

# On the Welfare Effects of Trade and Investment Liberalization

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## Abstract

Using a three factor knowledge-capital model of trade and multinational activity, we consider a set of 30 policy experiments to assess the welfare effects of trade and investment liberalization in general equilibrium. Specifically, we address the question of whether and under which circumstances a single versus a combined trade/investment liberalization strategy or an unilateral versus a bilateral policy change is preferable from a single country's and the world's point of view. Additionally, we investigate the role of symmetric versus asymmetric policies in the pre-liberalization case. The focus of this paper is to look at the importance of both country characteristics and plant configurations for the expected welfare effects of trade and investment liberalization.

**Key words:** Investment Liberalization; Trade Liberalization; Welfare Effects; Multinationals

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