *An Economic History of Twentieth-Century Europe.* Cambridge University Press, Cambridge, 2006, 196.; Kaposi, Zoltán: *A XX. század gazdaságtörténete I. 1918-1945.* (*The Economic History of the 20th Century. Vol. 1. 1918-1945*). Dialóg Campus Kiadó, Budapest-Pécs, 1998, 76.

¹⁶ Csáki, György: *A nemzetközi gazdaságtan és a világgazdaságtan alapjai* (*International Economics and the Fundamentals of the World Economy*). Napvilág Kiadó, Budapest, 2011, 177.

economically united class of traders”.¹⁷ This meant that for the first time after the Second World War, global-international organizations have appeared; which not only determined general goals for national states but also established rules and mechanisms of conduct - in such vitally important areas as finances and world trade.¹⁸ Obligations that accepted by the WTO form international trade relations abiding by the principle of mutualism and avoidance of discrimination, which limits the possibility of utilizing protectionist trade policies in most key areas of operation. On top of that, in this system there are severe financial consequences for “deviant” behavior, i.e. the conscious and frequent disregard of rules; and in our time, the practice of the *pacta sunt servanda* principle is a very characteristic trait also for organizations evaluating international credibility.¹⁹

Organizational Framework of Liberalizing International Trade

After the bitter experience of WWII, one of the central issues for the new world trade system was the rebuilding effort in Europe and the Far East, and the United States has proven to have a great enthusiasm for this. The Atlantic Charter already proposed the establishment of a world trading system in 1941; in this, access to national markets was defined as to rest on the grounds of equal opportunity and the requirement of openness of all national markets.²⁰ The following significant stage was the world trade conference in Bretton Woods, New Hampshire – with the participation of 44 nation states –, where “in the interest of a stable international economic order” a threefold international organization system was created. In order to aid international monetary cooperation and expansion of commerce, to protect the stability of international currencies, to coordinate national monetary policies and to provide credit for countries afflicted with temporary debt and difficulties, a new international monetary institution, the International Monetary Fund (IMF) was created. For supporting the postwar rebuilding effort, as well as investments and innovations, there was the *International Rebuilding and Innovation Bank* (World Bank). And last but not least, for the revitalization, coordination and stabilization of international trade and the destruction of obstacles to commerce, the *International Trade Organization* (ITO) was established.²¹ Although the international trade and labor conference organized by the United Nations in Havana in 1947 has constructed the *Havana Charter* which defined the multilateral order of international trade, and would have even created the ITO, but this organization remained only a skeleton and could not begin its actual operation yet.²² While the basic by-laws of the ITO were declared in the Charter signed by 56 nation states - the USA didn't ratify it and this rendered the whole thing ineffectual. *Richard Senti* says that the main reason for this was that “the ITO was too liberal for the protectionists, and too protectionist for the liberals, so most representatives rejected the agreement, albeit with diametrically opposed arguments”.²³

Thus, the *General Agreement on Tariffs and Trade* (GATT), created in 1947 with the participation of 23 nations, became on one hand the system of agreements between the signatories concerning their policies of foreign trade, but on the other hand it also had an extensive apparatus and order of protocols.²⁴ According to the evaluation of András Blahó and Árpád Prandler, GATT is not an international organization but an international treaty, which in effect functioned as an organization through its secretaries - and by the same token, it is better to see GATT member states as parties in a contract.²⁵

Cséfalvay thinks of GATT as a “*provisory proven successful for half a century*”, which, apart from its successes in the field of liberalization, was a trade system built upon the unstable foundation of two- and more sided

¹⁷ Galgano: *op. cit.* 58.

¹⁸ Simai, Mihály: A világgazdaság a XXI. század forгатagában. Új trendek és stratégiák. (The World Economy in the Turbulent 21st Century. New Trends and Strategies). Akadémiai Kiadó, Budapest, 2007, 50.

