

RECONCILING TRADE AND POVERTY REDUCTION

A GERMAN MARSHALL FUND OF THE UNITED STATES REPORT
ON PUBLIC OPINION IN FRANCE, GERMANY, THE UNITED KINGDOM, AND THE UNITED STATES

AUTHORS:

JOHN J. AUDLEY
Senior Transatlantic Fellow
The German Marshall Fund

HANS ANKER
Director
Anker Solutions

Trade and Poverty Reduction Survey Project Partners

The Rockefeller
Foundation

The William and Flora
Hewlett Foundation

Methodology: EOS Gallup Europe, based in Wavre, Belgium was commissioned to conduct the survey and collect data from France, Germany, Great Britain, and the United States. The survey interviews were conducted by telephone (CATI: Computer Assisted Telephone Interviews). In each of the four countries, approximately 1,000 men and women 18 years and older were interviewed using a random digit-dialing technique. The fieldwork for the survey was conducted May 13-25, 2004.

For results based on the total sample in each of the four countries, one can say with 95 percent confidence that the margin of error attributable to sampling and other random effects is plus or minus 3 percentage points. For results based on the total aggregated sample, the margin of error is less than plus or minus 1.5 percentage points. Results of the questions based on a typical sample of 330 produced a 95 percent confidence that the margin of error is plus or minus 5.4 percent. All data was weighted by sex and age to reflect the overall population. "No answer" responses were coded as "don't know".

You can review or download the survey results and the questionnaires in all three languages by visiting GMF's website at www.gmfus.org. John Audley can be contacted at jaudley@gmfus.org. Hans Anker can be contacted at hanker@igc.org.

TABLE OF CONTENTS

KEY FINDINGS	3
THE TRADE AND POVERTY REDUCTION SURVEY	5
I. WHY FIGHT POVERTY? COMPASSION AND SELF-RELIANCE IN AN ERA OF TRADE	7
II. INTERNATIONAL TRADE A PART OF MODERN LIFE	11
III. FUTURE DIRECTION FOR INTERNATIONAL TRADE	19
IV. LINKING SEMANTICS WITH GOOD POLICY TO BROADEN SUPPORT FOR TRADE	24

KEY FINDINGS

The survey results show a very clear and broad picture of public opinion on the relationship between trade and poverty. While people surveyed in the United States, France, Germany, and the United Kingdom believe in fighting poverty for humanitarian reasons, they also believe that the best way to do so is by helping developing countries become self-reliant. When asked what is better for developing countries, two out of three respondents choose trade over aid. They support trade because they believe it stimulates national and international economies, and in part because they believe that global competition makes their own economies more dynamic. Public support for trade, however, is not without conditions. People worry about worker rights, the environment, open negotiations, and perhaps most importantly, job security for themselves and for those living in developing countries – a worry fueled by their widespread mistrust of multinational corporations. That said, people do not want to retreat from trade and competition, they just want to be better prepared to compete and benefit from it. To broaden support for future trade agreements, government officials should pay more attention to the public’s uncertainties by providing citizens more education and training, negotiating greater respect for worker rights and environmental protection, and making negotiations more transparent and accountable. The public also wants future trade agreements to allow developing countries more gradual exposure to the pressures of the global marketplace.

Key findings: How people view trade and the fight against poverty

- An overwhelming majority of people surveyed for this report believe that international trade contributes to economic growth in developing countries and the world and increases the number of jobs for workers in developing countries.
- People accept international trade as a part of everyday life in the twenty-first century. Seventy-four percent of all respondents believe that trade stimulates domestic and international economies, and 82 percent believe that trade makes their own country’s economy more competitive. At the same time, with the exception of Great Britain, more than half the respondents in France, Germany, and the United States believe that trade liberalization also comes with job loss and greater uncertainty regarding their own futures.
- Protection, not Protectionism: In all four countries, the survey shows a nearly universal desire to protect important – *symbolic or real* – aspects of the domestic economy, such as farmers and small businesses. However, respondents strongly diverge, particularly in the United States, over the specific form of such protection. Non-specific use of trade barriers receives a lukewarm reception in each of the four countries, but this changes substantially when the word “protective” is added to trade barriers.

ers (from 16 percent more favorable in France to 23 percent in the United Kingdom).

- Ninety-two percent of all respondents believe that workers deserve more and better education to prepare them to compete in the global economy. Two out of three respondents believe that trade should not come at the expense of jobs or the environment. An overwhelming majority (80 percent) believe that future trade agreements should be conducted in a more open and accountable manner.
- Policymakers have an opportunity to broaden support for new trade agreements if they address concerns regarding workers, the environment, transparency, and developing countries. Nearly 80 percent of all respondents support the following mes-

sage because it acknowledges these concerns and at the same time emphasizes the benefits of trade deeply felt by trade supporters:

International trade contributes to prosperity and should therefore be welcomed, but not at all cost. The United States and the European Union must stand up for labor and human rights standards and protect our jobs, the environment, and our children. Otherwise we'll get a race to the bottom, with jobs being moved to sweatshops in China, workers in developing countries living under abominable conditions, and the loss of our ability to protect against tainted foods. That would be a race without winners, perhaps with the exception of a small group of big businesses.



THE TRADE AND POVERTY REDUCTION SURVEY

During the last decade, the United States and the European Union have argued that efforts to fight global poverty and further trade liberalization are partners in promoting development. This partnership is reflected in the core mission of the World Trade Organization's (WTO's) Doha Development Agenda, which calls for further trade liberalization to help alleviate persistent poverty in the developing world.¹

Efforts to link trade liberalization and poverty reduction have collided sharply with political realities on both sides of the Atlantic. Political opponents of trade in the United States have targeted "Benedict Arnold CEOs", and even "pro-trade" journalists have begun talking about the "outsourcing of America." European rhetoric has followed a similar vein: French political leaders jealously guard farmer subsidies while German leaders closely watch the migration of high paying jobs to countries such as India. Meanwhile, people living in poverty continue to suffer, and for the first time in nearly a decade, the World Bank reports that the number of people living in absolute poverty has actually begun to climb.

Even the long-trumpeted link between trade liberalization and poverty alleviation is coming under closer

scrutiny. Careful studies now show that expanding trade does not guarantee that the resulting economic growth will be broadly shared. According to a 2004 United Nations report, there is a strong likelihood that export-led growth enriches only the wealthiest citizens in each country.²

Given the importance of both trade and poverty alleviation policies, in April 2004 the German Marshall Fund of the United States set out to conduct a public opinion survey to get a better picture of how the public perceives the relationship between the two. The survey gauges public opinion in France, Germany, the United Kingdom, and the United States on issues ranging from agricultural subsidies to international aid programs to global and regional trade, and compares and contrasts opinions from the four countries. Finally, by analyzing answers to differently framed questions or nuanced versions of the same question, the survey determines under what circumstances respondents see trade as a mechanism for addressing poverty and how to assess support for trade compared with other policies.

While the study of public opinion in France, Germany, the United Kingdom, and the United States should not be construed as a comprehensive transat-

¹ For additional information about how trade officials hope to use the current round of trade negotiations to alleviate poverty, see the World Trade Organization's website at www.wto.org/english/tratop_e/dda_e/dda_e.htm.

² United Nations Conference on Trade and Development Secretariat, *The Least Developed Countries Report 2004: Linking International Trade with Poverty Reduction*, (New York: United Nations), 2004. ISBN 92-1-112581-2. For a recent study of the results of the North American Free Trade Agreement, see John J. Audley, editor, *NAFTA's Promise and Reality: Lessons from Mexico for the Hemisphere*, (Washington, DC: Carnegie Endowment for International Peace, 2003), http://www.ceip.org/files/publications/NAFTA_Report_full.asp.

lantic survey, these countries do provide a good starting point for longer-term study of the relationship between trade and poverty alleviation. Because of these countries' relative wealth and superior military and political power, their support is essential to resolve any tensions between trade and poverty alleviation policies. In turn, anti-globalization protestors from these four countries have been at the forefront of a decade-long effort to challenge popular belief in the benefits of globalization, in particular of trade.

The report is organized as follows: **Part I** explores why people are motivated to fight poverty and what they see as trade's role in poverty alleviation. **Part II** follows with a presentation of public opinion on the overall impact of international trade on domestic and international economies. **Part III** uses the survey data to propose a future direction for trade policy that is focused specifically on citizens in both western and developing countries. The report concludes with a discussion of the link between semantics and nuance and survey responses, and outlines policy objectives for

policymakers and other elites to consider if they want to win back public support for trade.

Finally, a note regarding the overall context in which the responses should be considered. Despite their relative well-being, people in these countries are feeling overwhelmingly negative about their own futures. When respondents were asked, "In general, are you satisfied or dissatisfied with the way things are going in (your country) at this time?" nearly 65 percent expressed dissatisfaction. Negativity is highest in Germany, where a dramatic 81 percent of the respondents express dissatisfaction with the way things are going in their country. Britain provides the least negative picture, with the number of positive and negative responses approaching parity (49 percent positive and 45 percent negative). Sixty two percent of Americans and 67 percent of French respondents also are unhappy with the direction their countries are going. While this should not be overemphasized, the level of negativity felt in three of the four countries can provide insights into other survey responses.

I. WHY FIGHT POVERTY?

Compassion and Self-Reliance in an Era of Trade

No one should die from hunger and everyone should have a chance to work and earn a living for themselves and their families. These are the values underpinning the popular idea that trade is better than aid when promoting development. An overwhelming majority of people surveyed for this report believe that international trade contributes to economic growth in developing countries and the world and increases the number of jobs for workers in developing countries.

