**Q1) Define economic integration. (2 marks)**

**Answer**:  
Economic integration is the process by which different countries reduce or eliminate trade barriers and coordinate their monetary and fiscal policies to promote closer economic cooperation.

**Q2) Outline two benefits of being part of a customs union. (4 marks)**

**Answer**:

1. **Increased trade between member countries**: By eliminating tariffs within the customs union, member countries experience an increase in the flow of goods and services.
2. **Common external tariff**: Member countries adopt a unified trade policy towards non-members, which reduces trade distortions and strengthens bargaining power in international negotiations.  
   **Example**: The Southern African Customs Union (SACU) sets a common external tariff, helping members negotiate more favorable trade deals.

**Q3) Explain how a free trade area differs from a common market. (4 marks)**

**Answer**:  
A **Free Trade Area (FTA)** is a region where countries reduce or eliminate tariffs and trade barriers on goods and services between themselves, but maintain independent external trade policies.  
**Example**: USMCA (formerly NAFTA).

A **Common Market**, on the other hand, allows for not only free trade in goods and services but also the free movement of labor, capital, and enterprises across member states.  
**Example**: The European Economic Area (EEA) permits the free movement of workers across its member countries.

**Q4) Using real-world examples, distinguish between a customs union and a free trade area. (6 marks)**

**Answer**:  
A **Customs Union** eliminates internal tariffs between member countries and establishes a common external tariff on non-member countries.  
**Example**: The Southern African Customs Union (SACU) allows free trade between members like South Africa and Botswana, while imposing common tariffs on goods from outside the union.

A **Free Trade Area (FTA)**, by contrast, eliminates tariffs between member countries but allows each country to set its own external tariffs for non-members.  
**Example**: The US-Mexico-Canada Agreement (USMCA) eliminates tariffs between the U.S., Canada, and Mexico, but each country retains control over their external tariffs.

**Q5) Discuss the advantages of a common market for member states. (8 marks)**

**Answer**:

1. **Free movement of goods and services**: Member states benefit from increased market access, enabling more efficient allocation of resources.
2. **Free movement of labor**: Workers can move freely between countries in a common market, reducing unemployment in high-labor-supply regions and filling labor shortages elsewhere.  
   *Example*: In the EU, Polish workers can easily work in Germany, addressing Germany’s labor shortages.
3. **Increased competition and innovation**: With no internal barriers, firms face more competition, leading to better efficiency and innovation.
4. **Economies of scale**: Firms can expand their operations across multiple countries, reducing costs per unit.  
   *Example*: Airbus benefits from economies of scale by operating across EU member states with a harmonized regulatory environment.

**Q6) Examine the role of the WTO in promoting free trade. (10 marks)**

**Answer**:  
The **WTO (World Trade Organization)** plays a key role in promoting free trade through various mechanisms:

1. **Negotiating trade agreements**: The WTO facilitates negotiations among its members to reduce trade barriers and enhance global trade.  
   *Example*: The Doha Round was aimed at lowering trade barriers for developing countries, although it has not yet been finalized.
2. **Dispute resolution**: The WTO resolves trade disputes between countries, ensuring that international trade laws are upheld.  
   *Example*: In 2019, the WTO ruled in favor of the EU in a dispute over subsidies to Boeing, leading to counter-tariffs on U.S. products.
3. **Trade policy monitoring**: The WTO reviews the trade policies of its members, ensuring that they comply with international trade standards. This promotes transparency and stability in global trade.  
   *Example*: Regular reviews of major economies, such as the U.S. and China, help ensure adherence to WTO rules.
4. **Technical assistance and capacity building**: The WTO helps developing countries build their capacity to participate in global trade by providing training and technical support.  
   *Example*: WTO assistance programs have helped countries like Kenya and Vietnam integrate better into the global economy.

**Evaluation**:  
While the WTO has successfully promoted trade liberalization, it has faced challenges such as the slow progress of the Doha Round and criticism from developing countries regarding unequal benefits. Additionally, rising protectionism, especially in the U.S.-China trade war, poses significant challenges to the WTO’s mission.

**Q7) To what extent has Brexit impacted economic integration in Europe? (15 marks)**

**Answer**:  
**Introduction**:  
Brexit, the UK's decision to leave the European Union (EU), has had profound implications for economic integration in Europe. The UK exited the EU's single market and customs union, creating new barriers to trade and altering economic relationships.

**Impact on Trade**:

1. **Disruption in trade**: The UK’s departure from the single market led to the imposition of customs checks and tariffs on UK-EU trade. This has increased costs and complexity for businesses.  
   *Example*: The UK’s seafood industry has faced significant delays due to new customs procedures, resulting in financial losses.
2. **Regulatory divergence**: Without the EU’s common regulations, the UK now sets its own standards, creating barriers for businesses that previously operated under harmonized EU laws.  
   *Example*: UK financial services firms have lost automatic access to EU markets, complicating operations for firms based in London.
3. **Loss of labor mobility**: Brexit ended the free movement of labor between the UK and the EU, leading to labor shortages in key sectors such as agriculture and hospitality.  
   *Example*: UK farms have faced difficulties in recruiting seasonal workers from Eastern Europe, leading to crops being left unharvested.

**Evaluation**:  
While Brexit has allowed the UK to regain control over its trade policies and pursue independent trade agreements, such as the one with Japan, it has also led to significant economic challenges. Trade volumes with the EU have fallen, and many businesses have relocated parts of their operations to EU member states to maintain access to the single market.  
Overall, the impact of Brexit on European economic integration has been largely negative, creating new barriers to trade and labor mobility, though it has also opened opportunities for new trade partnerships.