

# Trade Agreements

Economics

The levels of integration, from a free trade area to a union.

*Levels of integration.*

| Level           | Adds                                       |
|-----------------|--------------------------------------------|
| Free trade area | No internal tariffs                        |
| Customs union   | Common external tariff                     |
| Single market   | Free movement of capital, labour, services |
| Monetary union  | Shared currency and monetary policy        |
| Economic union  | Coordinated fiscal and economic policy     |

Trade creation is the gain; trade diversion is the loss, when a bloc shifts purchases to a less efficient member.