FIGHTING POVERTY: COMPASSION COMBINES WITH SELF-RELIANCE

Citizens in all four countries express a nearly universal, morally grounded, and strong belief that no one should die from hunger. Ninety-three percent believe that fighting starvation is a “good reason” to fight poverty, of which a dramatic 65 percent feel it is a “very good” reason. This compassion is closely followed by a desire to see that everyone has a chance to work and earn a living for themselves and their families, no matter where they live in the world (94 percent feel that this is a “good” reason to fight poverty, of which 55 percent believe that it is a “very good” reason). Respondents from the United States were the least enthusiastic about the self-reliance approach. British support was 18 points higher than the United States.³ French and German

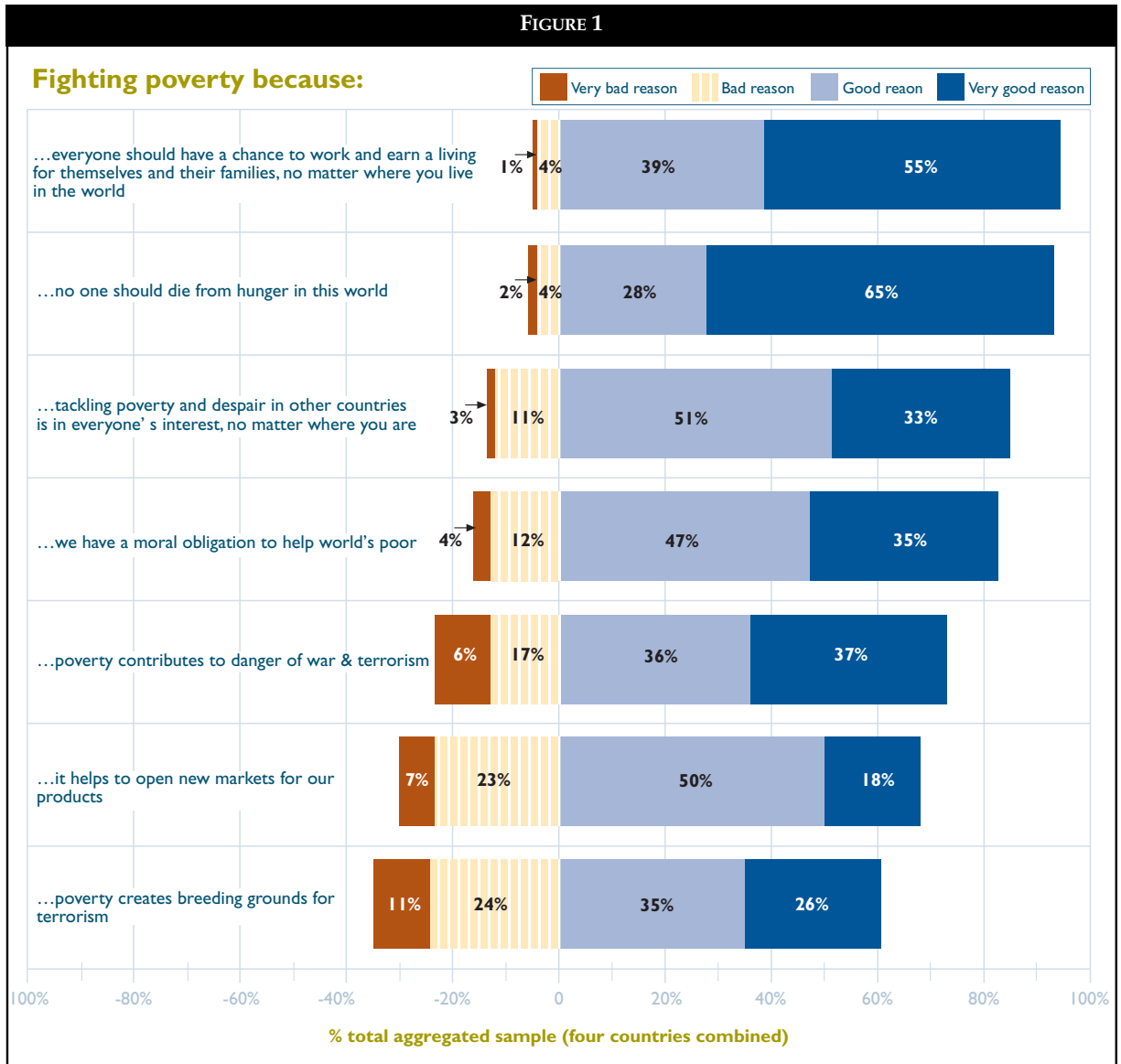
respondents also scored higher than the United States by 12 and 8 points respectively.

People cite compassion and self-reliance as stronger motivators to fight poverty than “enlightened self interest”, i.e. fighting poverty as a way to open new markets for domestic-made products and fighting poverty in order to fight terrorism. Sixty-eight percent of all respondents believe that fighting poverty helps open markets for domestic products, with only 18 percent arguing that it is a “very good” reason. Given growing interest in finding new ways to make the world safe from terror, it is interesting to note that of all the respondents, the French are most open to fighting poverty on the grounds that “poverty creates breeding grounds for terrorism” (32 percent “very good reason”, 7 to 10 percentage points higher than the other countries). This difference, however, evaporates when the statement is softened to “poverty contributes to the danger of war and terrorism”, with all the countries responding within three percentage points of one another to indicate that they do not perceive any real connections between poverty and terror.

We have seen that the values of compassion and self-reliance are integral to people’s desire to fight poverty. But what tools do these people believe would most effectively accomplish this?

³ Point margins are determined by subtracting the number of responses from one country in a certain category from another country’s responses that fall under the same category.

FIGURE 1



SUPPORT FOR DEVELOPMENT ASSISTANCE

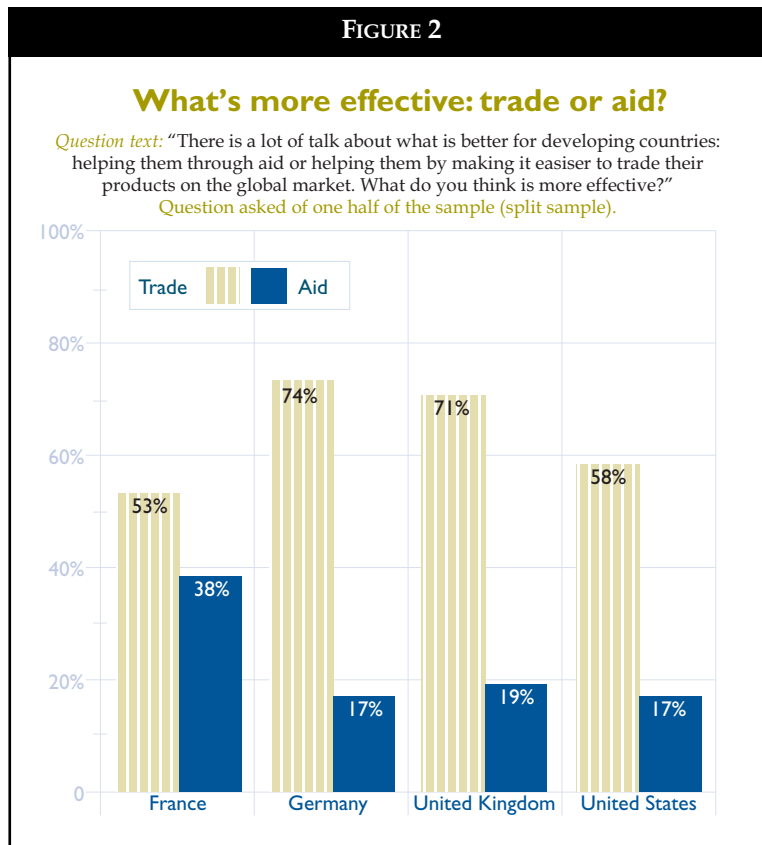
Respondents express broad support for development assistance to developing countries. An overwhelming majority (79 percent) reacts favorably to assistance,⁴ while only a small minority (18 percent) opposes international aid. Support for assistance runs deepest in Britain, with 44 percent strongly in favor, 19 percentage points higher than the average score of the remaining three countries. Conversely, the strongest opposition to development is found in the United States: 27 percent oppose aid, with 10 percent “strongly opposing” –

twice as many as in the other countries.

The survey was designed to test the strength of public commitment to international assistance by confronting respondents with a number of different scenarios where assistance could be considered. Support for aid drops when a reference is made to governments, especially when a government is described as having “severe governance problems”. When a government’s problems are mentioned, U.S. support for assistance drops to its lowest level (60 percent). Conversely, Britain responds with the strongest measure of support (87 percent). We interpret this to mean that U.S. citizens

⁴ The questions posed to respondents do not specify what kind of, or for what purpose, assistance would be provided.

FIGURE 2



are more focused on the quality of governance, while the British consider “severe governance problems” an indication of terrible conditions that make these countries even more deserving of help. Also interesting is that in every country the term “international aid” scores higher than “development assistance”, “economic aid”, or “economic assistance”.

TRADE OVER AID TO HELP DEVELOPING COUNTRIES

When respondents are asked “...what do you think is most effective? ...helping them (developing countries) through aid or helping them by making it easier to trade their products on the global market...” an average

of 64 percent of all respondents picked trade over aid.⁵ German respondents are the strongest supporters of this statement, with a 74 percent net preference for trade over aid, followed closely by 71 percent of the British respondents. By comparison, 58 percent of American and 53 percent of French respondents prefer trade to aid.

The fact that nearly three-quarters of all respondents (73 percent) believe that trade increases the number of jobs in developing countries is one possible explanation for the strong preference for trade over aid.⁶ Further, more than three-quarters (78 percent) of respondents also make a connection between trade and greater peace and stability. These reactions, coupled with the respondents’ rejection of closed markets,⁷

⁵ These numbers pertain to a “split sample”, where half the respondents were asked, “...making it easier to trade products”, and the other half, “...aid plus making it easier to trade products”. The different phrasing did not affect any responses.

⁶ Due to space constraints, we asked respondents their opinion of the quality of trade-related jobs in their own country, but not about the quality of such jobs created in developing countries.

⁷ This subject will be discussed at length in Part III of this report.

suggest that, with the exception of the French, people believe that trade more than aid promotes healthier, more peaceful societies.⁸

**CONCERN FOR POOR COUNTRIES
AS MEMBERS OF THE GLOBAL ECONOMY**

While people have strong feelings about the importance of developing country participation in global trading activities, they also worry that exposure to the global economy may be damaging to very poor countries. An average of 61 percent of all respondents agrees with the

statement: “International trade agreements threaten developing countries whose economies are too fragile to compete on a global level on all fronts”. Only 31 percent disagree. Respondents from Germany show the least support for this statement (47 “agree”; 48 percent “disagree”), while a full three-quarters of French respondents agree. As fully discussed later in this report, overcoming public concerns about trade will require political leaders to design future trade agreements that allow developing countries to continue some protective trade barriers until they reach certain minimum levels of economic development.

⁸ Respondents were asked, “International trade agreements contribute to more stability in the world by putting people from different countries in direct contact with each other and thus creating more common interests”. Seventy-eight percent of the respondents agree with this statement, while 19 percent disagree. The average score for all four countries was 78 percent, with the United States and France at 74 percent, the United Kingdom at 86 percent, and Germany at 78 percent..

II. INTERNATIONAL TRADE

A Part of Modern Life

People accept international trade as a part of everyday life in the twenty-first century. Support for international trade is strikingly high in all four countries surveyed, and, with some exceptions among the French, people believe that trade is an instrument for positive change and innovation in the domestic economy. Public support for international trade comes with the recognition that along with benefits come costs: domestic dislocations, job loss, and greater personal uncertainty. Put simply, as people become more personally affected by trade, their support for it drops while their backing for protectionist measures rises. Their concern for personal well-being is perhaps amplified by their overwhelming belief that trade benefits multinational corporations more than ordinary citizens or small businesses.

