

# Introduction

The papers in this special issue are based on presentations made at the 2007 APJAE Symposium on Strategic Trade Theory and Economic Development. The primary theme of this special issue concerns recent developments in the theoretical analysis of strategic trade policy. The fundamental insights underlying strategic trade policy were first articulated in the early 1980s. Of particular importance was the idea that trade policies have much of their impact by altering the terms of strategic rivalries between imperfectly competitive firms. Now, some 25 years later, strategic trade policy remains an important research topic.

The lead article, based on the conference keynote address, is my paper, **“Intellectual Property Protection as Strategic Trade Policy”**. This paper suggests that much intellectual property (IP) protection in an international context can be viewed as strategic trade policy whose primary effect is “profit-shifting” rather than enhancement of economic efficiency. The paper also suggests that coordinated decentralization of international IP protection might be preferred to strict standardization across countries. This paper extends the strategic trade policy theme to an area of policy, intellectual property protection, where it has previously been given little emphasis.

The papers by Zhihao Yu, **“Strategic Trade Policy Aspects of the Kyoto Protocol: Extracting Oil Rents”** and Andrew Yuen and Anming Zhang, **“Strategic Trade and Transport Policies with Congestible Facilities”**, also extend strategic trade policy insights to areas of policy where they have not received much attention. The first of these papers makes the important point that provisions of the Kyoto Protocol (and certain other potential environmental policies) would have the strategic trade policy effect of transferring rents away from major producers, such as the OPEC countries. The paper by Yuen and Zhang is based on the observation that transport congestion and transport taxes are potentially important trade frictions and that such phenomena interact with strategic trade policy incentives.

The paper **“Anti-dumping Regulation and the Byrd Amendment : Does Revenue Redistribution Dissuade Dumping?”** by Rod Falvey and Sarut Wittayarungruangsi deals with a traditional trade policy instrument – contingent protection in the form of anti-dumping duties. The paper provides an insightful analysis of the “Byrd Amendment” adopted by the U.S. Congress in 2000 (and ultimately repealed as of 2007 after being found in violation of WTO agreements). The amendment provided for import-competing firms injured by dumping to receive the anti-dumping duties paid by foreign firms as compensation, in addition to obtaining the benefits arising from having a duty imposed on foreign competitors. This paper provides a theoretical structure in which interesting and somewhat surprising strategic incentive effects of the Byrd Amendment are demonstrated.

The papers **“Subsidies and Countervailing Duties with Firm Heterogeneity”** by Jota Ishikawa and Yoshimasa Komoriya and **“The Time-consistent Optimal Export Policy, Market Structure and Time-non-separable Preferences”** by Orlando Balboa, Robert Driskill, and Andrew Horowitz both consider important applications of traditional strategic trade policy instruments in theoretical settings that have not been well-explored

so far. The first of these papers focuses on the implications of firm heterogeneity for strategic trade policy. The second paper deals with dynamic strategic trade policy incentives in an environment where demand derives from preferences that allow for dynamic interdependence, as arises with habit formation, durable goods, and other important possibilities.

The final paper in this issue is “**International Outsourcing and Imperfect Contract Enforcement**” by Larry Qiu and Huayang Yu. This paper focuses on a topical and important aspect of inter-firm rivalry in international oligopoly settings: the choice between international outsourcing and vertical integration. While the paper does not analyze trade policy explicitly, it offers new insights regarding the imperfectly competitive interactions between firms that form the foundation of strategic trade policy. Overall these seven papers show that the theory of strategic trade policy continues to offer valuable and novel contributions to our understanding of international trade policy and related policy areas.

**James A. Brander**

*Consulting Editor for the Special Issue and  
Keynote Speaker for the 2007 APJAE Symposium  
on Strategic Trade Theory and Economic Development*