

Globalization and Cooperation in Trade Policy

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Abstract

This paper analyzes a relationship between trade costs and tariff policy, and shows how the trade agreement is affected by globalization in terms of decreasing trade costs. Under unilateral trade policy setting, in which government of each country determines the import tariff rate independently, the globalization induces governments to employ protective trade policy. In contrast, under the cooperative trade policy setting, the governments tend to agree to remove trade barriers and implement trade liberalization policy with the progress of globalization.

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Keywords Trade Costs, Tariff Policy, Cooperative Trade Policy, Imperfect Competition

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