

R&D and Trade in a general equilibrium model ^{*}

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Abstract

This paper constructs a two-country general equilibrium model where oligopolistic firms export the goods and invest cost reducing R&D. Each country impose tariffs on the import goods. A decrease in the tariff rate in both countries decreases the investment to the R&D and increases the wage gap between skilled labor and unskilled labor.

Keywords: R&D, Trade, Oligopoly

JEL classification: F12, F13

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