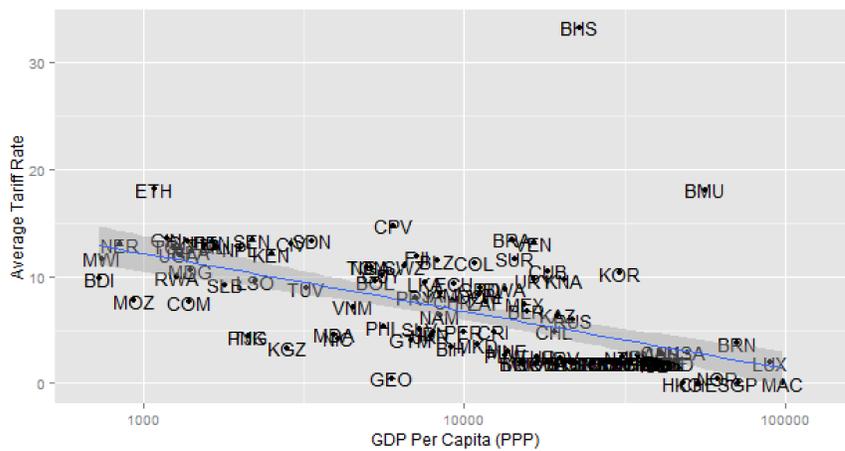


Support for Free Trade in Developing Countries: Evidence from Cross-National Survey Data

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1. The Puzzle

As of 2010, a country's GDP per capita is the best predictor of its average tariff rate. Despite the benefits of free trade, many developing countries remain moderately protectionist.



This is puzzling, given:

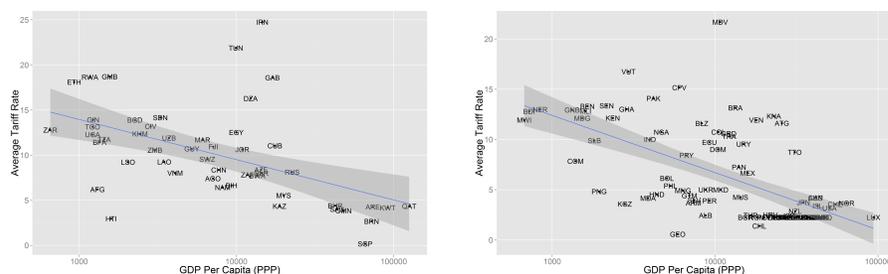
- ▶ The now well-documented effect of trade openness on growth (Sachs & Warner, 1995; Frankel & Romer, 1999)
- ▶ Positive effects of free trade on employment and wages for unskilled labor (Stolper & Samuelson, 1942)
- ▶ The variety of goods available through foreign imports

2. Potential Explanations

A number of theories could explain this continued protectionism in the developing world. Broadly speaking, these fall into four categories:

1. Special interest lobbying / infant industry protection
2. A democratic deficit
3. Lack of fiscal capacity
4. Public opinion against free trade

A quick subdivision of the data into autocratic (left) and democratic (right) countries suggests that current levels of protectionism are not driven by a democratic deficit:

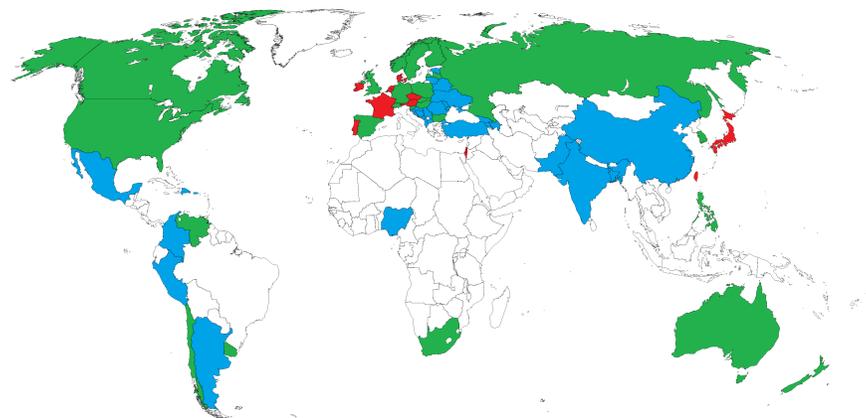


3. The Argument

The most prominent explanation for protectionism is based on a collective action problem (e.g. Grossman & Helpmann, 1994). Ordinary citizens would prefer free trade, but special interests can effectively organize to lobby for protection. Extensions of this theory (e.g. Milner & Kubota, 2005) suggest that democratic leaders have more incentive to cater to citizens over wealthy special interests, which helps explain the developing world's move to free trade in the 1980s.

