

# International Business

## Chapter Eight

### Cross-national Cooperation and Agreements

# World Trade Organization (WTO)

- **General Agreement on Tariffs and Trade (GATT)** formed in 1947 was replaced by WTO in 1995.
- The goal of WTO is...
  - To facilitate the development of a free and open trading system in the world
  - To adjudicate trade disputes between or amongst member nations
- WTO rulings are binding. If an offending country fails to comply with a judgment, the rights to compensation and countervailing sanctions will follow.
- **Most-favored nation clause (MFN)**: is the fundamental principle of “trade without discrimination.”
- WTO Rounds-Doha Round (2001-till date)

# Economic Integration

- *Economic integration*: is an agreement between or amongst nations within an *economic bloc* to reduce and ultimately remove tariff and nontariff barriers. Factors favoring integration are:
  - Cultural similarity
  - Geographic proximity
  - Political will
- Approaches to *economic integration* include:
  - *global integration* via the World Trade Organization
  - *bilateral integration* between two countries
  - *regional integration* via an *economic bloc*