What does protectionism protect? One of the arguments to support unilateral trade policy, that is that is an increase in protectionisms, is to improve the welfare of workers displaced from industries impacted by import competition by bringing jobs back home. In fact, this argument is supported by the insights of the new economic geography models. However, these models predict that trade protectionism can be welfare enhancing by delocating foreign firms which result in a reduction in the Price Index in the country imposing protectionism. Moreover, this effect is even stronger when introducing agglomeration forces. The problem of this theoretical insight is that it can become easily ambiguous when enriching the structure of the models by adding some additional "realistic" structure. For instance, strong comparative advantage can prevent the relocation of firms (or make it weak). Also, relocation of firms can take time, because for instance, firms that want to entry in the U.S. market will locate in a region and need to absorb workforce that can be costly or take very long. In addition, trade intermediate goods can also prevent this "industrialization" process as shown.

Beyond this, the adjustment of protectionism are also shaped by the internal geography and production structure of a country, as can be inferred by the neoclassical theory. As an example, the impact of a trade policy to protect unskilled workers can be very heterogeneous (and hurt a group of unskilled workers) depending on the location of production and the ability of workers to move across industries.

We develop a dynamic general equilibrium model that embed the mechanisms present on the new economic geography (and the ones in the neoclassical theories) into a dynamic general equilibrium model with a realistic internal geography and labor market dynamics. We use the framework to study these mechanisms, and to study the overall distributional consequences (focusing on its heterogeneity) of unilateral protectionism.