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**Abstract**

**Tariff-Rate Quotas, Rent-Shifting and the Selling of Domestic Access**

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Tariff-rate quotas (TRQs) have replaced quotas at the end of the Uruguay Round. We analyze TRQs when a foreign firm competes against a domestic firm in the latter's market. Our benchmark is the strategic rent-shifting tariff. We show that the domestic price-equivalent TRQ is a better instrument welfare-wise, as it can extract all of the rents from the foreign firm. We show that different pairs of within-quota tariff and quota can support full rent extraction. The implication is that reduction of the former and enlargement of the latter, holding the above-quota tariff constant, may have no liberalizing effects. The first-best TRQ and the strategic tariff generate different prices. When firms have identical and constant marginal cost, the first-best TRQ entails selling a subsidy to the foreign firm and forcing the exit of the domestic firm.