¹⁹ Ibid. 67.

²⁰ Vörös, Imre: A nemzetközi gazdasági kapcsolatok joga. I. kötet. (The Law of International Economic Relations Vol. 1.) KRIM Bt., Budapest, 2004, 75-76.

²¹ Cséfalvay, Zoltán: *Globalizáció 1.0. (Globalization Version 1.0.)* Nemzeti Tankönyvkiadó, Budapest, 2004, 97-99.

²² Vörös: *op. cit.* 76.; Práger László: A globális gazdaságon innen és túl (The Global Economic and Beyond). Aula Kiadó, Kalocsa, 2008, 101.

²³ Wohlmeyer, Heinrich – Quendler, Theodor (eds.): The WTO, Agriculture and Sustainable Development. Analysis of the Effects of the World Trade Order on the Agricultural Markets in light of Conditioning Sustainable Development. Austrian Association for Agriculture Research, Vienna, 2000, 68.

²⁴ Mádl, Ferenc – Vékás, Lajos: Nemzetközi magánjog és nemzetközi gazdasági kapcsolatok joga (Private International Law and the Law of International Economic Relations). ELTE Eötvös Kiadó, Budapest, 2012, 199.

²⁵ Blahó, András – Prandler, Árpád: Nemzetközi szervezetek és intézmények (International Organizations and Institutions). Aula Kiadó, Budapest, 2005, 329.

negotiations and contracts, and on top of that, used the toolkit of negative regulations: the purpose behind its rules and agreements was the demolition of previously built obstacles in the way of international commerce. The GATT thus can be evaluated as a loose system of member states – or contract parties –, which had the obvious advantage of allowing member states to freely and voluntarily choose whether for themselves they accept a given contract as binding or not, so everyone accepted the conventions only if they would see fit. This mechanism served the purpose of ameliorating the effects of opening the market, so “its possible negative effects would manifest themselves only gradually, and stay at a socially containable, manageable level”.²⁶

According to the evaluation by *Bruhács*, the GATT greatly contributed to the expansion of the world trade, and as a true multilateral trade system it realized a significant reduction in the customs fees on industrial goods - but it was less successful in the fight against other obstacles of commerce, such as quantity limits and subventions. The author also counts it as a success that the GATT provided an organizational framework for world trade negotiations during the multilateral negotiations (a.k.a. “rounds”).²⁷ This opinion is also shared by *Simai*, who claims that the negotiation rounds arranged under the aegis of this agreement greatly contributed to the reduction of customs fees between developed industrial countries, and the demolition of quotas in the international trading of industrial goods.²⁸

The GATT system, however, was about to face many problems. Many areas of economic relations were not included in the agreement (for instance flow of capital and services). And this is a problem because from the 1980s onwards the dynamic international flow of goods and services has been more and more prominent and international trade has begun to include goods such as software and other IT services, telecommunication, financial advice, advertising and cultural services.²⁹ GATT did not address the international trade of intellectual products, either. The third problem concerning the operation of GATT was the gain in the influence of transnational corporations.³⁰ According to *Simai*, the meaning of the phenomenon of transnationalization, as part of economic globalization is that in a process originating from the decision-making centers of international (as in, independent from national interests) companies, transactions within any given national sphere of economy are subjugated to the interests of global corporations, thus integrating certain areas of national production and service into global corporate systems.³¹ Don Kalb observes that the currently prominent forms of globalization can be seen as “*political project of globally imposed marketization*”, which is mainly sponsored by the transnational class segments of supranational agents and their comprador allies in dependent countries/economies.³²

Taking all these tendencies into consideration, as a result of the Uruguay Rounds series of negotiations (beginning in 1986 and dragging on until 1993), a contract packet was created, which completely restructured the former GATT 1947 system. This agreement, signed in Marrakesh (Morocco) on 15 April 1994 and has been in effective from 1 January 1995, brought the *World Trade Organization* (WTO) into existence³³.

