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<b>Report No.</b>	HIAS-E-57
<b>Title</b>	Backfiring with Backhaul Problems: Trade and Industrial Policies with Endogenous Transport Costs (Revised Version of HIAS-E-12)
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<b>Abstract</b>	Trade barriers due to transport costs are as large as those due to tariffs. This paper incorporates the transport sector into a standard model of international trade 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. This imbalance is known as the “backhaul problem.” As transport firms attempt to avoid this problem, a tariff in one sector may affect other independent import and/or export sectors. In particular, domestic tariffs may backfire: domestic exports may also decrease, harming domestic export sectors and the domestic economy. This finding contributes to the literature on how import liberalization may generate a positive effect on the liberalizing country’s exports by identifying a new channel through endogenous changes in transport costs given the backhaul problem.
<b>Keywords</b>	Transport sector; transport cost; backhaul problems; international shipping; tariffs
<b>JEL</b>	F12, F13, R40

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