Industrial Pollution and the Optimal Tariff

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Abstract

In this paper, we analyze the relationship between the tariff level and in-

dustrial pollution. We introduce the effects of disutility from pollution into

a simple NEG framework where there are two countries and two sectors and

examine the characteristic of the optimal tariff. In equilibrium, trade liberal-

ization decreases the tariff level.

JEL Classification: : F12, F18

Key words: optimal tariff, environmental problem, trade liberalization

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