This one now can clearly be identified as an international economic institution which mainly concerns itself with the rules of trade between states exerting its influence by the following activities: establishing, policing and supervising international trade agreements and mediating emergent conflicts³⁴. But the WTO can also be seen as a two-faced institution. Proponents of globalization or “global free competition” think that it is the “most harmonic mediator” of trade policy debates between nation states, the “manager” of the liberalization of international trade built upon the foundation of “solid international legal principles” and operating by a neutral and professional protocol.³⁵ However, critics of globalization see the WTO as

²⁶ Cséfalvay: *op. cit.* 106-107.

²⁷ Bruhács, János: Nemzetközi jog. III. kötet. Nemzetközi szervezetek. (International Law. Vol. 3. International Organizations). Dialóg Campus Kiadó, Budapest-Pécs, 2001, 114.

²⁸ Simai: *op. cit.* 246.

²⁹ Csáki: *op. cit.* 179.

³⁰ Vörös: *op. cit.* 78-79.

³¹ Simai, Mihály: Kihívások, alternatívák és útvesztők a globalizálódó világban (Challenges, Choices and Mazes in the Globalizing World. In: Bayer, József – Lévai, Imre (eds.): Globalizációs trendek. Tanulmányok (Trends of Globalizations. Studies) MTA Politikai Tudományok Intézete, Budapest, 2003, 62.

³² Kalb, Don: From Flows to Violence. Politics and Knowledge in the Debate on Globalization and Empire. In: Anthropological Theory, No. 5. (2005), 176-177.

³³ Bánrévy, Gábor: A nemzetközi gazdasági kapcsolatok joga. (The Law of International Economic Relations) Szent István Társulat, Budapest, 2001, 48-49.

³⁴ Blahó – Prandler: *op. cit.* 332.

³⁵ Ibid. 333.

nothing but an omnipotent organization “representing the interests of transnational corporations”, which is “a severe danger to citizens and to democracy”, putting trade above all values and “treating the whole world as marketable goods”,³⁶ thus decreasing the maneuverability of state trade policy while increasing the power of transnational players in the economy game.³⁷

One of this is certain: the WTO greatly transforms and controls the area of movement of nation states in trade policy and its activity already influences even the social policy of its member states.³⁸ Also, its tasks and licenses drastically exceed those of the GATT regime. In the words of Sonali Deraniyagala and Ben Fine: “the WTO seeks to bring about international harmonization of institutional, regulatory and legal standards through a variety of agreements and standards. Trade policy, therefore, now extends to issues previously considered to be beyond the realm of international trade, such as domestic investment, intellectual property and legal reform”.³⁹

The first pillar of the WTO is the GATT 1994, with its main concern being the trading of goods, thus, the following goals still remained very important: reducing customs and other means that restrict international trade, eliminating unequal treatment and expanding access to all markets. The second pillar is GATS (General Agreement on Trade in Services). And the third one is TRIPs and TRIMs (Trade Related Aspects of Intellectual Property Rights & Trade Related Investment Measures) as well as regulations concerning commercial investment.⁴⁰ According to critical opinions, each of these WTO agreements limits developing countries in their practice of industrial policy because they don't leave enough policy space for economic policy.⁴¹

It also can be observed that the WTO, as an independent organization under international law – as opposed to the GATT – wants to achieve the liberalization and regulation of the whole of international trade. To do this, it mainly uses the “arsenal” of positive control: it has established new, previously unheard regulation regimens which are binding to all members, so its activity affects the internal legal environment of member states far more drastically and directly. Thus, the activities of the WTO cover a far wider area than just customs policy, affecting the economic and social policies of member states as well. The WTO creates, on a multilateral basis, agreements and rules binding to all member states, so these member states have no option to apply the rules they like in an “*à la carte*” way. This is true even though the decisions of the WTO are made by member states with consensus.⁴²

