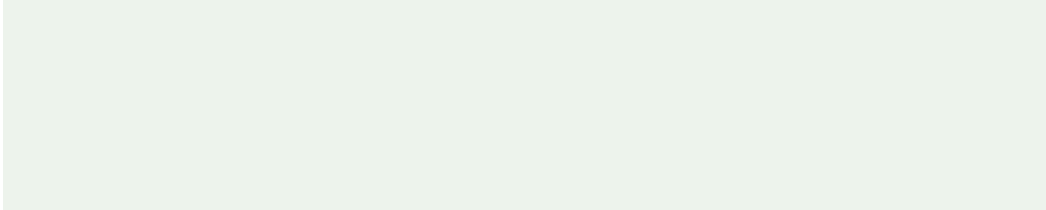


Exports vs. FDI under counterfeiting: implications for the IPR policy



In stage one, the government imposes a fine on the domestic imitator as IPR protection and a tariff rate on the imported product by solving the welfare maximization problem:

$$\text{Max}_{\tau, t} W^{\text{c,tg}} = \int_0^1 p_o(x) dx + \int_0^X q(x) p_p(x) dx - \tau D_o - c D_p - \frac{1}{2}$$

a tariff-jumping FDI affects IPRs policy and enforcement strategies of the importing country and the resulting effects on domestic welfare.

We adopt the same three-stage game as in [Section 2.1](#).⁹ Using

The SOC is:

$$\frac{\partial^2 W}{\partial}$$

As

importing country to