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Americans on CAFTA and US Trade Policy

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A joint program of the Center on Policy Attitudes and the Center for International and Security Studies at the University of Maryland



Knowledge NETWORKS

A polling, social science, and market research firm based in Menlo Park, California

INTRODUCTION

The deliberations of Congress over the Central American Free Trade Agreement (CAFTA) have again brought to a boil all the simmering anxieties and controversies around US trade policy and the growth of international trade. Although the CAFTA countries—Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and the Dominican Republic—have such small economies that neither US labor markets or the economy itself will be much affected by any trade agreement, CAFTA has become a symbolic battleground for trade issues likely to be fought out on the hemispheric and world levels. It has become a heated battleground for domestic politics and interests as well. Congress has polarized sharply along partisan lines.

Central to the CAFTA debate is the recurring question of whether the US government should seek to mitigate the effects of increased trade on American workers. This could be done through more spending on efforts to help workers who lose their jobs as a result of increased trade—Trade Adjustment Assistance. It can also be addressed through making sure that in Central American countries, labor standards are enforced so that American workers are not undercut by foreign labor made cheaper by an absence of minimum health and safety standards on the ground. At the same time, many oppose such a government role, saying that Trade Adjustment Assistance can become an inefficient and costly government program, and that trying to get other countries to enforce their labor standards is an unsuitable intervention into their internal affairs.

These questions all come to bear on the broader issues of US trade policy and international trade per se. Debates about lowering trade barriers will almost inevitably include these questions about Trade Adjustment Assistance (including the option of having wage insurance), environmental as well as labor standards in trade agreements.

Another issue central to the debates about international trade is the subject of farm subsidies. Global efforts to lower trade barriers have at time been stymied by the opposition among developing countries to the continued farm subsidies provided by the governments of developed countries, which make it difficult for farmers in developing countries to compete. The Bush administration has recently taken a position in favor of the ultimate elimination of farm subsidies.

To find out more about how Americans feel about CAFTA, US trade policy in general, and farm subsidies, and on international trade per se, PIPA and Knowledge Networks conducted a poll June 22-26 with a nationwide sample of 812 Americans (margin of error was +/-3.5-4.0% depending on the sample size for each question). The poll was fielded by Knowledge Networks using its nationwide panel, which is randomly selected from the entire adult population and subsequently provided internet access. For more information about this methodology, go to www.knowledgenetworks.com/ganp. Funding for this research was provided by the Rockefeller Brothers Fund and the Ford Foundation.

Key findings of the study were:

I. CAFTA

Half of Americans currently support CAFTA. However two-thirds say they would support CAFTA if the US government were to increase federal spending on trade adjustment assistance and to make sure that Central American countries enforce health and safety standards for their workers. Consistent with attitudes about CAFTA, approximately half of Americans view NAFTA positively.3

2. General Attitudes on US Trade Policy

US public attitudes about CAFTA reflect broader dissatisfaction with US trade policy. A majority supports the growth of trade in principle, but is not satisfied with the way the US government has mitigated the effects of trade on American jobs, on the poor in other countries and on the environment. Two out of three say that US trade adjustment assistance is inadequate and an overwhelming majority favors including labor and environmental standards in trade agreements.....4

3. Farm Subsidies

A large majority opposes providing subsidies to large farming companies—the vast majority of US subsidies. However a large majority also favors preserving subsidies to small farmers in bad years.7

4. Attitudes About Trade Per Se

Given current US trade policy, attitudes about trade per se are lukewarm. There are some slight indications of a warming trend, reversing a recent cooling trend. However, the sharp cooling trend found among those with high incomes found a year ago—possibly related to concerns about outsourcing of jobs with high education—shows little sign of having abated and may have even cooled further.....8