3. DISPUTE SETTLEMENT IN THE FRAMEWORK OF THE GATT & WTO

According to the founding document of the GATT, its own decrees were mainly just suggestions; the GATT could not use sanctions.⁴³ In the GATT system, dispute settlement was sort of in between diplomatic and legal means of conflict management.⁴⁴ The procedure itself was defined in the 22nd and 23rd articles of the founding document of the GATT. According to this, the contract signatories were required to “kindly consider” the possibility of consultation and provide “a suitable occasion” for these in all cases of complaints concerning the operation of the Agreement. Moreover, if any of them wanted it, the contracting parties could conferee upon any issue, if in the problematic case there wasn't a suitable solution. Even in cases of neglecting to fulfill any duties accepted within the agreement or executing a decision of economic policy directly opposing the rules of the agreement, there was no possibility of sanctioning: the victim could only give a written complaint or recommendation to the offending party, or any other parties whom he deemed to be interested in. But the offending party was only required to

³⁶ George, Susan: A WTO. Korlátlan világkereskedelem vagy szolidáris globalizáció? (The WTO. Untrammled World Trade or Solid Globalization?) Napvilág Kiadó, Budapest, 2003, 9-10.

³⁷ Vigvári, Gábor: Beágyazott autonómia és a WTO. Fejlesztéspolitikai lehetőségek a Kereskedelmi Világszervezet szabályrendszerében (Embedded Autonomy and the WTO. The Opportunities of Development Policy in the Rule System of WTO). In: Fordulat, No. 8. (2010). 41.

³⁸ Cséfalvay: *op. cit.* 106.

³⁹ Deraniyagala, Sonali – Fine, Ben: Kicking Away the Logic. Free Trade is Neither the Question. Nor the Answer for Development. In: Sundaram, Jomo K. – Fine, Ben (eds.): The New Development Economics: After the Washington Consensus. Zed Books, London, 2006, 48.

⁴⁰ Bánrévy: *op. cit.* 49-52.

⁴¹ Vigvári: *op. cit.* 44.

⁴² Cséfalvay: *op. cit.* 106-107.

⁴³ Káldyné Esze, Magdolna: Nemzetközi kereskedelem. A nemzetközi vállalkozások gazdaságtana. (International Trade. Economics of International Enterprises) TRI-MESTER Bt., Tatabánya, 2004, 236.

⁴⁴ Bruhács: *op. cit.* 121.

“kindly consider” this complaint. Then finally, the issue at hand could be presented in front of all parties who, following an obligatory investigation of the matter, gave recommendations to the affected parties and were required to make a decision only as an *ultima ratio*, as a “necessary evil”. The most drastic possibility of sanctioning was allowing one or more of the contracted parties to suspend the use of concessions or other obligations included in the agreement.⁴⁵ However, to use any economic sanctions, all members had to give consent to them, including the country against which these sanctions were used.⁴⁶

As opposed to this, the dispute settlement protocol of the WTO was created focusing on the following point of view: dispute settlement is a “*primus inter pares*” guarantee of the reliability and security of the multilateral trade system. This protocol follows these 4 principles:

- i. uniformity; as in, all WTO agreements are subject to the dispute settlement forums' decisions, and to the protocol code;
- ii. automatism; i.e. there is no need for anybody's consent for the creation and mandates of panels, nor for the establishment of protocol rules and all conclusions and recommendations can only be prevented from being obligatorily effective by reaching consensus;
- iii. the legal nature of trade disputes, i.e. decisions of the dispute settlement authority are always obligatory;
- iv. lastly, the two-track approach: consult first and you can set the process resulting in an obligatory decision into motion only if the consultation fails.⁴⁷

