

**“Democratization and Trade Policy in Developing Countries: The Cases of India and Bangladesh”**

Megan Westrum

Summer 2006

I set out on my trip to India and Bangladesh with the intention of investigating the link between democracy and the economic policies that governments choose. Specifically, I wanted to evaluate the claim that expanding democracy and increasing the voting population had led governments in the developing world to liberalize their economies over the past 20 years or so. In order to solve this puzzle, I started with a few simple questions. First, do regular voters really have a say over the economic policies that their governments choose? Second, do more liberal economic policies, like freer trade, really benefit low-skilled workers who gained the right to vote in countries that democratized? Finally, if democratization encourages countries to liberalize their economies, how does one explain the case of India, a country that has been a democracy since 1947, but has only taken serious steps to open its markets since 1991? My pursuit of answers to these questions took me to 6 cities in India and Dhaka in Bangladesh, where I conducted 23 interviews of journalists, economists, businessmen, and government officials.

For someone like me, who spent her childhood in Montana, a state with a big sky and very few people to share it with, the most striking thing about India is the number of people that seem to be everywhere. India is home to a billion people or about one-sixth of the world's population. While the economic boom that has occurred in the past 15 to 20 years has benefited many in India, roughly one-third of the population still lives on less than a dollar-a-day. The outside world may clump all Indians into one category; however, the diversity of the country's people is quite extraordinary. The Indian constitution recognizes 21 languages in addition to

Hindi and English and virtually all major religions are practiced in the country.<sup>1</sup> What is still more amazing is that in the midst of this diversity it has managed to maintain a democratic system.

While Bangladesh is not as linguistically or religiously diverse as India, it is one of the most densely populated countries on earth. About 147 million people live in an area roughly the size of Iowa. Furthermore, it is one of the poorest countries in the world. In 2004, per capita income in Bangladesh was estimated at a mere \$440 per year.<sup>2</sup>

I must confess that during the first few days of my trip, I wondered if coming to India had been such a good idea. I had arrived in Delhi in late June—one of the hottest times in the year. It felt like I constantly had to be on my guard, to say no to the touts and beggars, to haggle with the autorickshaw drivers and merchants. I began to long for home, where there was central air conditioning, the price was printed on the packaging, and I could walk down the street without anyone bothering me.

I had done my best before I arrived to make contact with the people that I hoped to interview—economists, journalists, businesspeople, and government officials. In spite of my efforts, I had gotten very few responses to my desperate e-mail pleas for interview subjects. By the end of the first week, though, I had a couple of interviews lined up with economists. Things were getting better and I began to like the challenge of traveling alone as a woman, of negotiating with the merchants and rickshaw drivers, of ignoring the touts, and of surviving the heat.

Most importantly, though, during my first week in Delhi I made what turned out to be my most fruitful contact in India. Dr. Nadadur, the president of the Notre Dame Alumni Club in

---

<sup>1</sup> [www.wikipedia.org](http://www.wikipedia.org).

<sup>2</sup> World Development Indicators. [www.worldbank.org](http://www.worldbank.org)

India, happens to be a senior bureaucrat in India's equivalent of NASA. He was incredibly generous and offered to connect me with his colleagues in four south Indian cities (Hyderabad, Chennai, Trivandrum, and Bangalore) who, in the coming weeks, would assist me in setting up interviews in each place with journalists, economists, and business people in each city.

Thus, I set about busily arranging travel and accommodations. Luckily, the airline industry in India includes a number of domestic low-cost carriers, which allowed me to fly between cities and save an enormous amount of travel time. Within a few days, I had set up hotel accommodations and I left Delhi for Mumbai. Unfortunately, I arrived in Mumbai (formerly Bombay) just in time for one of the worst monsoon storms of the past few years. My flight was delayed because the runway was flooded and by the time we finally did land I had already missed one of my interviews and much of the city was under water. Fortunately, my hotel was not in the part of the city that was under water, but for the next few days, it was very difficult to get around the city. I also had to cancel the interview I had scheduled for the next morning and I spent most of the next few days in my hotel room, ordering room service and watching reruns of *Friends*.

After my time in Mumbai, I began my whirlwind tour of South India, which took me to Hyderabad, Chennai (formerly Madras), Trivandrum, and Bangalore. I spent three or four days in each city interviewing the journalists, economists, and businesspeople with whom Dr. Nadadur's colleagues in each city put me in touch. At first, meeting new people and conducting interviews made me terribly nervous, but as the trip went on I became more comfortable and began enjoying my research. I became more adept at leading the conversation instead of letting the person I was talking to guide it. Of course, some interviews were better than others, but overall, I gained lots of wonderful information and insights from the people to whom I spoke.

Following my time in India, I also had an opportunity to spend a week in Dhaka, Bangladesh. Bangladesh is definitely the place to go to have a glimpse of what it would be like to be a celebrity. There are very few tourists and Bangladeshis are fascinated by foreigners. It seemed that, wherever I went, a small crowd seemed to gather around me. Sometimes they just stared and other times they asked the basic questions about age, profession, nationality, and marital status. In spite of this celebrity treatment, that some might find a bit invasive, my fondest memories of Bangladesh are of the many kind people that I encountered. In spite of their desperate poverty, Bangladeshis are amazingly cheerful and generous. Another Notre Dame graduate, Nicole Mendes, helped me to set up some interviews in Bangladesh. I also had the opportunity to meet both the Holy Cross Sisters and Priests at their schools in Dhaka.

This year, I will be writing a senior thesis on the link between democratization and trade liberalization in the developing world. I will be using the interviews I conducted in India and Bangladesh to develop two qualitative case studies. While I still have much more to do on this project, the preliminary conclusions that I have drawn from the interviews do not seem to suggest that democratization causes trade liberalization in any way. Nearly everyone I spoke to agreed that regular voters had very little knowledge of economic issues. As a result, it is not common for voters to put pressure on politicians to deliver specific economic policies, like freer trade. Furthermore, at least in the cases of India and Bangladesh, low-skilled workers have not reaped the benefits of economic liberalization, as some economic theory suggests that they should. Rather, the bulk of the economic rewards that have come from economic liberalization have gone to the wealthy and middle-class. What seems to be the common factor in both India's and Bangladesh's decision to liberalize was that they were both under pressure from international financial institutions and donor countries to reform their economies.

I still have a difficult time explaining my experience traveling this summer to those who are curious, but I think that the best way to attempt to sum up my time in India and Bangladesh is with a story. On one of my last few days in Bangladesh, I set out on a trip to the market on a rickshaw with a driver named Abdur. Over my week in Dhaka, Abdur had taken me all around and had shown me the best markets and tourist attractions and we had gotten to know each other. On this particular day, we were going to the tailors to pick up a pair of trousers that I was having made. It was a very hot afternoon and on my way out of the tailors; I stopped at a kiosk and picked up two orange sodas, one for myself and one for Abdur. We drank them together and, after we were finished, Abdur took the can from my hand and started to throw it on the street.

Of course, I motioned to him to stop and told him that we would wait and find a trash can. Then he said, “no, no someone will come along and collect the cans, they can get 40 taka (about 50 cents) for a kilo.” Then Abdur said the words that really struck me, “you don’t understand our system.” Abdur was absolutely correct, I did not understand how some people in these countries could be so wealthy and some could be so desperately poor, how that in the age of modern medicine so many mothers and babies still died, how these governments could not ensure the most basic services for their citizens. I was astonished and bewildered by many things in India and Bangladesh, but in the end I mostly still had a lot of questions and few answers.