SUPPORT FOR INTERNATIONAL TRADE IS STRONG

Call it “free”, “fair”, or “international”, overwhelming majorities in all four countries support trade. Support is highest in Germany, the United Kingdom, and the United States, where respectively 89, 87, and 87 percent of the population supports trade. The French support trade somewhat less (77 percent) than the other three, and they strongly prefer the term “fair trade” over “free trade”. In contrast, Germans lean toward “free trade”. When both favorable and very favorable responses are combined, overall the term “fair trade” receives the widest support, garnering 75 percent support from the British, 73 percent from the French, 68 percent from the

Americans, and 59 percent from the Germans. (see Figures 3 and 4 on page 12)

Such broad support for international trade comes as somewhat of a surprise, especially in light of respondents’ mixed feelings about globalization. A plurality of Americans and Britons have a positive view of globalization (49 versus 31 in the US, 49 versus 35 in the UK), while a majority of Germans (51 percent) view it unfavorably. In France, public support for globalization is weakest and opposition strongest (21 percent “very unfavorable”). It is important to note, however, that substantial percentages of British and American respondents (15 and 22 percent respectively) don’t have any opinion of globalization, perhaps reflecting the abstract nature of this concept. (see Figure 5 on page 13)

The lack of clearly defined public opinion about globalization seems to extend to the World Trade Organization (WTO) as well. Contrary to the negative public opinion picture the popular media often paints, opinion about the WTO is moderately positive in all four countries: half (51 percent) of British respondents, 49 percent of French, 47 percent of Germans, and 42 percent of Americans have a favorable, but not strong, opinion of the WTO. This is reflected two ways in the data: First, few people use the extreme categories of the response scale (“very favorable” and “very unfavorable”), and second, respondents give high numbers of “don’t know” responses. Twenty-nine percent in the United States gave such responses, followed by 24 per-

FIGURE 3

Favor or oppose international trade?

Question text: "Please tell me if you strongly favor, somewhat favor, somewhat oppose or strongly oppose international trade." Question asked of approximately 1,000 per country (full sample).

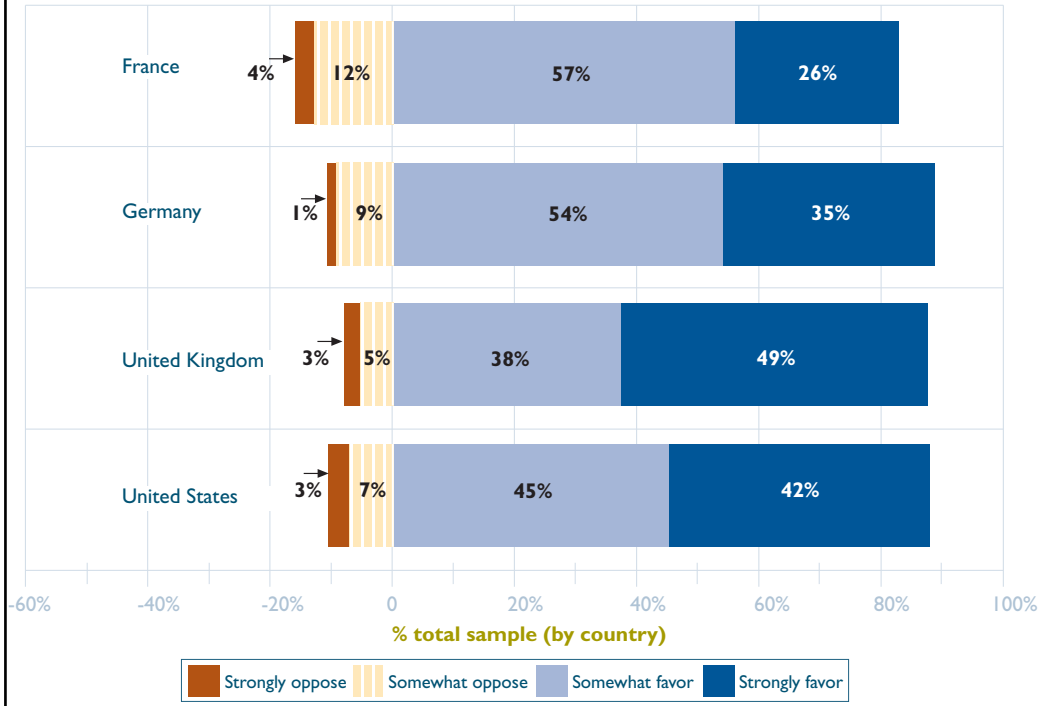


FIGURE 4

Free vs. fair trade

Question text: "Please tell me if you have a very favorable, somewhat favorable, somewhat unfavorable or very unfavorable opinion of..." Question asked of one half of total respondents only (split sample) – N is about 500 per country.

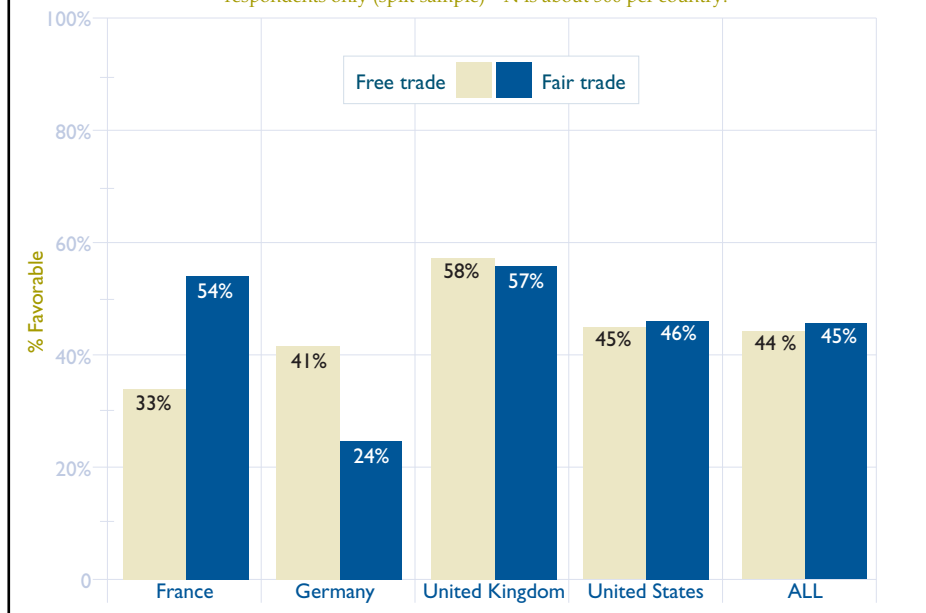
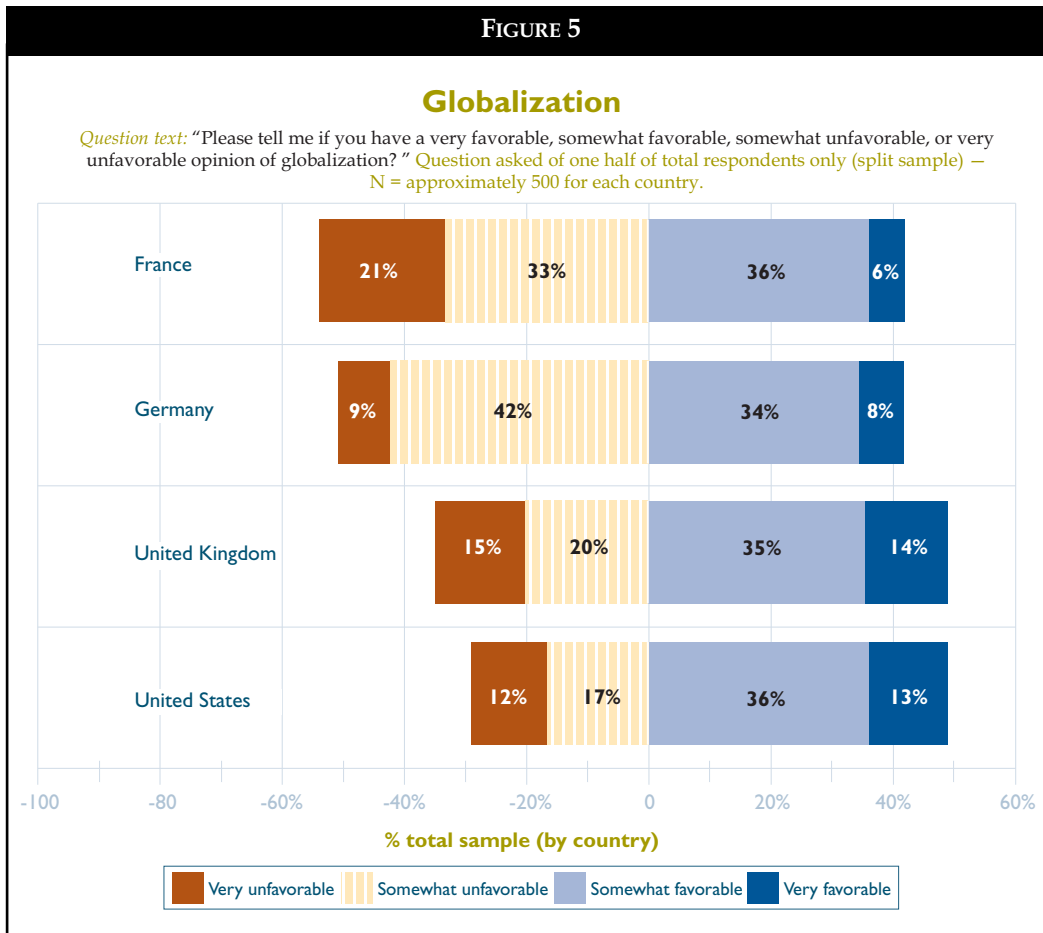


FIGURE 5



cent in the United Kingdom and 22 percent in Germany. Just 12 percent in France gave non-responses, not surprising given the fierce globalization and trade debates raging in this country. We interpret these findings to mean that regarding the WTO, the jury is still out and very little could sway support either way.

FAMILIARITY BREEDS CONCERN

People in all four countries believe that international trade agreements increase product choice, and Germans, Americans, and British believe that trade contributes to economic growth in rich countries and helps make the domestic economy more innovative and competitive.

When asked about specific trade agreements, people begin qualifying their support for international trade. While they give overall backing to the principle of free flow of people, goods, and services between

countries, support drops dramatically for specific agreements like the North American Free Trade Agreement (NAFTA) or the European Union Internal Market, agreements designed to achieve these specific objectives. The drop in support is strongest in the United States, where the public debate over NAFTA continues nearly ten years after its passage. (see Figure 6 on page 14)

Apparently, the negative response to specific trade instruments like NAFTA and the EU Internal Market is similar to the public's sober assessment of trade liberalization causing domestic disruptions for workers. With the exception of the British, people believe that international trade costs jobs at home. Many, particularly in France and the United States, also believe that it leads to lower paying jobs. Again, the British stand out as trade supporters: Half the respondents believe that international trade increases jobs at home, including higher paying ones.⁹

⁹ Due to space constraints, we asked respondents their opinion of the quality of trade-related jobs in their own country, but not about the quality of such jobs created in developing countries.

