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 (W) maximization problem:

$$\underset{\{c;t\}}{\mathrm{Max}}\, W = \int_{X}^{1} (X \quad p_o)\,dx + \int_{Y}^{X} (qX \quad p_p)\,dx + \pi_p$$
$$+\ tD_o + (cD_p \quad \frac{1}{\ }$$

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