

$$\frac{p_{ik}}{\widetilde{p}_{ik}} - 1 = \tau_{ik} + \frac{t_{ik}}{\widetilde{p}_{ik}} \quad (1)$$

We follow ? by considering that *i*) both ad-valorem and additive costs are separable between the origin country (*i*) and the product (*k*) dimensions, and *ii*) this separability is in a multiplicative way for the former and an additive way for the latter. In other words,  $\tau_{ik}$  and  $t_{ik}$  from Equation (1) are written as:<sup>1</sup>

---

<sup>1</sup>Notice that, given the magnitude or order of transport costs, assuming an additive or a multiplicative form for country/product fixed effects does not make a substantial difference since, for small values (as we generally obtain), we have  $\tau_i + \tau_k \simeq (1 + \tau_i) \times (1 + \tau_k)$  and  $t_i + t_k \simeq (1 + t_i) \times (1 + t_k) - 1$ . We also provide a robustness analysis to the separability assumption. Given the much higher number of fixed effects to estimate, we run this robustness check on a sub-sample of goods/origin countries. See Section ?? for a detailed presentation of this robustness check.