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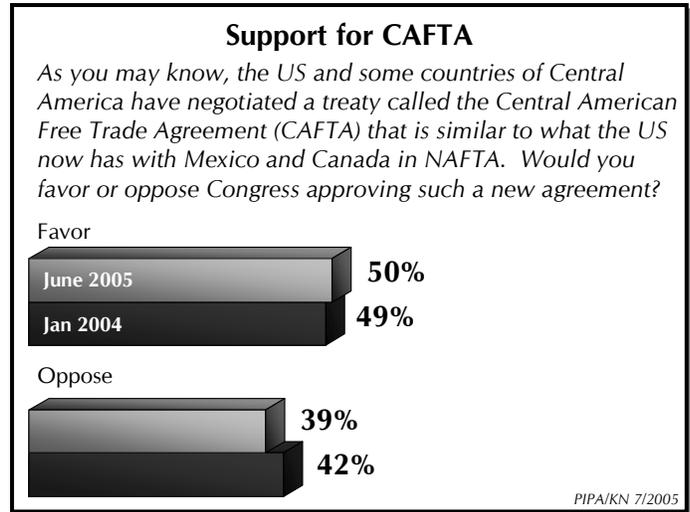
I. CAFTA

Half of Americans currently support CAFTA. However two-thirds say they would support CAFTA if the US government were to increase federal spending on trade adjustment assistance and to make sure that Central American countries enforce health and safety standards for their workers. Consistent with attitudes about CAFTA, approximately half of Americans view NAFTA positively.

Asked whether they favor or oppose the Central Americans free Trade Agreement or CAFTA, half of respondents (50%) said they do, while 39% were opposed and 11% unsure. This is little changed from January 2004, when 49% were in favor and 42% opposed.

In stark contrast to the partisan polarization in Congress, support did not differ by party affiliation. Fifty percent of Republicans were in favor, as were 51% of Democrats.

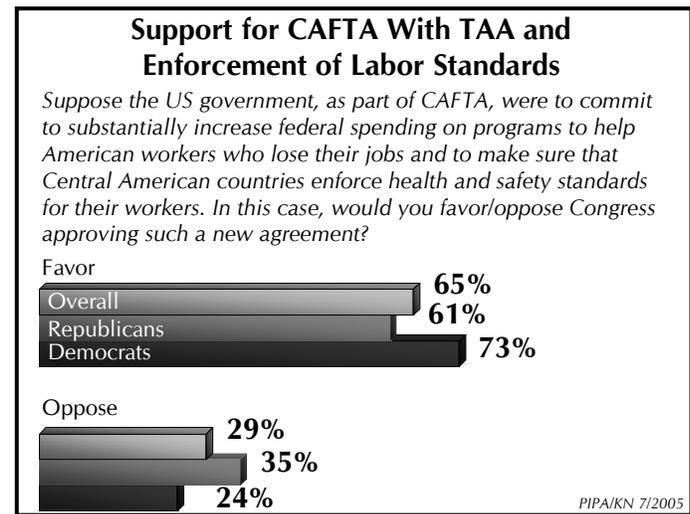
Support for CAFTA did vary according to a number of demographic variables. Among those without a high school education, support is only 41%, rising to 57% among college graduates. Support also rises with income from 45% among those with less than \$15,000 to 56% among those over \$100,000. Support declines with age, with a majority of those aged 18-29 favoring CAFTA (57%), but only 43% among those aged 60 or older. Among different ethnicities, CAFTA is most popular among Hispanics with 68% supporting CAFTA. Support then drops to 48% and 46% among whites and blacks, respectively. Men and women did not significantly differ.



Increased Support with Trade Adjustment Assistance and Enforced Labor Standards Abroad

It appears that support for CAFTA could be substantially higher if the government were to make a commitment to mitigate the effects of CAFTA on American workers. When asked, “Suppose the US government, as part of CAFTA, were to commit to substantially increase federal spending on programs to help American workers who lose their jobs, and to make sure that Central American countries enforce health and safety standards for their workers” then support for CAFTA jumped to 65%.

