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<b>Report No.</b>	HIAS-E-12
<b>Title</b>	Backfiring with Backhaul Problems: Trade and Industrial Policies with Endogenous Transport Costs
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<b>Abstract</b>	Trade barriers due to transport costs are as large as those due to tariffs. This paper explicitly incorporates the transport sector into the framework of international oligopoly and studies the effects of trade and industrial policies. Transport firms need to commit to a shipping capacity sufficient for a round trip, with a possible imbalance of shipping volumes in two directions. Because of this “backhaul problem”, trade restrictions may backfire: domestic import restrictions may also decrease domestic exports, possibly harming domestic firms and benefiting foreign firms. In addition, trade policy in one sector may affect other independent sectors.
<b>Keywords</b>	Transport firm; transport cost; trade policy; industrial policy; international oligopoly
<b>JEL</b>	F12, F13, R40

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