

# Dynamic interactions in trade policy and losses from trade warfare

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## Abstract

We construct a differential game model of tariff wars to consider welfare implications of feedback Nash equilibria. We show that that the results obtained in static settings can be reversed; feedback Nash tariffs become negative and the resulting welfare can be below the autarkic level. The closed-loop property of feedback strategies play a central role behind these results.

*Keywords:* differential game, dynamic tariff, feedback strategies.

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