

Subject/Title	A General Principle on Optimum Discriminatory Tariffs
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Abstract	<p>Apart from the traditional literature on optimum policy of discriminatory tariffs, this paper establishes a more general model that includes the home country's domestic tax system and multi export country groups. Under the setup, we find that the traditional result is only a special case of this general model and should be refined. The new result is that the export product with a lower "effective" cost should be imposed a higher import tariff. As long as the tax environment factors are considered, however, the result might not hold. When firms with higher product costs face a tax environment that makes their average effective product cost lower than the firms with lower product cost, the tariff rate for the former group should be higher. It is important to note that even if the two export groups have exactly the same product cost, imposed discriminatory tariffs are necessary if the tax policy they face are different; the lower the effective tax rate, the higher the tariff rate should be.</p>
Keyword(s)	corporate tax ; strategic trade policy ; discriminatory tariffs ; cost differentiation