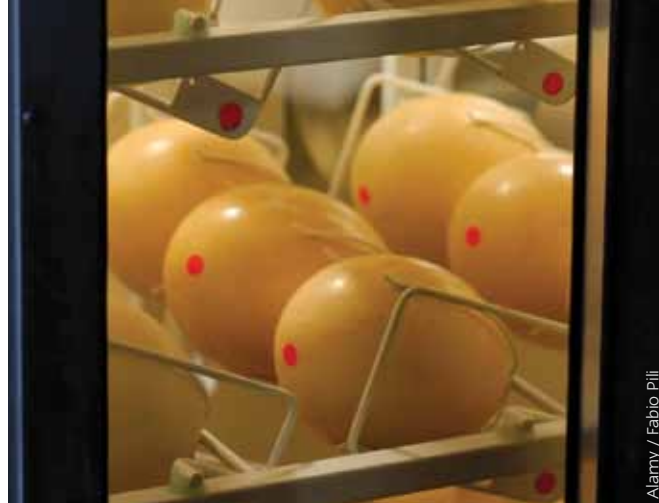


Free trade or fair play?



Alamy / Fabio Pili

One of my PhD students works for the Millennium Villages project – the much publicized programme aimed at assisting communities to lift themselves out of poverty. Coordinated by Jeffrey Sachs, director of the Earth Institute at Columbia University, and supported by everybody from Bono to the Pope and Ban Ki-moon, Millennium Villages fights poverty by tackling the impediments to development at village level.

A few months ago, this student showed me the results of the interim evaluation for West Africa. These showed some advancement, but overall progress was, well, slightly disappointing.

‘Perhaps,’ my student speculated, ‘there can be only limited success when fighting poverty at village level.’

I nodded understandingly.

‘Maybe we should tackle bottlenecks at higher levels, reform institutions and create transparent value chains.’

I nodded again.

‘Perhaps West Africa should regulate imports for a period.’

I raised an eyebrow.

Economists hail the virtues of free trade. It’s at the heart of our doctrine. We form a closed circle, hold hands and sing praise to the models of Ricardo, Heckscher and Ohlin. A plea to regulate trade is one of the most effective ways of marginalizing your position in this profession, if not inviting outright excommunication.

But is such a plea wrong?

Economists believe in free trade because of its efficiency gains. But since the days of Adam Smith, critics have balked at the notion and countered with their *infant industry argument*. This argument is based on the idea that fledgling industries need protection during early stages of development. This enables them to ‘learn by doing’ and lower their production costs in order to give them a competitive edge.

Many economists reserve a pitiful smile for anybody brave enough to advance this argument in public. They believe

there is no incentive to lower production costs when producers are shielded by import tariffs. They hold that producers will lobby and bribe policy makers for continued protection – to the detriment of domestic consumers, who have no choice but to overpay for inferior products. And they argue that history has convincingly demonstrated the fallacy of the infant industry argument.

But has it? Many developing countries experienced faster economic growth in the ‘bad old days’ of trade regulation than during the free trade era that followed. Without temporary protection, which productive sectors in Africa should we reasonably expect to gain a foothold in the international arena? Are many African nations not locked into the role of eternal supplier of raw materials if they cannot develop processing sectors?

Virtually all high-income countries have built their production base on the foundations of protectionism, lowering trade barriers only after domestic producers have learned how to take on foreign competition. Asian tigers have skillfully combined protectionism and assisted producers to compete in export markets. They didn’t pursue a free trade strategy.

Recent research on the comparative development trajectories of Southeast Asia and sub-Saharan Africa funded by the Dutch Ministry of Foreign Affairs’ Tracking Development programme suggests that industrialization in Asia started with successful agricultural development. If we can shift these insights to Africa, we should emphasize the importance of raising agricultural productivity and processing raw materials locally in order to add value. This presupposes a secure and viable market. There is no reason why West African countries can’t support stable cotton or chicken-processing industries that trade freely in the region, but are temporarily protected from outside competition by a common tariff.

If we fail to think beyond our paradigms of free trade, and forbid African countries to follow the same development strategies that we did, then it is hard to imagine how such developments can take place. The sad truth is, of course, that we cannot be sure that abandoning the free-trade agenda would help African countries. At present, the free traders have their set of beliefs and the anti-globalists theirs. But perhaps it’s time to have an open mind and encourage some experimental policy reform that would inform the debate with hard evidence. ■

By **Erwin Bulte**, professor of economics at Wageningen University and Tilburg University, the Netherlands. Bulte is also a research fellow at the University of Cambridge, UK, and an advisor to the UN Food and Agriculture Organization.