## Abstract

We develop a supergame model of collusion between price-setting oligopolists located in different markets separated by trade costs. The firms produce a homogeneous good and sustain collusion based on territorial allocation of markets. We first show, in a more general framework than some earlier literature, that a reduction in trade costs can paradoxically increase the sustainability of collusion. Then we prove a new paradox where the scope for collusion may be enhanced by an increase in the number of firms. We discuss several implications for trade and antitrust policy in this context.