FIGURE 6

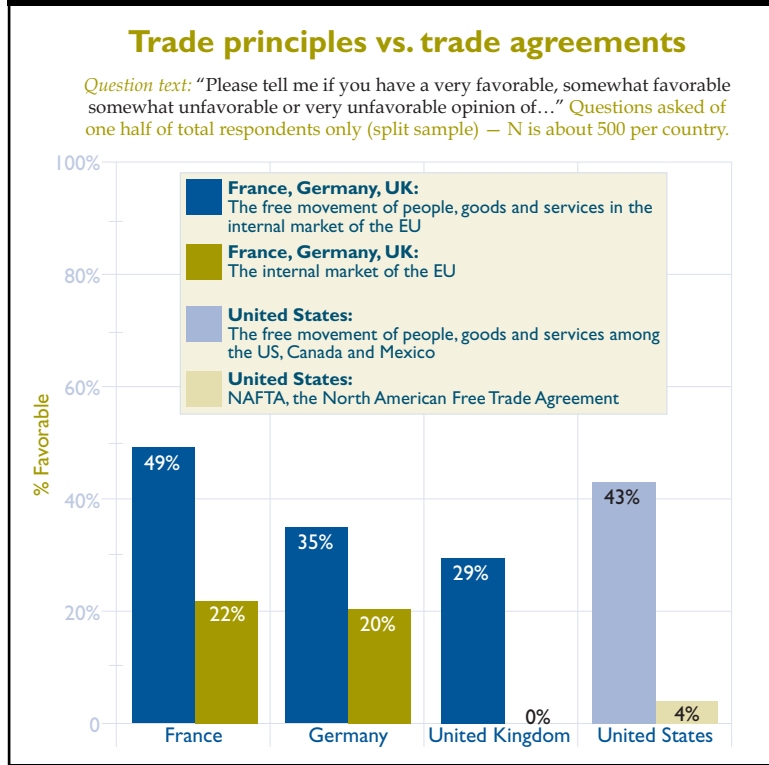


FIGURE 7

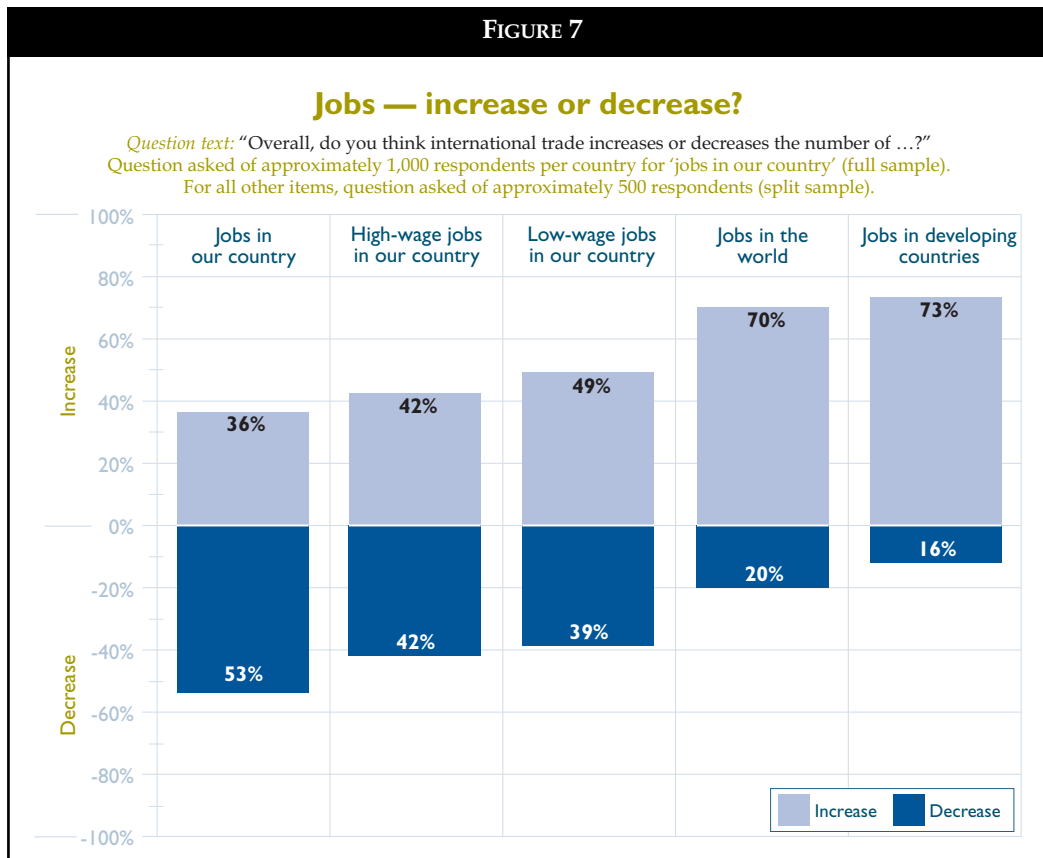
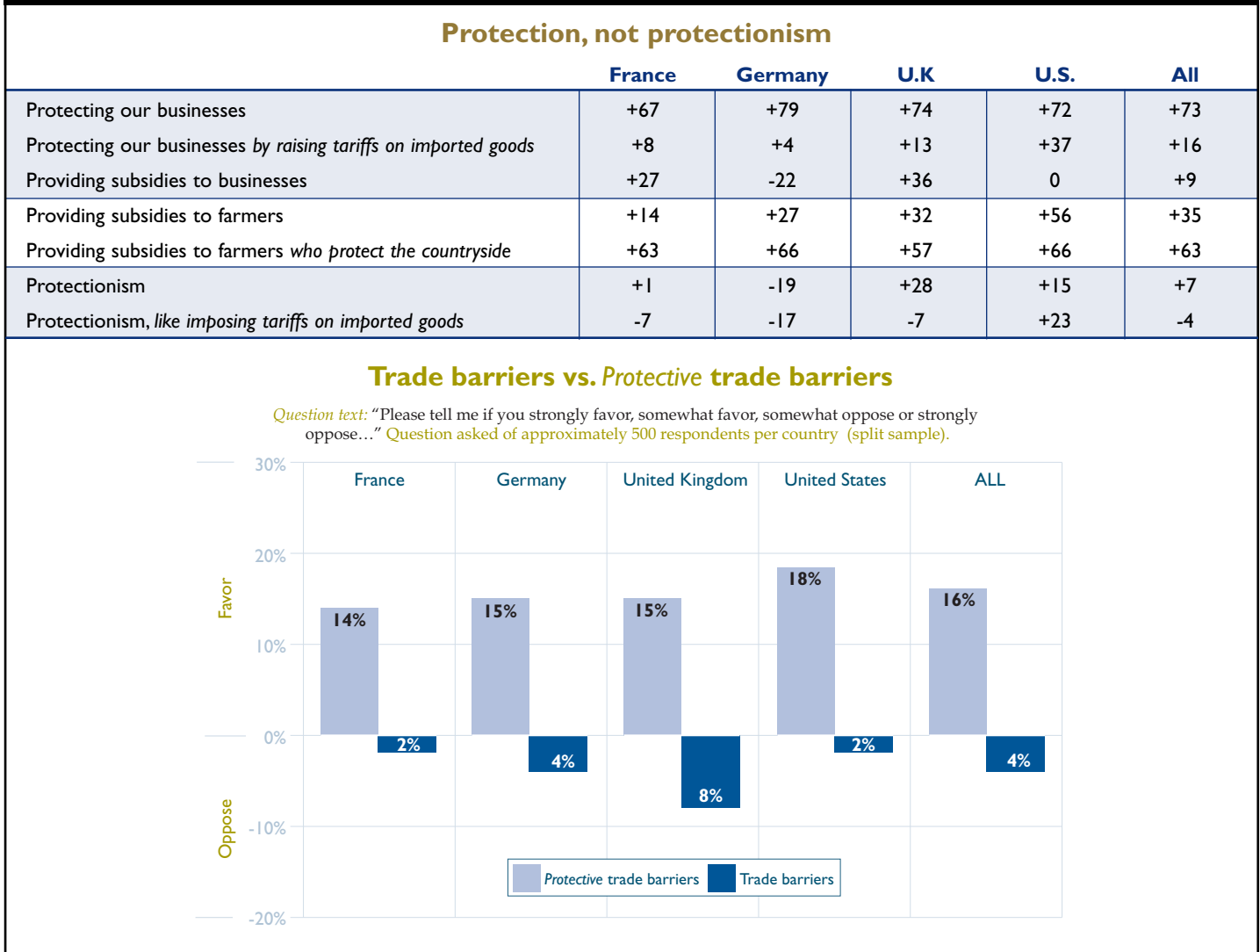


FIGURE 8



PROTECTION, NOT PROTECTIONISM

In all four countries, the survey shows that a nearly universal desire to protect is important — *symbolic or real* — aspects of the domestic economy, such as farmers and small businesses. However, respondents strongly diverge, particularly in the United States, over the specific form of such protection. Non-specific use of trade barriers receives a lukewarm reception in each of the four countries, but this changes substantially when the word “protective” is added to trade barriers (from 16 percent more favorable in France to 23 percent in the United Kingdom).

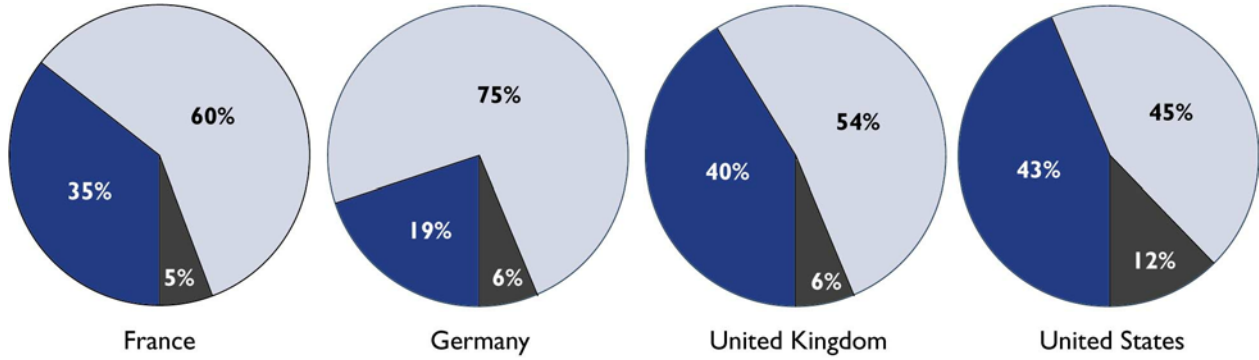
With the possible exception of U.S. respondents, people surveyed make clear distinctions between pro-

tecting things they value and “protectionism” for businesses seeking safe harbor from international competition. For example, providing subsidies to farmers who take care of the countryside is widely supported: 80 percent of all respondents support this. But support among European respondents drops dramatically — 18 points — when the specific reference to the countryside is removed and the true motivation — direct subsidies for farmers — is disclosed. Support in the United States drops as well, but not nearly as far (from 80 to 77 percent). Support for protecting domestic cotton farming is particularly strong: 43 percent of Americans and 40 percent of British believe that cotton farmer subsidies are okay, even after hearing that such practices make it “very difficult for the otherwise very

