

# Economic Integration: Customs Union, Common Market, and Single Market

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## ◆ What is Economic Integration?

**Economic integration** = process where countries **reduce or eliminate barriers** to trade and cooperation.

👉 Goal:

- increase trade
  - improve efficiency
  - strengthen economies
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## ◆ Stages of Economic Integration

Economic integration develops in levels (from weaker to stronger):

1. Free Trade Area
  2. **Customs Union**
  3. **Common Market**
  4. **Single (Internal) Market**
  5. Economic & Monetary Union
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## ◆ Customs Union

### Definition

A **customs union** is:

- **free trade between member states**
- **common external tariff** towards non-members

### Key features

- No tariffs inside the union
- Same tariffs for imports from outside
- Common trade policy

### Example

- EU since 1968

## Advantages

- simplifies trade
  - prevents “trade deflection”
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## ◆ Common Market

### Definition

A **common market** includes:

- everything from a customs union + **free movement of factors of production**

### The “4 freedoms”

- free movement of **goods**
- free movement of **services**
- free movement of **capital**
- free movement of **labour (workers)**

### Key idea

👉 Not just goods move freely, but also **people, money, and services**.

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## ◆ 5. Single (Internal) Market

### Definition

The **single market** is a **more advanced version of a common market**.

👉 Focus:

- removing **non-tariff barriers**
- harmonizing rules and standards

### Key features

- mutual recognition of standards
- harmonization of laws
- deeper economic integration

### Legal basis

- EU Single Market (completed in 1993)
- based on **free movement + regulatory integration**

### ◆ Difference: Common Market vs Single Market

Feature	Common Market	Single Market
Free movement	✓	✓
Removal of tariffs	✓	✓
Removal of non-tariff barriers	✗ (limited)	✓
Harmonized rules	✗	✓
Integration level	medium	high

### ◆ Why Integration Matters

#### Benefits

- larger markets
- economies of scale
- more competition
- higher efficiency

#### Risks

- loss of national control
- unequal benefits between countries
- adjustment costs

### ◆ EU as Example

The EU represents:

- **Customs Union** (since 1968)
- **Single Market** (since 1993)
- moving toward deeper integration

### ◆ Simple Summary

- **Customs Union** = free trade + common external tariff
- **Common Market** = + free movement of factors

- **Single Market** = + removal of all barriers + harmonization
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## References

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