So, in line with the 4th paragraph of the foundation document, parties in a dispute are mainly obliged to negotiate with each other within 60 days. They announce these negotiations to the *Dispute Settlement Body* (DSB) on its first meeting. If the consultation stage yields no results, on the second meeting of the DSB, a *Dispute Settlement Committee* is established. This committee has 20 days to acquire case studies concerning the issue(s) at hand (plus additional 10 days if the CEO was asked to establish the committee). This is followed by the investigation of the Dispute Settlement Committee, where the affected parties are also given a hearing. The real story, the factual basis of the dispute is summarized in the so-called intermediate report, which must be sent to the participants of the conflict so they can react to it. In the 6 months following the establishment of the committee, the final report must be made and within 9 months of the establishment of the committee, this report must be “published”. After this “basic protocol”, there can be an appeal stage, if any (!) member wants to exercise this right. The selected appeal committee investigates the causes of the appeal and makes a decision within 30 days. If the DSB has accepted the appeal report, it becomes effective and the execution stage begins. The loser needs to put a report together in which he describes how he will fulfill the requirements of the decision “in a reasonable timeframe”. In the absence of this fulfillment, the parties must agree on an amount of compensation corresponding to the damage that caused the dispute in the first place. If they cannot reach consensus, the WTO can apply the most drastic sanction: the DSB gives free reign to “retaliation” until the requirements in the decision are beginning to be fulfilled. This retaliation can happen in the branch of industry where the original dispute originated from or in any other sector, or even concerning any other agreement.⁴⁸

The dispute settlement protocol of the WTO has frequently been criticized because of the wide berth given to the DSB. *Susan George* called this body the “Supreme Court” of the WTO, which “accumulates” legislative, executive and judiciary roles, as it can make judgments, it can use sanctioning and it can render certain laws created by legislatures of the member states “illegal”.⁴⁹ With this, according to George’s evaluation, the WTO controls the entire sovereignty of its member states. Of the judges of the DSB she has claimed that as experts on economic law, they only take economic interests into consideration when making their decisions and neglect environmental or public health concerns. The author proposes that the DSB should be “forced” to conform to the principles of international law (George here mainly alludes to the *Universal Declaration of Human Rights*, the agreements of the *International Labor Organization*, and multilateral agreements concerning the environment and conservation). She also says that sanctioning

⁴⁵ A GATT és Magyarország csatlakozása. (The GATT and Accession of Hungary). Közgazdasági és Jogi Könyvkiadó, Budapest, 1975, 61-62.

⁴⁶ George: *op. cit.* 40.

⁴⁷ Bruhács: *op. cit.* 120-121.

⁴⁸ Blahó – Prandler: *op. cit.* 337-338.

⁴⁹ George: *op. cit.* 23.

should be executed by the means of monetary fines rather than “taxes” on certain products that actually punish the producers.⁵⁰

4. SUMMARY

From the study, it could be seen how fundamentally the state, which was once a separate public power with a claim to omnipotence, was transformed through the course of centuries. If we examine the classical sovereignty catalog of Bodin or Hobbes, we can draw the conclusion that many of the functions of nation states have become marginalized. With the wide acceptance of the liberal-monetarist point of view in economic policy and the increasing intensity of globalization, the influence that states could exert upon trade policy also diminished, which manifested itself in the quickening of the liberalization process. This is supported by the proponents of global capitalism - they even offer this as a model to follow for developing countries. However, antiglobalist movements vehemently attack this practice, demanding either comprehensive reforms or the complete rejection of the monetarist worldview which claims the deconstruction of states as its final goal. From our point of view as “Science as a Vocation”, we can only clearly state that while during the era of welfare states even the GATT functioned more as an organization sensitive towards national interests, after that, with the welfare state being demolished and the notion of “global free competition” becoming widespread, and of course the emergence of the WTO, the liberalization process significantly influences national economic and social policies. Obviously, the “expansion” of the effects of WTO agreements raises a number of legitimate concerns, for which the men of science must find solutions that stand on sound objective foundations, yet, also reflect upon social effects.

⁵⁰ *Ibid.* 97.