

**WORLD EXPORT DEVELOPMENT FORUM 2007**  
**Bringing Down the Barriers –**  
**Creating a Dynamic Export Development Agenda**

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**Fear of Trade: Implications for Developing Countries**

Keynote Address

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Chair: Tim Sebastian, Chairman, Doha Debates, UK

Keynote speaker Prof. Jagdish N. Bhagwati urged developing countries who are demanding better market access from the international community to recognize that “our own protectionism can be an obstacle to access”. Countries that close the door to trade cannot hope to reach the doors of other markets. “At both ends we need to worry about protectionist sentiment,” he warned.

At the same time, he said, it is important not to exaggerate the reality behind this fear. Though media are today writing that the consensus in favour of free trade is collapsing among economists in the US, in fact economists generally are still in broad agreement on the benefits from taking measures to liberalize trade.

Unfortunately, this “mainly media hype” could feed protectionist sentiment. And it is easy to be misled by appearances. India before the 1991 liberalization had no demand for infrastructure, because no businesses needed it. Today this is a key issue. But it is not enough to invest in infrastructure. There has to be something to travel on the roads you build. “Don’t put the cart before the horse,” he advised. “[Otherwise] the horse will die.”

In the past 50 years ideas on development have changed, he pointed out. Economists as a whole no longer believe that international integration leads to national disintegration or dependency for poor countries. Another outdated idea was what he called “export pessimism”: “You start exporting and Brussels and Washington will cut you off at your knees – as soon as you succeed they will close the market.”

But even many economists and academics had been blind to the experience of business – that exports can develop if the prices are right. Another idea that has been discredited is protection for infant industries: the world had seen too many infant industries that have “grown to senility still with diapers on.” Fifty years of tariff protection have shown that it does not work. True, protection *might* be useful but it is difficult for policymakers to determine what kinds will work, he observed.

During India’s protectionist period someone said “in an Indian car everything makes a noise except the horn”. As a result of the reform policies removing protection, this joke is no longer true. It does not make sense to demand infant industry protection just because your industry is behind, he argued. South Korea had developed from a collection of villages without protection or the Generalized System of Preferences to support its economy. Against export defeatism among economic theorists, he urged: “Don’t buy this rubbish.”

Asked whether developing countries might be resisting lower trade barriers for fear of losing revenue, Bhagwati pointed out that high tariffs lead people to evade them, and a recent study indicated that reducing tariffs actually brings in more revenue because of expanded trade.

Questioned about special trade agreements, Bhagwati urged developing countries to focus on multilateral rather than individual deals. Preferences granted to textile exporters, for example, decline with the tariff rates of the multifibre agreement, but the concessions they have made to obtain the preferences remain. “Increasingly the outcome is unpleasant.” Many bilateral agreements include non-trade elements because powerful lobbies want to turn trade agreements into “a shell game”.