The Analysis of Optimal Tariff on the Consideration of Environment Protection and Different Preferential Trade Agreement

E-mail: 9511182@ mail.dyu.edu.tw

ABSTRACT

High development of global economy causes the transboundary pollution. The regional trade agreement prevails at the moment, this paper extends north and south trade models of the two-country, various-good by Copeland and Taylor(1995), set up a oligopoly model of three-country, two-firm and adopt the trade structure of the third market. This thesis aims to examine the host country adopt the different alliance strategic(free to levy a tax, most favored nation treatment, free trade area) with a developed and undeveloped country on the consideration of environment protection, the influence of optimal tariff, level of output and social welfare, respectively. This paper adopt two kinds of extreme situations of pollution tax to tend to zero or infinite for the convenience of analysis that in the social welfare. We obtains the following conclusions: When pollution tax to tend to zero, the meaning of free to levy a tax and most favored nation, and the social welfare is the same. The meaning of free trade with B or C-country, and the social welfare is the same. When the host country's government levies tax to two countries at the same time, the limited degree is relatively little, so the host country's social welfare is relatively high. When pollution tax to tend to infinite, the host country's policy is unrestricted and make the social welfare reach highest in the situation of free to levy a tax; Average while levying tax freely that the tariff will be ordered, the host country's policy is restricted at present, and social welfare will be reduced gradually in the situation of most favored nation treatment. When host country adopt free trade with C country that the limited degree is the greatest, so the host country's social welfare will reach the minimum level.

Keywords : transboundary pollution ; free trade area ; most favored nation ; trade policy

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