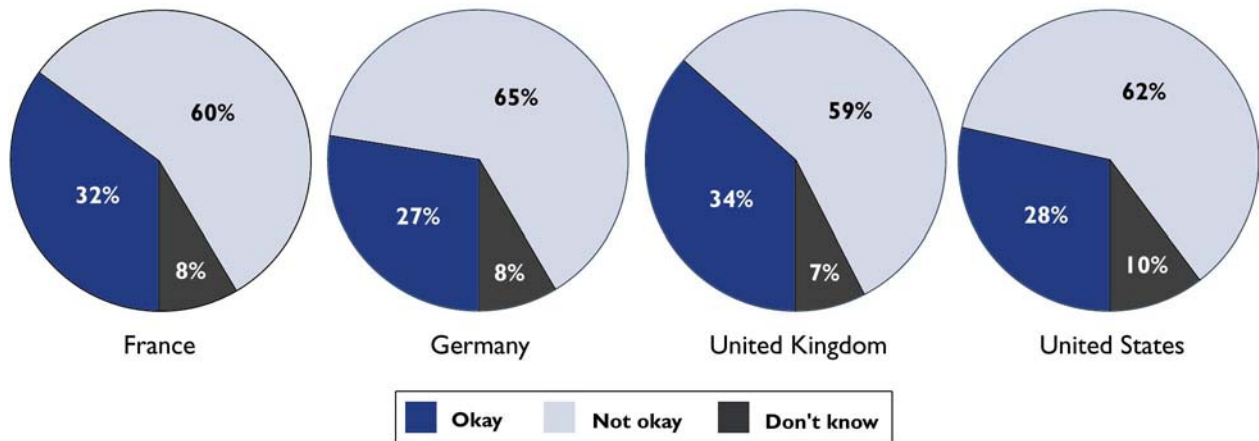
FIGURE 9

Public support for cotton subsidies

Question text: "The United States subsidizes its cotton farmers with 2.3 billion US dollars annually. The EU subsidizes its cotton farmers in Greece and Spain another 700 million dollars per year. This has made it very difficult for the otherwise very competitive West-African cotton farmers to compete on the world market for cotton. Thinking about this situation, do you think it is okay for the US and the EU to subsidize their cotton farmers or do you think that it is not okay?" *Question asked of approximately 4,000 respondents per country.*



And follow-up question if not okay: "And what if not subsidizing European and American farmers would mean that many of them would be driven out of business, would it under those circumstances be okay or not okay for the US and the EU to subsidize their cotton farmers?" *Question asked of approximately 2,333 respondents per country.*



competitive West African farmers to compete on the world market for cotton". By far, German citizens take the most principled stand: Only 19 percent say that subsidizing cotton farmers is okay and 49 percent reject these subsidies even if that means "many of them would be driven out of business".

With the exception of Germany, solid majorities in each country are willing to support protectionist measures if European and American farmers might be driven out of business. (see Figure 9 on page 16)

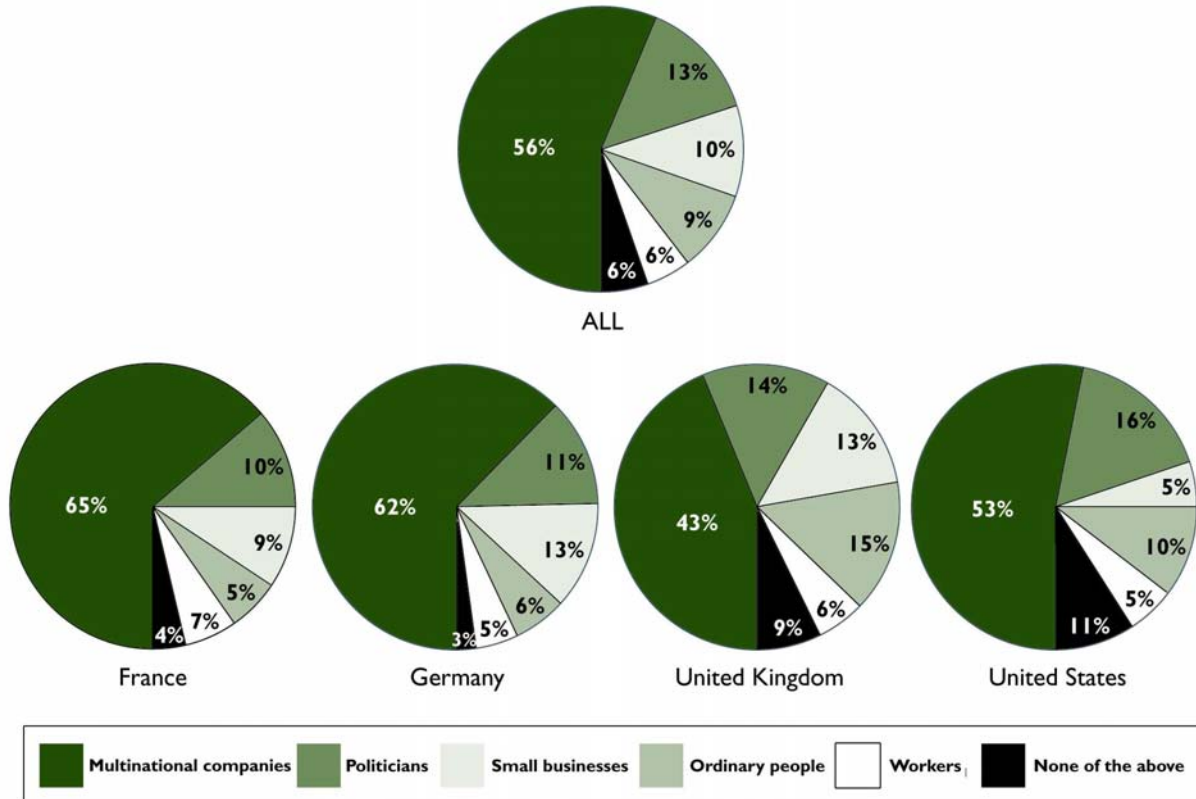
Despite public support for specific forms of protec-

tion, respondents soundly reject the idea of becoming self-sufficient and not participating in global commerce. Sixty-nine percent of those surveyed believe that participating in trade makes more sense than not, with nearly 40 percent strongly favoring trade over self-sufficiency. Three universal beliefs have emerged at the national level: Trade is a definite fact of life in an interdependent modern world; certain key aspects of the domestic economy (farmers, small businesses, etc.) deserve protection; and self-sufficiency is not possible except at tremendous cost.

FIGURE 10

Who benefits most from international trade?

Question text: "And which of the following groups do you think benefits MOST from lowering barriers in international trade?" Question asked of 1,000 respondents per country (full sample).



INTERNATIONAL TRADE PRIMARILY VIEWED AS A PROJECT OF MULTINATIONAL COMPANIES

More than half of all respondents (56 percent) feel that multinational corporations are the prime beneficiaries of lowering trade barriers. The numbers are particularly high in France (65 percent), Germany (62 percent), and the United States (53 percent). Again, Britain is a bit of an exception, with slightly less than half (43 percent) seeing multinationals as the prime beneficiaries.

Responses to another "who-benefits-from-trade" question further underscore the public's negative feel-

ings toward multinationals. Eighty-three percent of French respondents feel that multinationals benefit more from trade than small companies or ordinary people.¹⁰ The feelings in the other three countries are only slightly less antagonistic toward multinationals. (see Figures 10 on page 17 and Figure 11 on page 18)

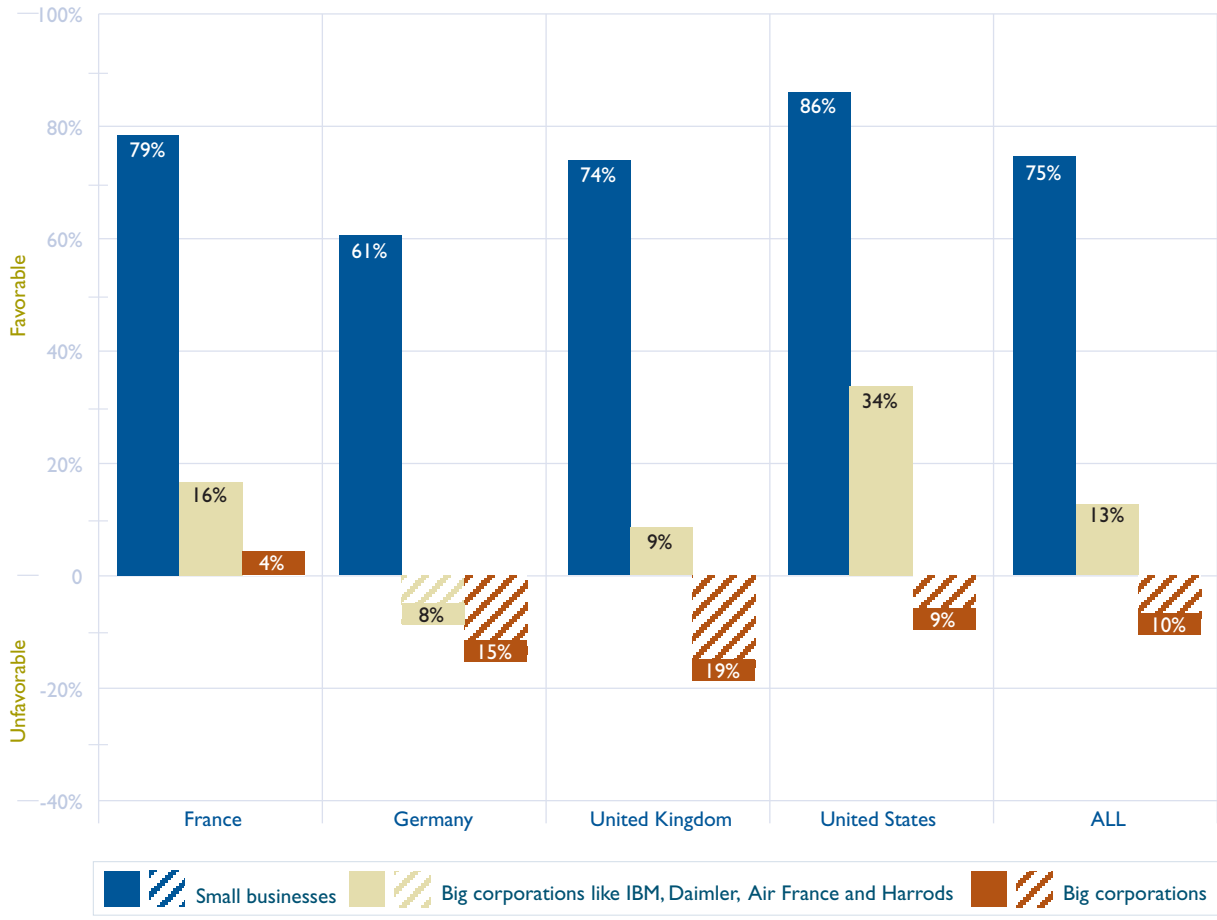
While multinational companies are viewed unfavorably, small businesses are seen as almost sacrosanct. Support for small business is the highest in the United States (91 percent favorable), while lower in Germany (79 percent), still relatively strong. While attitudes become more favorable toward corporations when the interviewee is given examples of specific companies, especially in the United States and United Kingdom,

¹⁰ Respondents were asked, "Do you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with this statement? International trade agreements mostly benefit multinational companies, not ordinary people or small companies". Eighty-three percent of French respondents agreed with this statement; the other three countries each scored in the high sixties.

