

## Case Study – Lecture 8 – Regionalism and Developing Countries

Richland, Opulentland and Diamondia are developed WTO members that historically share close economic ties. Recently, they have decided to enhance their economic cooperation, but are not entirely sure how to proceed. They decided to hire you as their consultants and require some advice on the following issues:

- a) Richland would like to get rid of all customs duties and tariffs between the three of them, concerning products originating from the automotive industries. Is it possible?
- b) Opulentland would like to form a customs union with the other two countries. However, Opulentland's generosity towards developing countries might be a problem. Currently, it applies a 50% lower tariff to products originating from developing countries and it would like to extend this to the future customs union. Richland and Diamondia are hesitant at the beginning, but decide to go on with the idea, provided the future customs union can raise tariffs by 10% on textiles coming from developed states.
- c) Diamondia is not 100% convinced that it wants to form a customs union with the other two, but it would still like to liberalize trade between the three of them. What options does it have?
- d) Richland just remembered that one of its port cities, Port Kong, is its own separate customs territory. Richland would like to know whether it is possible to exclude Port Kong from any future arrangements between the three of them.