

Lobbying for Protection and Cost-Reducing Activities

Katsuzo Yamamoto *

College of Economics, Kanto Gakuin University

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Abstract

This paper explores the change of tariff on imports from other countries, when bilateral trade liberalization proceeds. We confirm the effect of bilateralism on government's tariff settings by political economic model. Our conclusion are as followings. First, trade liberalization from the home and third countries lowers home country's tariff on imports from the foreign country. On the contrary, trade liberalization from the foreign and third countries raises its tariff. Second, when the home firm's resource allocation weights more cost-reducing activities (R&D) than lobbyings, the technological innovation in the third country proceeds trade liberalization from the home and foreign countries.

JEL Classification: F13, C72

Key Words: Lobbying, Strategic Trade Policies, R&D.

*Corresponding address: College of Economics, Kanto Gakuin University, 1-50-1, Mutsuura-higashi, Kanazawa-ku, Yokohama, Japan 236-8501. Tel & Fax: +81-45-786-7086. E-mail: katsuzoy@kanto-gakuin.ac.jp