Here too there is a remarkable amount of bipartisan consensus. With these provisions support for CAFTA jumped to 61% among



Republicans and 73% among Democrats. It appears that greater efforts to help American workers (a.k.a. Trade Adjustment Assistance) has a slightly more positive effect on support for CAFTA than ensuring the enforcement of labor standards abroad. After they were asked the initial question about CAFTA the 50% who opposed CAFTA or were unsure were posed one of two questions. One group was asked to “suppose the US government, as part of CAFTA, were to commit to substantially increase federal spending on programs to help American workers who lose their jobs.” Of these, 40% shifted their position to favoring CAFTA. The other group was asked to “suppose the US government were to commit to make sure that Central American countries enforce health and safety standards for their workers. Of these 31% shifted their position to favoring CAFTA.

NAFTA

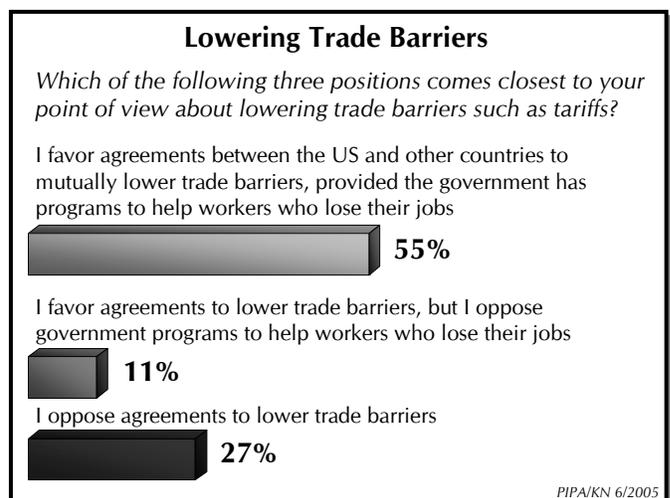
The bare plurality support that exists for CAFTA as it stands (i.e., without government mitigation) is virtually identical to the public’s current lukewarm view of NAFTA. A plurality of 46% say NAFTA has been good for the US, 40% say it has been bad for the US, and another 12% say it has been neither good nor bad.

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American attitudes about CAFTA reflect a broader dissatisfaction with US trade policy. When presented three options to describe how they feel about US trade policy, only 16% chose the position that endorsed current government policy: “I support the growth of international trade in principle and I approve of the way the US is going about expanding international trade.” Seventy-nine percent chose a position contrary to current policy: just 23% chose a position in opposition to the growth of trade, while 56% chose the position “I support the growth of international trade in principle, but I am not satisfied with the way the US government is dealing with the effects of trade on American jobs, the poor in other countries and the environment.”

This response is quite similar to a question that asked respondents for their views “about lowering trade barriers such as tariffs.” A mere 11% endorsed the view: “I favor agreements to



lower trade barriers, but I oppose government programs to help workers who lose their jobs.” And just 27% took the protectionist position: “I oppose agreements to lower trade barriers.” A majority of 55% chose the position that favored lowering barriers contingent on trade adjustment assistance: “I favor agreements between the US and other countries to mutually lower trade barriers, provided the government has programs to help workers who lose their jobs.”

