Corporate Social Responsibility and International Competition: A Welfare Analysis

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approach to analyze the potential efficacy of CSR as a management strategy to gain social welfare in international business when markets are characterized by imperfect competition.

both consumer surplus and social welfare of the importing country also increase. The authors stress that in equilibrium there is a win–win–win solution in international trade.

In this paper, we examine issues on CSR and international trade under different situations where home and foreign firms compete in a domestic country. We show that whether a foreign exporter's consumer-oriented CSR initiative will mitigate the

2. The Model of the Consumer-oriented CSR and Tariff Protection

The Basic Assumptions

For the ease of illustration, we follow Wang et al. (2012) and assume that market demand for the competing good is linear: $p = a -$ (

This second case is when consumer benefits enter into the objective function of the domestic firm, but not that of the foreign firm's. At the second stage of the basic game, the domestic firm sets an output level q_d^{CN} that maximizes its payoff function in equation (2) while the foreign firm sets an output level q_f^{CN} that maximizes its own profit in equation (3). At the first stage of the basic game, the domestic government sets an optimal tariff t^{CN} that maximizes social welfare in equation (6), where $j = N$. We report the equilibrium outcome in the following Lemma.

Lemma 2. *When only the domestic firm launches the consumer-oriented CSR initiative in an import-competing duopolistic market, the equilibrium values for the optimal tariff, the quantities of the outputs produced, the domestic payoffs (profit and utility), the foreign profit, consumer surplus, and overall welfare are given, respectively, as*

$$ t \quad \rule{3em}{0.4pt} \qquad \rule{2em}{0.4pt} \qquad \rule{3em}{0.4pt} $$

with the case when both are purely maximizing firms? To answer this question, we calculate the following:

$$\pi_d^{NC} - \pi_d^{NN} = - \quad \frac{a\,(k+\ )(\ k+\ k\ +\ k\ +\ )}{k \quad k \quad k \quad k}$$

$$W^{CC} - W^{CN} = \frac{a^2(3k+2)}{4k(2k+1)^2} > 0,$$

31 $W^{CN} - W^{NC} = \dfrac{a \quad k) \quad k \quad k}{k \quad k \quad k \quad k}$

We show that the feasibility of tariff reduction arises when both domestic and foreign firms launch a consumer-oriented CSR initiative in that they care about not

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