FIGURE 11

Opinions of small businesses and big corporations

Question text: "Please tell me if you have a very favorable, somewhat favorable, somewhat unfavorable or very unfavorable opinion of..." Question asked of one half of total respondents only (split sample)—N is about 500 per country.



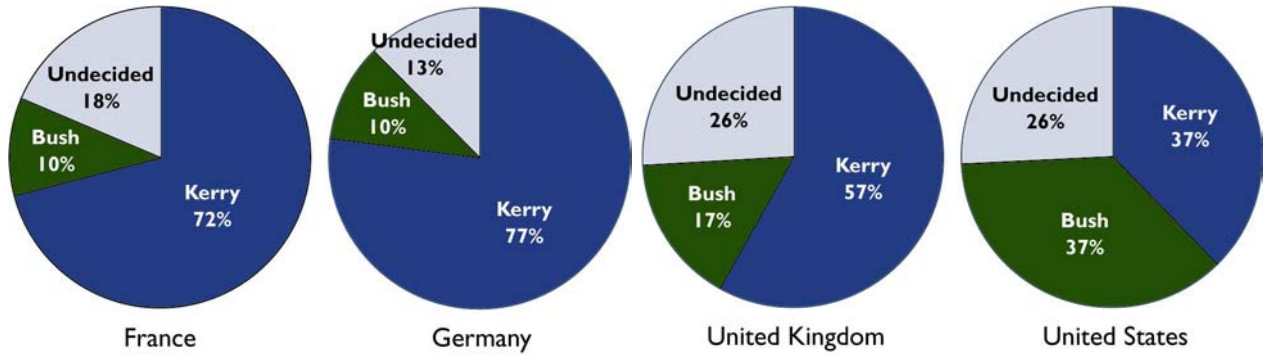
support for “big corporations” never exceeds the 50 percent watermark. French and Germans also respond more favorably when given specific names, but to a lesser extent. Generally, whether given specific names or not, people are more likely to oppose trade if they associate it with multinational corporations.

Finally, given the timeliness of the upcoming U.S. elections, we asked respondents which presidential candidate — Republican Party candidate President George W. Bush or presumptive Democratic Party candidate Senator John Kerry — would better promote international trade. Given President Bush’s lack of popularity in Europe, and despite the fact that respondents were given no additional information, Europeans overwhelmingly choose Senator Kerry over President Bush.

Reflecting the tight nature of the race, U.S. respondents are evenly divided. (see page 19)

People from France, Germany, the United Kingdom, and the United States support the principle of international trade, but a lot can stand between the lofty principles of open markets and the harsh reality of job loss when big companies go global. Protectionism continues to garner wide popular support, especially when it’s viewed as protection of the landscape, the national economy, or other values deemed crucial to personal and national well-being. Support for trade can also be undermined when seen as an initiative of the reviled multinational corporation, rather than the highly appreciated small business (the latter essentially viewed as the business underdog).

Who's best for the international economy?



III. FUTURE DIRECTION FOR INTERNATIONAL TRADE

Citizens in all four countries have a very clear vision for the future of new trade agreements. With trade seen as a fact of life, people welcome new agreements as long as they are not rushed and certain conditions are met. For example, citizens insist on re-education and re-training when the twin-processes of globalization and trade liberalization change or take away their jobs. People also expect their trade governors to facilitate the gradual, and thus more likely successful, entry of developing countries into the global trading system. Finally, citizens insist on respect for accountability, transparency, and other fundamental democratic values, even though they are also open to protectionist impulses, especially when justified to protect highly-valued aspects of their society (i.e. native products, long-established domestic businesses, etc.).

*The vision for trade agreements that emerged from this survey presents to policymakers the broad outlines of a New Compact on Trade and Poverty, where citizens say: **We accept further trade liberalization, we understand trade contributes to prosperity, but we want you, our leaders, to pay proper attention to us, to developing countries, and to our fundamental democratic principles.***

BROAD SUPPORT FOR MORE TRADE AGREEMENTS, JUST DON'T RUSH IT

Citizens voice broad, cautious support in all four countries for more trade agreements. French support for more trade agreements is strongest, with 82 percent of French respondents backing more agreements, but most

(50 percent) only backing “somewhat more” agreements. German and British respondents feel equally cautious: 77 percent of German respondents support more trade agreements, 52 percent only “somewhat more”, while 73 percent of the British respondents support more trade agreements, only 48 percent “somewhat more”. In the United States, only 42 percent support more trade, the vast majority (31 percent) of whom prefer “somewhat more” trade agreements. (see Figure 12 on page 21)

The caution expressed by respondents regarding future trade agreements is coupled with a clear sense of what people want government officials to accomplish in addition to opening markets:

Think about us: Provide educational tools so that people can deal with the negative effects of trade. Protect workers rights and the environment.

Respondents in all four countries understand that trade liberalization and the global competition it produces inevitably also produces side effects, like job loss or environmental problems. Interestingly, many citizens appear to have already internalized these kinds of risks as an integral part of twenty-first century life. What they ask in return — and this was one of the strongest emotional responses in the entire survey — is to be given more educational tools to deal with the changes in today’s labor market: 92 percent of all respondents

FIGURE 12

More trade agreements?

Question text: "When you think about the next five years, would you LIKE to see more international trade agreements or not? (IF YES:) Would that be much more or somewhat more?" Question asked of approximately 1,000 per country (full sample).

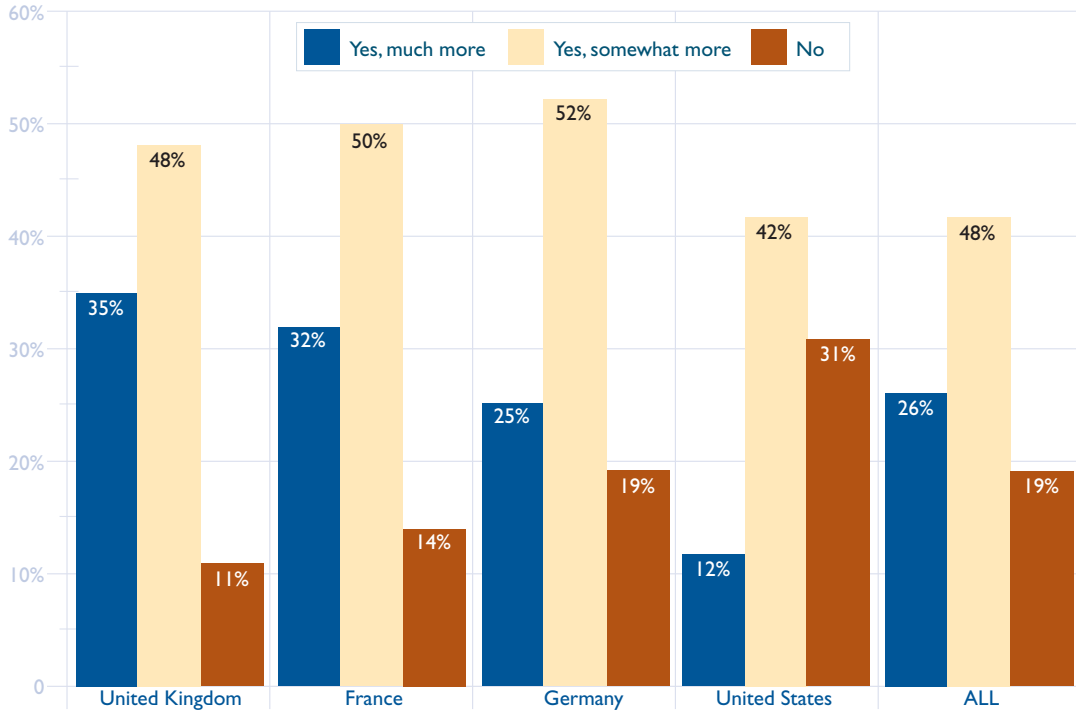


FIGURE 13

Education for workers

Question text: "Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements?" Question asked of approximately 333 per item per country (split sample). For each entry, question has been asked of approximately 1,000 respondents (pooled over 4 countries).

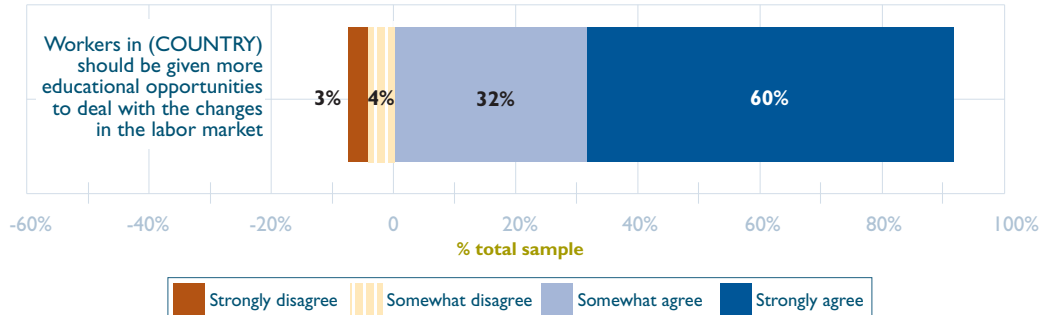
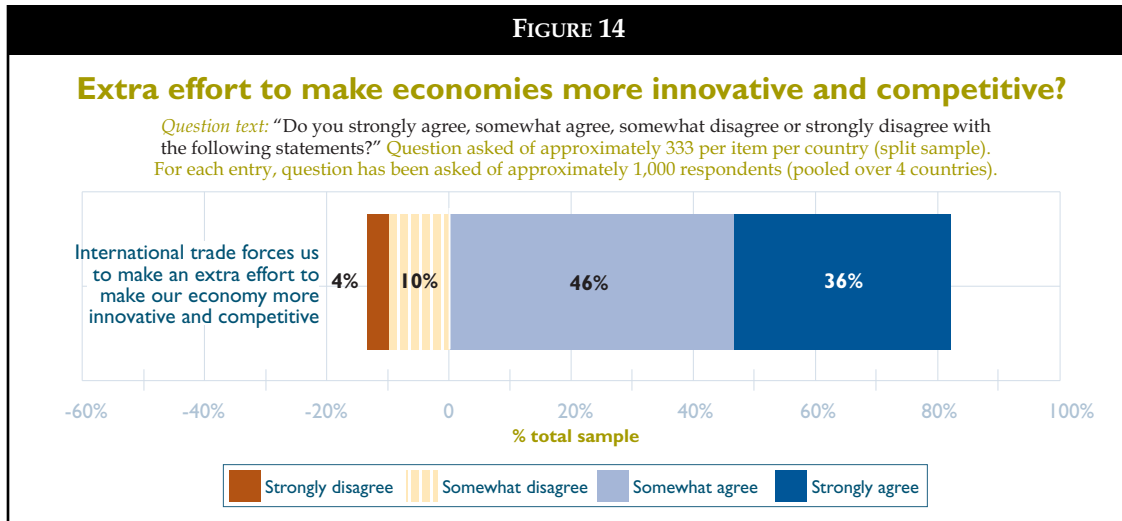


FIGURE 14



agree with this statement, of which a dramatic 60 percent signify deep emotion by “strongly agreeing”.