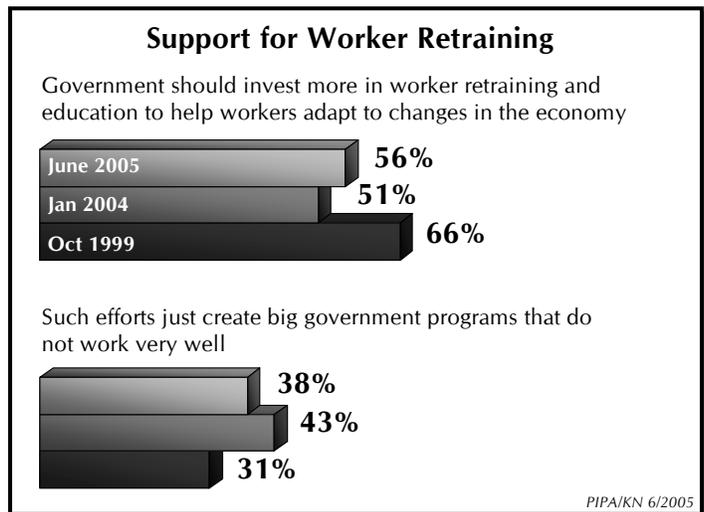
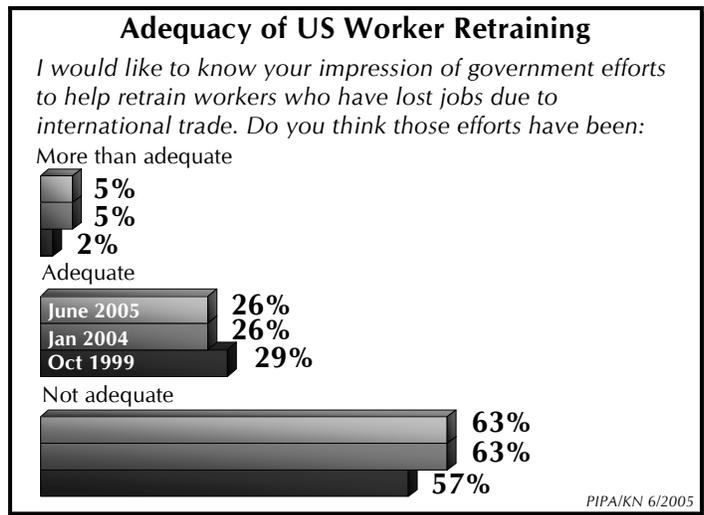
While there is some difference in degree, Republicans and Democrats largely agree on this issue. On the first of the two questions just discussed, a plurality of Republicans (43%) and a large majority of Democrats 67% endorsed the growth of trade but expressed dissatisfaction with the extent to which the government has mitigated trade’s effects. Not surprisingly—given a Republican administration—endorsement of the US policy, as well as trade per se, was higher among Republicans (27%) than Democrats (9%), but far short of a majority. There was strikingly little difference on the protectionist position—Republicans 24%, Democrats 22%.

Responses to the question about lowering trade barriers followed the same pattern. A plurality of Republicans (48%) and a large majority of Democrats (62%) endorsed agreements between the US and other countries to mutually lower trade barriers, provided the government has programs to help workers who lose their jobs.” Only 16% of Republicans and 7% of Democrats favored trade agreements but opposed such programs. And only 31% of Republicans and 25% of Democrats opposed all trade agreements.

Trade Adjustment Assistance

Majorities think government efforts to help retrain workers hurt by the growth of international trade have been inadequate and that such investments should increase. Since 1999, clear majorities have said that “government efforts to help retrain workers who have lost their jobs due to international trade” are not adequate. Currently 63% think this—the same number as in January 2004, and higher than in 1999 (when it was 57%). Only 26% view these efforts as adequate, and only 5% as more than adequate.

Some respondents do, however, respond to the argument that such efforts just create big government programs. Respondents were presented two arguments. One said “the federal government should invest more in worker retraining and education to help workers adapt to changes in the economy,” while the other said that “such efforts just create big government programs that do not work very well.” In this case, support for the view in favor of such programs was a bit lower than in the question above—56%—but still a majority. But 38% endorsed the critical view. Of course, one



can express dissatisfaction with the level of efficiency in government programs and still think they are necessary, and even that spending on them should increase.

The concept of wage insurance has engendered much discussion in the policy community as a possible way to mitigate the effects of rapid change in the economy as international trade grows. However, wage insurance is an unfamiliar idea to most Americans, and a majority rejected it in this poll—as they did in a different question in January 2004. The question explained wage insurance as follows:

Some people say that the government should provide wage insurance for people who lose their jobs as a result of the growth of international trade. This would mean that when the person finds a new job, the government will ensure that that person makes at least three quarters of what they originally earned, by making up the difference.

