

A host of bilateral, regional, and international agreements have been negotiated to facilitate managed trade. These agreements represent a compromise between governments' desires to retain freedom of action and businesses' desires for security in their international dealings.

Economic Integration

While the benefits from trade provide the incentive for nations to engage in discussions regarding international commerce, to fully capture the benefits from specialization and commercial interactions, states may consider cooperation on a number of economic fronts. This wider process of international economic cooperation is known as *economic integration*. All formal international agreements limit the actions of the individual nations taking part in the agreement. Each nation must weigh the expected benefits of closer economic ties against the loss of its sovereignty when deciding what degree of international integration to pursue.

Questions of Sovereignty

The nation-state is still the primary actor on the world economic stage. There is no supranational government that can compel countries to engage in activities that they do not wish to engage in. All countries are, for example, free to leave the United Nations. When nation-states join international organizations, and thereby agree to operate by the rules which have been negotiated, they do so voluntarily. Nation-states guard their sovereignty closely. They are ultimately entrusted with their citizens' security as well as their economic and social well-being. Even when certain elements of sovereignty are temporarily ceded to multilateral organizations, the nation-state still represents and promotes domestic national interests. Although states always have the right to withdraw from their international commitments, if they choose to do so, the benefits from cooperation will also be withdrawn. Hence nation-states must consider carefully what constraints they are willing to accept on their freedom of action when they begin to proceed down the road to economic integration.