This very strong, emotional response can be starkly contrasted to the slow progress of one of the most important trade goals of the European Union: realizing the Lisbon strategy, which is designed to make the EU the world’s “most dynamic and competitive economy” by 2010.¹¹ When people are called upon in the survey to “make an extra effort to make our economy more innovative and competitive”, more than 80 percent of the German, French, and British respondents agree. These findings suggest that European economies are not sluggish because citizens don’t understand what is at stake, but because policymakers have yet to make an emotional connection with Europeans and earn their support for policy changes that can help shape a brighter future and motivate them to personally contribute to change.

One can fully appreciate public support for more education or training when viewed in conjunction with responses to other questions in the survey. For example,

people in all four countries put more emphasis on economic development and growth than trade.¹² When combined with concerns about job dislocation and the potential ill effects of trade liberalization on poor countries, the bigger picture begins to take shape. Today, people have a pragmatic view of trade as only one element, albeit a necessary one, of a more comprehensive approach to improving the quality of life at home and around the world.

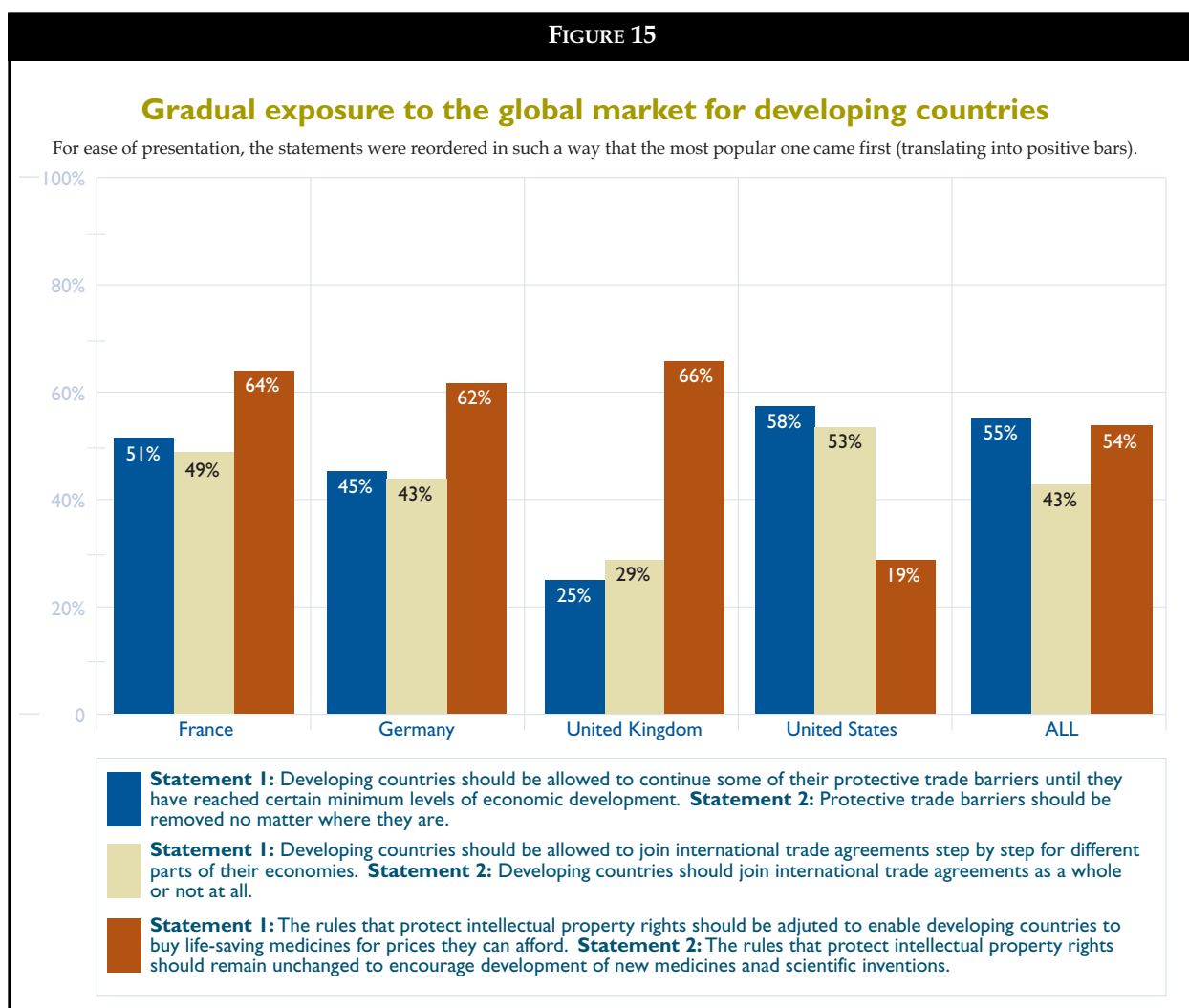
Respondents also want trade agreements to protect worker rights and the environment. Nearly two-thirds of all respondents believe that trade agreements should not be negotiated at the expense of the global environment or jobs at home (59 percent and 61 percent respectively), with the highest percentage of respondents (33 percent and 40 percent) arguing strongly in favor of environmental and job protection.¹³ When these responses are taken into consideration with the strong, positive reaction to statements expressing concern for worker rights and environmental protection, we conclude that activist’s efforts to win public support for

¹¹ For more information, see *The Lisbon European Council – An Agenda of Economic and Social Renewal for Europe: Contribution of the European Commission to the Special European Council in Lisbon, March 23-24, 2000*. http://europa.eu.int/comm/lisbon_strategy/pdf/lisbon_en.pdf

¹² Survey respondents were divided into three groups and asked to rank two statements: The first group was asked whether international trade should be put first before people; the second group whether international trade should be put before economic development and growth; and the third group whether international trade should be put before self-sufficiency and non-participation in trade. Perhaps not surprisingly, 75 percent of the respondents put people over trade. Sixty-six percent of the respondents chose development over trade, while 70 percent put trade over self-sufficiency and no trade

¹³ Respondents were asked to rate their responses on a scale from 1 (“extremely bad goal”) to 10 (“extremely good goal”) to the following statements: “Making sure that trade agreements do not cost jobs here in (YOUR COUNTRY)”, and “Making sure that trade agreements do not go at the expense of the global environment”

FIGURE 15



labor and environmental protection provisions in trade agreements have been successful.¹⁴

In essence, people in all four countries express a degree of personal uncertainty that may or may not be grounded in the reality of more modern, trade-oriented national economies. While they believe that, over time, more international trade will make their economies stronger, they worry about the effects on themselves and their friends. They reject closed economies in favor of more open trade, but they nonetheless demand to be better prepared to engage and benefit from that competition. More and better educational opportunities, they

believe, are critical to becoming more competitive and adequately dealing with the personal changes that ever more global commerce will bring to local labor markets.¹⁵

Think about developing countries: Create policies to facilitate developing countries' entry into the global trade family.

The strong emotional call for help in developing the skills required to compete successfully in the global economy suggests that people are worried about their

¹⁴ Respondents were presented with a series of statements designed to determine how different messages describing the relationship between trade and poverty reduction affect public opinion. A discussion of the respondent's reactions to these messages immediately follows this section.

¹⁵ When the statement about the pros and cons of trade is modified to conclude with the following sentence, "For us here in (my country), that means we need to invest more in skills and technology so that our economy becomes more flexible and innovative – that is where our best opportunities lie for the future", support jumps from 78 to 81 percent

FIGURE 16



own prospects. That, however, does not stop them from insisting on unorthodox measures to allow for a gradual entry of developing countries into the global trade family. They strongly support giving developing countries a break by allowing them to hold on to some protective trade barriers until they attain a certain minimum level of economic development. There is also strong support for allowing developing countries to enter trade agreements step by step. These measures generate most support in the United States and least support in the United Kingdom. Finally, our survey points to strong support for adjusting intellectual property rules to enable developing countries life-saving medicines for prices they can afford. The outlier here is the United States, where support is considerably lower.

Think about democracy: Make trade negotiations more open and transparent

Support for international trade does not necessarily lend support for the manner in which trade agreements are

negotiated. Promoting greater openness and accountability so that all voices can be heard is at the top of respondents' policy agenda in the United Kingdom (mean score 7.3 on a 10-point scale), the United States (7.1), Germany (6.8), and France (6.7). Only in France do respondents support another important priority: strengthening international organizations like the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF) to better balance international trade and social needs (mean score 7.3). This not-so-hidden call for global governance is much less appreciated in the United States (mean score 6.2).

The call for transparency grows even louder when people are put on the spot and forced to choose between continuing the current way of negotiating trade agreements or changing the process to promote greater openness and accountability. Under those circumstances, overwhelming majorities of respondents in all four countries opt for greater transparency. Germans lead the call, followed by the United Kingdom and the United States. France is clearly less concerned about this.

IV. LINKING SEMANTICS WITH GOOD POLICY TO BROADEN SUPPORT FOR TRADE

Survey responses suggest that policymakers have an opportunity to broaden support for new trade agreements if they address “trade pessimists” concerns regarding workers, the environment, transparency, and developing countries. Only if opinion leaders seek substantive rather than superficial solutions to assuage public uncertainty, can we move to a real discussion of the future direction of trade policy.

A WORLD OF PESSIMISTS AND OPTIMISTS

Answers to some of the survey questions enable us to group the respondents into two broad categories: “optimists” and “pessimists”.¹⁶ One group of respondents (62 percent of the sample) consistently agrees with the benefits of trade and disagrees with the problems. The other group (the remaining 38 percent of the sample) consistently disagrees with the benefits and agrees with the problems.

The data paint a very interesting picture. First, trade optimists are a majority in every country except Germany, with respondents from the United Kingdom demonstrating very little pessimism toward trade. Trade optimists span the political spectrum, from liberal to conservative. Second, Germany’s relative negativity

toward trade reflects an even higher degree of pessimism German respondents expressed regarding the way things are going in their country. Finally, given the strength of support for trade, we conclude that adding new issues for negotiation won’t like shake backing for future trade agreements, especially if trade optimists support these new issues. This discovery opens the door for a discussion on how to broaden public support for new trade agreements without alienating the pro-trade base.

To determine how policymakers might broaden support for future trade agreements, we use the optimist/pessimist categories to analyze responses to a set of twelve “messages” — some positive, some more critical — about international trade agreements.¹⁷ What we learned from this exercise confirmed our earlier findings: Broader support for new trade agreements is possible if policymakers are willing to be more responsive to issues of concern both trade pessimists and optimists, or that respond to trade pessimists in a fashion that does not alienate trade optimists. Among the twelve messages tested, we present two that appear most effective in broadening public support for trade.