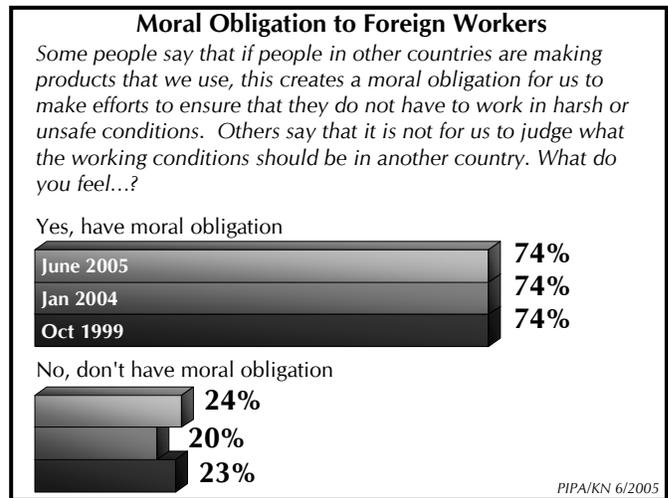
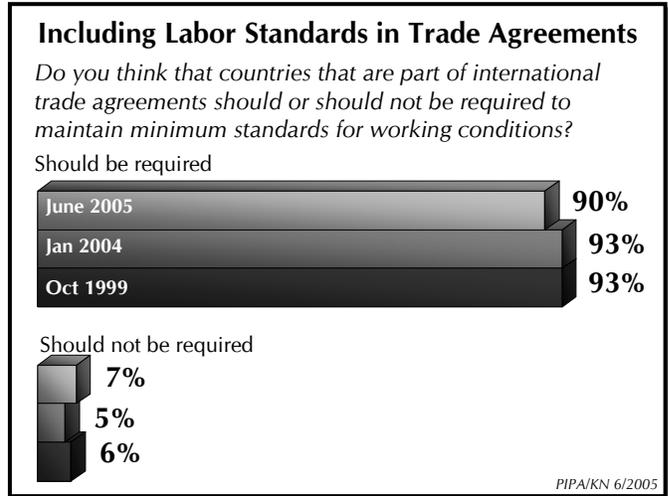
They were then given four options that allowed them to indicate reasons for opposition or support. Fifty-two percent opposed wage insurance, with 42% saying “I oppose this idea because I don’t think such government programs work.” Another 10% opposed it “because I think three quarters of their previous wages is too much.” Forty-four percent favored wage insurance, with 31% saying they supported the principle (“I favor this idea because it will help people who lose their jobs because of the growth of trade”). Another 13% favored it but felt that three quarters of the worker’s previous wages was not enough. Thus 54% would consider the idea of wage insurance in some form, while 42% rejected it as a type of government program that would not work.

Labor Standards

Asked simply whether “countries that are part of international trade agreements should or should not be required to maintain minimum standards for working conditions,” an overwhelming 90% said that they should. This support is overwhelmingly bipartisan (Republicans 90%, Democrats 88%) and has been very high for some years—in the PIPA January 2004 poll it was 93% and in the 2002 CCFR poll it was 93% as well.

Filling out the picture of what Americans may have in mind for minimum standards for working conditions, 83% agreed with the statement, “While we cannot expect workers in foreign countries to make the same wages as in the US, we should expect other countries to permit wages to rise by allowing workers to organize into unions and by putting a stop to child labor.” Here again there was partisan consensus (Republicans 80%, Democrats 87%). This view is unchanged from the January 2004 PIPA poll, when 81% agreed.

While some of the motives in support of enforcement of labor standards may be driven by concerns that without it foreign workers will



undercut US workers, there also appears to be a significant moral aspect to this support. Presented two arguments on the issue 74% endorsed the view that Americans have “a moral obligation to make efforts to ensure that workers in other countries who make products we use are not required to work in harsh or unsafe conditions.” Support for this view was higher among Democrats (83%), but was still affirmed by a majority of Republicans (68%).

Environmental Standards

While the US government—during the Clinton as well as the Bush administration—has resisted including environmental standards in trade agreements, an overwhelming majority of Americans favors them. Ninety-three percent endorsed the view that “countries that are part of international trade agreements should be required to maintain minimum standards for protection of the environment.” There were no significant differences between Republicans (92%) and Democrats (94%). This majority has also been found in past polls (PIPA January 2004 93%, CCFR June 2002 94%).

