

Course: International Trade and Policy

Week 8: Trade Agreements and Regional Integration

Instructions: Please select the best answer for each of the following ten questions. Each question has only one correct answer.

Question 1

Which type of economic integration eliminates internal tariffs and quotas among members but allows each member to keep its own external tariff on non-members?

- A) Customs Union
- B) Common Market
- C) Free Trade Area (FTA)
- D) Economic Union

Question 2

According to Jacob Viner (1950), what is **trade creation**?

- A) When low-cost world production is replaced by higher-cost partner production due to tariff preferences
- B) When high-cost domestic production is replaced by lower-cost partner production
- C) When two countries merge their economies into a political union
- D) When a country imposes new tariffs on non-member states

Question 3

What is the primary purpose of **Rules of Origin (RoO)** in a Free Trade Agreement?

- A) To eliminate all tariffs between member countries
- B) To prevent trade deflection by ensuring only goods originating within the FTA receive preferential treatment
- C) To harmonize labor standards across all member countries
- D) To create a common external tariff on non-members

Question 4

Which of the following is a **key feature** of a Customs Union but NOT of a Free Trade Area?

- A) Elimination of internal tariffs
- B) Free movement of labor and capital

- C) Common External Tariff (CET) on non-members
- D) Rules of Origin

Question 5

The **European Union (EU)** is currently best described as which type of integration?

- A) Free Trade Area
- B) Customs Union only
- C) Economic Union with political integration elements
- D) Complete Political Union

Question 6

Which of the following is an example of **trade diversion**?

- A) Germany buys wine from France (low cost) instead of producing poor wine domestically
- B) The UK joins the EU and stops buying cheap bananas from Central America, instead buying more expensive Greek bananas tariff-free
- C) South Korea and the US sign an FTA, and both countries increase exports of machinery
- D) Vietnam joins the EAEU and gains access to Russian markets

Question 7

What is the “**spaghetti bowl effect**” in regional integration?

- A) The problem of multiple overlapping FTAs with different Rules of Origin, creating high compliance costs
- B) The process of gradually deepening integration from FTA to political union
- C) The welfare loss caused by trade diversion
- D) The elimination of all non-tariff barriers between member states

Question 8

Under the **USMCA** (2020), what is the Regional Value Content (RVC) requirement for automobiles to qualify for preferential treatment?

- A) 50%
- B) 62.5%
- C) 75%
- D) 90%

Question 9

Which of the following best describes a **deep trade agreement** compared to a shallow agreement?

- A) Deep agreements only cover tariff reductions
- B) Deep agreements include behind-the-border policies such as investment, labor standards, and intellectual property rights
- C) Deep agreements are limited to goods trade only
- D) Deep agreements do not require any loss of sovereignty

Question 10

The **Eurasian Economic Union (EAEU)** , founded in 2015, includes all of the following member countries EXCEPT:

- A) Russia
- B) Belarus
- C) Kazakhstan
- D) Ukraine

Answer Key

- 1. C
- 2. B
- 3. B
- 4. C
- 5. C
- 6. B
- 7. A
- 8. C
- 9. B
- 10.D