

Economic Integration Test

1. What is the main difference between a Free Trade Area (FTA) and a Customs Union (CU)?

- A) An FTA removes internal tariffs, while a CU does not.
- B) CU members adopt a Common External Tariff (CET), while FTA members maintain independent trade policies toward non-members.
- C) A CU allows free movement of labor, while an FTA does not.
- D) An FTA requires a supranational court, while a CU is based on intergovernmental agreement.

2. What is "trade diversion" according to the Vinerian paradigm?

- A) Shifting production from an inefficient domestic producer to a low-cost partner within the union.
- B) When a country starts exporting to third countries instead of member states.
- C) Shifting imports from a more efficient non-member producer to a less efficient member producer due to preferential tariffs.
- D) An increase in the overall efficiency of global resource allocation.

3. Which of the "four freedoms" characterizes a Common Market compared to a Customs Union?

- A) Free movement of goods.
- B) Common External Tariff.
- C) Free movement of factors of production (labor and capital).
- D) Abolition of internal quotas.

4. What does the introduction of a "Common External Tariff" (CET) solve in a Customs Union?

- A) The risk of "trade deflection," where goods enter the block through the country with the lowest tariff.
- B) The problem of deflation in member states.
- C) The need to implement strict rules of origin between members.
- D) A lack of labor in industrial sectors.

5. Which African organization is mentioned as the oldest functioning customs union in the world?

- A) MERCOSUR
- B) ASEAN
- C) GCC
- D) SACU

6. What is the difference between "harmonization" and the "principle of mutual recognition"?

- A) Harmonization is voluntary, while mutual recognition is mandatory.
- B) Harmonization creates uniform regional rules, while mutual recognition means a product legally sold in one country must be accepted in others.
- C) Harmonization applies only to taxes, while mutual recognition applies only to safety.
- D) There is no difference between these terms within a single market.

7. What characterizes the "supranational" model of decision-making used by the EU?

- A) Decisions must always be made by the consensus of all member states.
- B) States delegate powers to independent bodies, and union law has "direct effect" on individuals.
- C) Every state has a veto on every issue.
- D) International treaties must always be ratified by national parliaments before becoming valid.

8. Why is the monetary union within the Gulf Cooperation Council (GCC) facing difficulties?

- A) Member states have too many different political systems.
- B) Economies are structurally similar (oil dependence) and cycles are synchronized with oil prices, not internal trade.
- C) None of the GCC countries use the US dollar as a peg.
- D) The document states the GCC monetary union was successfully completed in 2024.

9. What does the 2024 Letta Report propose as the "fifth freedom" for the EU Single Market?

- A) Free movement of electricity.
- B) Free movement of cryptocurrencies.
- C) Free movement of knowledge and innovation.
- D) Free movement of organic food.

10. What is the relationship between "de jure" and "de facto" sovereignty in the integration process?

- A) Nations surrender de jure sovereignty (legal power) to gain de facto sovereignty (the actual ability to influence outcomes in a globalized world).
 - B) Integration increases de jure sovereignty in exchange for economic gains.
 - C) The document claims integration has no impact on national sovereignty.
 - D) De facto sovereignty disappears at the Free Trade Area stage.
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