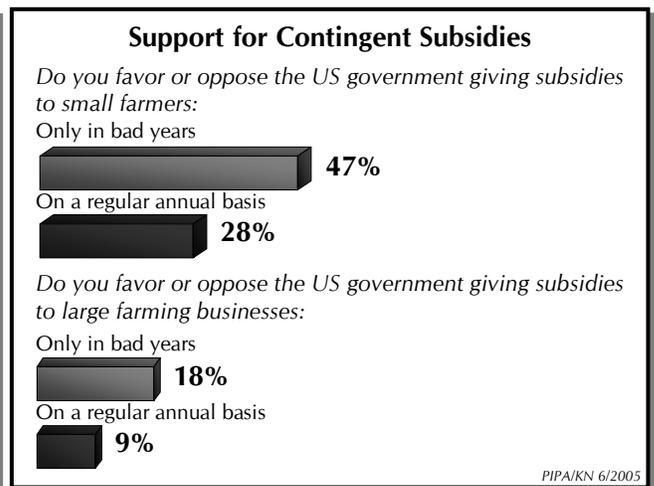
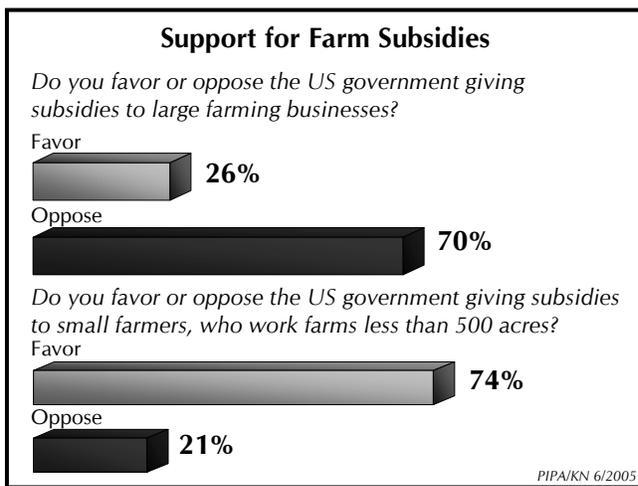
3. Farm Subsidies

A large majority opposes providing subsidies to large farming companies—the vast majority of US subsidies. However a large majority also favors preserving subsidies to small farmers in bad years.

Another controversial area of US trade policy is the fact that the US continues to provide substantial subsidies to its farmers. The lowering of trade barriers has been impeded by the opposition among developing countries to the continued farm subsidies provided by the governments of developed countries, which make it difficult for farmers in developing countries to compete. The Bush administration has recently taken a position in favor of the ultimate elimination of farm subsidies.

It appears that most Americans would support the idea of eliminating the bulk of US farm subsidies. Only 26% supported providing subsidies to “large farming businesses,” while 70% were opposed. In fact, 80% of US subsidies go to large farming businesses (farming more than 500 acres), and while most of them get subsidies, this is true of only a minority of small farmers. Large farming businesses overall receive a greater share of their income from subsidies than small farms (source: USDA).

However asked about providing subsidies to small farms (under 500 acres), an overwhelming 74% favored doing so.



Another controversial point has been that subsidies overall have increased since the farm program changed in 1996—from primarily helping farmers on a contingent basis in bad years through price supports, to making guaranteed payments on a regular annual basis (in addition to price supports). Only 28% (of the whole sample) favored giving small farmers regular annual subsidies, while 47% favored giving them only in bad years. While 18% favored giving large farming businesses subsidies in bad years, just 9% favored the actual current policy of giving them regular subsidies on an annual basis.

Thus, while the public would strongly oppose eliminating all farm subsidies, the scope of subsidies the public supports is so much narrower than is currently provided that, if the public’s preferences were followed, this would dramatically reduce the actual amount of US farm subsidies.

