

# How to Supply Safer Food: A Strategic Trade Policy Point of View

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## Abstract

This paper examines how a tariff affects firms' efforts to produce safer foods that are supplied to consumers whose preference for safety of foods are different. I analyze the optimal trade policy for importing country that can impose a tariff or a subsidy on the foods. I show that the raise in tariff rate makes importing country's firm chooses less effort to produce safer foods but foreign firm works harder to enhance product safety if importing country's government levies a tariff on imports, and vice versa. I find a small tariff improves domestic welfare. It increases domestic firm's profit, consumer surplus who buy goods from domestic firm and tariff revenue.

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