I argue that this theory is not strictly necessary to explain current levels of protectionism. Looking at a set of cross-national survey data, I find that many citizens in developing countries are skeptical of or outright opposed to free trade and foreign imports. However, classical theories on the distributional impact of trade are able to explain some variation in preferences.

4. The Data



Blue: WVS (1995), Red: ISSP (2003), Green: Both

In the companion paper I discuss several cross-national surveys, but here I focus on the 1995 wave of the World Values Survey. The core questionnaire includes the following question:

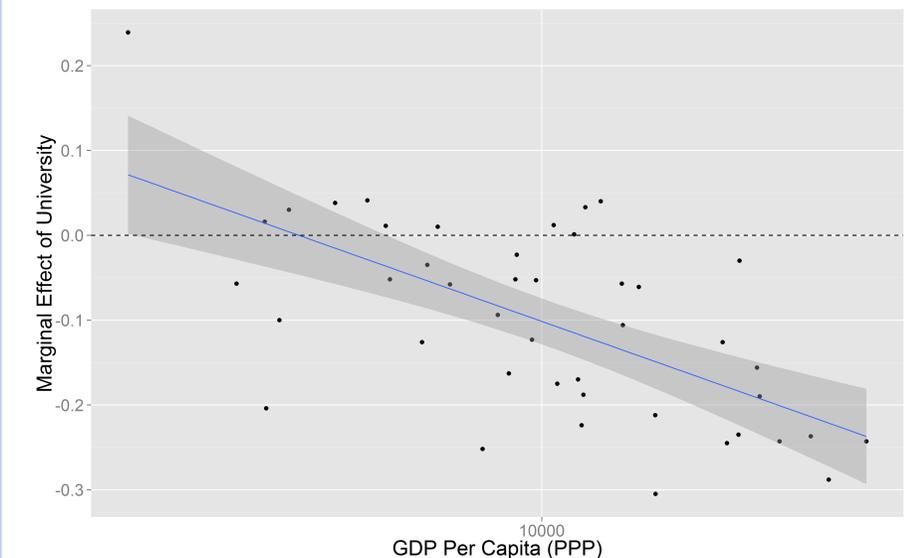
V133. Do you think it is better if:

1. Goods made in other countries can be imported and sold here if people want to buy them;
- OR that:
2. There should be stricter limits on selling foreign goods here, to protect the jobs of people in this country

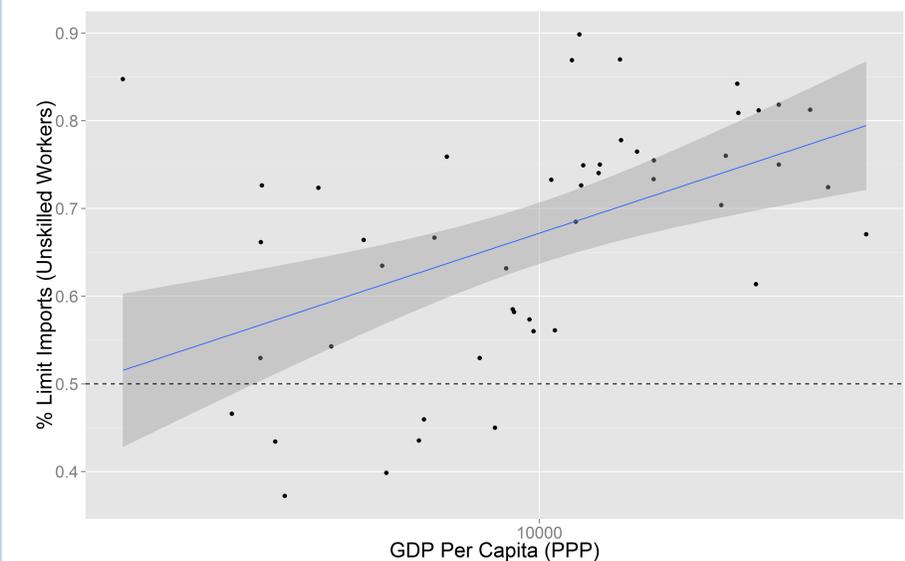
This survey measure is coupled with several other variables relevant to trade preference, including:
Education, Gender, Age, Occupation, & Political affiliation

5. Results

On the margin, the evidence is consistent with factor-based models of trade. University-educated respondents are a relatively abundant factor in developed countries, so they are more likely to support free trade. Consistent with theory, this difference shrinks in developing countries.



However, the overall level of opposition to free trade is much higher than one might expect given the economic benefits.



6. Conclusions

The evidence from these surveys suggests that public opinion responds to incentives as predicted by economic theory, but the *level* of opposition to free trade is higher than one would expect. This, coupled with WTO provisions for protecting infant industries, could explain the remaining protectionism in the developing world.