¹⁶ These findings are based upon a cluster analysis of Questions Q6a through A7f. “Don’t know/refused to answer” responses were removed from this analysis, but the number is small and statistically insignificant. Q7a (“International trade agreements lead to a race to the bottom . . .”) was also dropped from the cluster analysis because it did not provide much response differentiation.

¹⁷ Questions Q6 and Q7 use a five-point response scale (1=strongly agree, 2=agree, 3=neither agree nor disagree, 4=disagree, 5=strongly disagree), thereby establishing a mean score of 2.5. A mean score below 2.5 designates agreement; a mean score above 2.5 designates disagreement.

International trade contributes to prosperity and should therefore be welcomed, but not at all cost. The United States and the European Union must stand up for labor and human rights standards and protect our jobs, the environment, and our children. Otherwise we'll get a race to the bottom, with jobs being moved to sweatshops in China, workers in developing countries living under abominable conditions, and the loss of our ability to protect against tainted foods. That would be a race without winners, perhaps with the exception of a small group of big businesses.

This message is widely supported by both trade optimists and pessimists, with an average of 78 percent of respondents from all four countries expressing support, 40 percent of who express strong support. More importantly, this message receives the highest support from trade optimists and pessimists: 84 percent of trade pessimists and 76 percent of trade optimists.

This message is widely supported because it takes people's concerns seriously. The message, which actually embraces trade, even garners a high response from trade pessimists. This is the only message where French respondents express strong emotional support, with 41 percent believing that it is "very convincing". At the same time, trade optimists from all countries also express broad support for the message, perhaps because it begins with such a positive presentation of trade benefits.

The second message that wins support from pessimists and optimists alike is:

International trade has both positive and negative effects. International trade brings a lot of benefits – lower consumer prices, more choice – but also causes a lot of disruption in millions of workers' households with people losing their jobs. With the world becoming a smaller and smaller place, we need to make trade work for everyone. For us here in (your country), that means we need to invest more in skills and technology so that our economy

becomes more flexible and innovative – that is where our best opportunities lie for the future.

Seventy-five percent of all respondents found this message convincing, with the British (78 percent) in greatest agreement, and the Americans (71 percent) a relatively close fourth place. As with the previous message, it also scores well with both pessimists (71 percent) and optimists (76 percent). Given the rise in consumer prices, perceived or real, that accompanied the recent adoption of the euro, we believe that this message would probably receive more support if the statement about lower consumer prices was left out. While Europeans believe that trade creates more consumer choices, they are not convinced that it leads to lower prices.¹⁸

Because this message reflects both positive and negative effects of trade, we believe that the strong response it received from both pessimists and optimists indicates strong desire for greater investment in skills and technology to create new job opportunities. Both Message 1 and Message 2 acknowledge the legitimacy of trade pessimists' concerns, and at the same time offer a solution that speaks to trade optimists.

Messages that emphasize protection continue to enjoy some appeal, but they fail to win support from both pessimists and optimists:

Enough is enough. You cannot expect developing countries to compete successfully with the technologically advanced economies of Europe and the United States. International trade only deepens the differences between rich and poor. That's why we should roll back some of the current trade agreements. Individual countries should be allowed to limit access to their home markets by imposing tariffs on imported products. There is nothing wrong with curbing capitalism from time to time.

Sixty-one percent of French respondents find this message convincing, with the British not too far behind at 50 percent. Americans (44 percent) and Germans

¹⁸ Eighty-three percent of European respondents believe that trade results in more choices for consumers. Only 63 percent of European respondents believe that trade results in lower prices for products.

FIGURE 18

Broadening support for trade: Message 1

International trade contributes to prosperity and should therefore be welcomed, but not at all cost. US and EU must stand up for lab and hr standards and protect jobs, environment and children. Otherwise we'll get race to bottom. Would be race without winners.

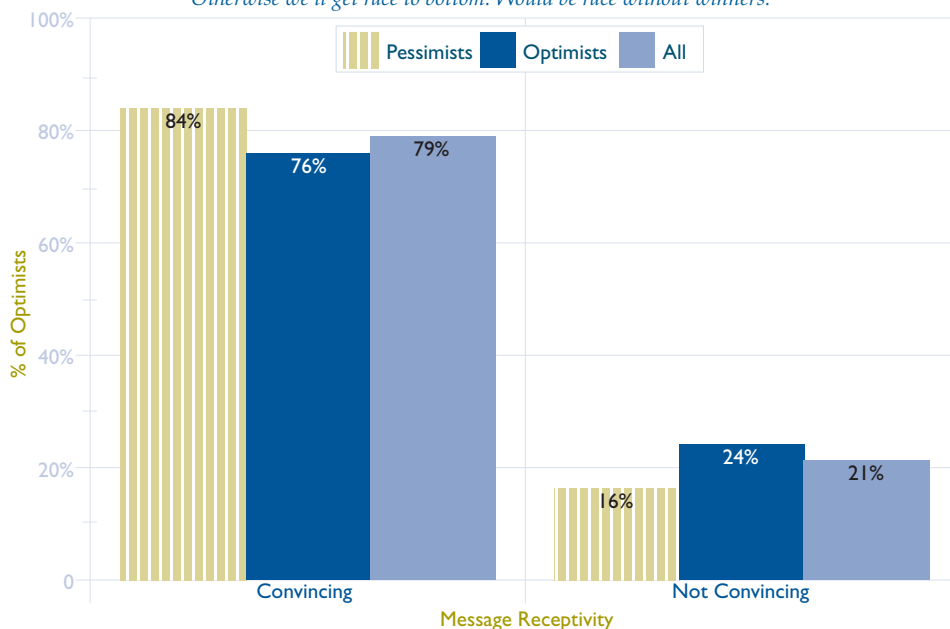
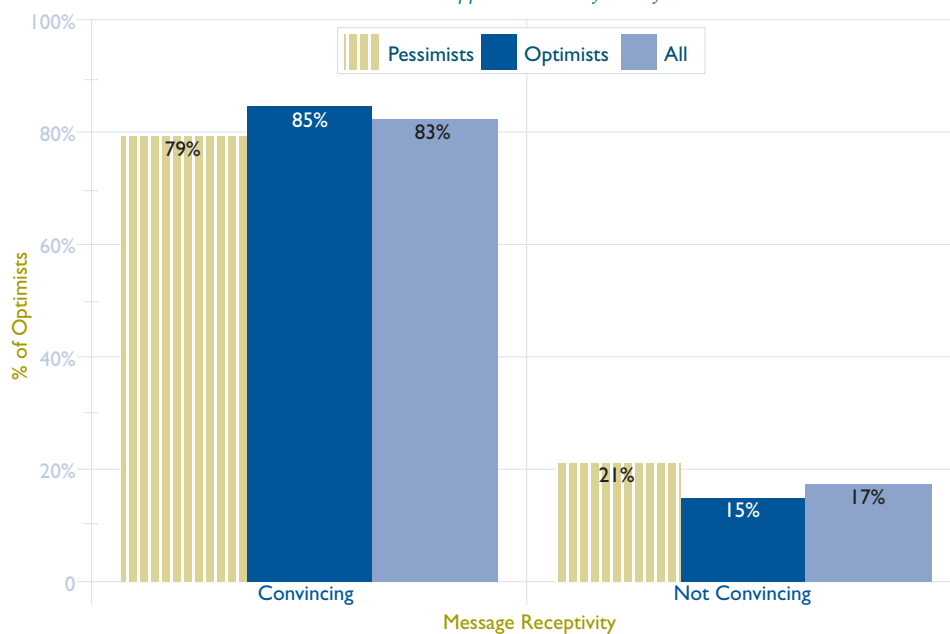


FIGURE 19

Broadening support for trade: Message 2

International trade has both positive and negative effects. International trade brings a lot of benefits – lower consumer prices, more choices – but also causes a lot of disruption in millions of workers’ households with people losing their jobs. With the world becoming a smaller and smaller place, we need to invest more in skills and technology so that our economy becomes more flexible and innovative – that is where our best opportunities lie for the future.



(42 percent) give less than majority support for this message. One can see where this message fails when it is analyzed through the trade pessimist/optimist lens: 43 percent of all trade pessimists find the message unconvincing, while 53 percent of trade optimists simply disagree with it. If the goal is building broader support for trade, clearly this message would not work.

Finally, blunt, free-market messages do not far well with the pessimists because they fail to address pessimists' concerns regarding trade's costs to society.¹⁹ Strong pro-trade messages also produce strong, negative responses from pessimists, garnering an average 60 percent negative reaction.

TOWARD A NEW COMPACT ON TRADE AND POVERTY REDUCTION

While the average citizen is not ready to take to the streets in support of a New Compact on Trade and Poverty Reduction, the strength of their responses, the level of concern over globalization, and the uncertainty felt by workers affected by global competition sends a strong message that thoughtful policymakers should heed.

1. *Turn international trade into a project of the people and small businesses, not of multinationals:* Overwhelmingly, people believe that big companies are the beneficiaries of trade deals, not regular people. Whether or not that perception is warranted, it is clear that greater support for future trade deals depends on convincing the public that they and small businesses stand to gain.
2. *Find creative ways to phase in developing countries:* Respondents in all four countries are equally worried about the effects of the competitive global mar-

ket place on people living in developing countries. Most do not want to carry developing countries on their shoulders, and would rather see them grow and eventually compete alongside everyone else. The public will respond well to agreements that demonstrate the need for the more gradual, perhaps phased-in, exposure of developing countries to the global market. For example, one issue addressed in the survey was intellectual property rights and access to life-saving medicines. Three-quarters of respondents believe that trade rules protecting intellectual property rights should be adjusted to give developing countries better access to life-saving medicines.

3. *Embrace transparency and other democratic principles:* People want to see trade agreements that reflect their faith in democracy and transparency in governance. Forty-seven percent of all respondents have an unfavorable opinion of the World Trade Organization, believing that trade deals give institutions like it too much authority and too little oversight. Government officials must heed this concern and let more light shine on the functioning of trade institutions.
4. *Be honest about the true costs and benefits of trade:* After nearly a decade of NAFTA, the European Internal Market, and the World Trade Organization, people no longer believe interest groups' and politicians' lofty promises of deeper economic ties bringing prosperity for all. In a study of all major U.S. trade deals during four decades, the United States International Trade Commission reached a similar (if less passionate) skepticism.²⁰ While some rhetoric is often necessary to motivate action, policymakers should always keep in mind the high cost of overstating the benefits and understating the costs of new trade deals.

¹⁹ The two statements are: "International trade is good. Competition leads to lower prices for consumers and to more and higher paying jobs. Therefore, we should continue to open our markets to competition, and encourage other countries to do so as well", and "If you're best in the world at something — for example farming — then you should be encouraged to sell your products not only here at home, but all across the world. The lesson of our time is clear: when nations embrace free markets, the rule of law, and open trade, they prosper and millions of lives are lifted out of poverty and despair".

²⁰ U.S. International Trade Commission, *The Impact of Trade Agreements: Effect of the Tokyo Round, US-Israel FTA, US-Canada FTA, NAFTA, and the Uruguay Round on the US Economy*, (Washington, DC: United States International Trade Commission, 2003). Publication 3621.