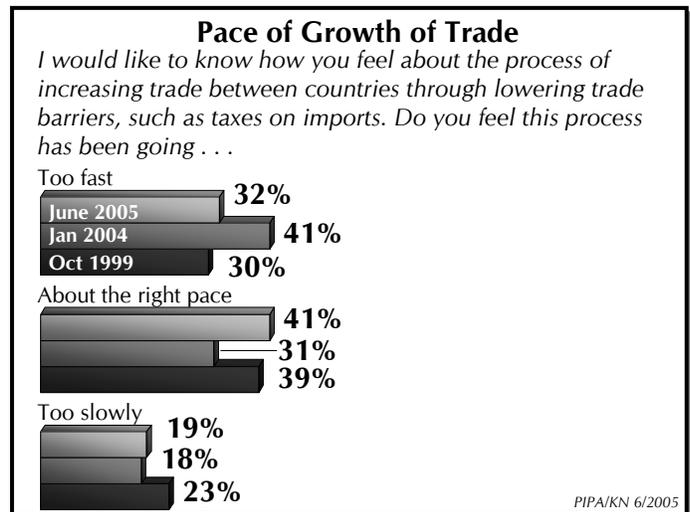
The motive for public opposition to most US farm subsidies is not, however, derived from concerns about their impact on poor farmers abroad. Most Americans do not appear to understand this impact. Only 19% said that they thought that US farm subsidies “hurt farmers in poor countries,” while 71% assumed that they “have no significant effect on farmers in poor countries.”

4. Attitudes About Trade Per Se

Given current US trade policy, attitudes about trade per se are lukewarm. There are some slight indications of a warming trend, reversing a recent cooling trend. However, the sharp cooling trend found among those with high incomes found a year ago—possibly related to concerns about outsourcing of jobs with high education—shows little sign of having abated and may have even cooled further.

The lukewarm attitude toward CAFTA (without government mitigation of its effects) is reflected in response to general questions about international trade per se. Asked to evaluate the growth of international trade on a 0-10 scale, with 0 being completely negative and 10 being completely positive, the mean response was a nearly neutral 5.11. Slightly more gave a positive response of above 5 (34%) than a negative response of below 5 (27%), while 35% gave a neutral response of 5. This represents no significant change from PIPA’s January 2004 poll.

There were, however, a few signs of a modest warming trend, counterbalancing a cooling trend that PIPA found in 2004 (relative to 1999). Respondents were asked about the pace of “the process of increasing trade between countries through lowering trade barriers, such as taxes on imports.” Only 32% said that it was going too fast—down from 41% in January 2004 and nearly as low as the 30% in November 1999. In the current poll, 41% said the process was going at the right pace (up from 31% in January 2004), and 19% said it was going too slowly (unchanged).



Another question that showed a slight warming effect asked about the effect of trade on jobs:

As you may know with freer trade, jobs are often lost due to imports from other countries, while new jobs are created when the US exports more products to other

countries. I'd like you to imagine in one industry some jobs are lost because of foreign competition, while in a different industry an equal number are created, but these new jobs pay higher wages. Which of the following statements about this do you agree with most?

A majority 52% chose the position that, "Even if the new jobs that come from freer trade pay higher wages, overall it is not worth all the disruption of people losing their jobs"--but this was down from 59% in January 2004, and even below the 56% found in 1999. A large minority of 41% chose the position "It is better to have the higher-paying jobs, and the people who lost their jobs can eventually find new ones." This is up nine points from 32% in January 2004 (unchanged from 1999).

Attitudes of Those with High Income

In 2004 PIPA found a sharp cooling of attitudes toward international trade in general among those with high incomes—possibly related to concerns about outsourcing of high-education jobs.

While in 1999 PIPA found 63% giving international trade a positive rating, this dropped sharply to 44% in June 2004. Those saying that NAFTA was bad for the US went up from 27% in 1999 to 39% in 2004.

The current poll found little signs that this shift has abated. On the above-mentioned question about trade per se there was a statistically insignificant increase to 50% giving international trade a positive rating. The number saying that NAFTA is bad for the US crept up two points to 41%.

There are also some signs of further cooling. When asked about the pace of lowering trade barriers the percentage saying that pace was too fast went up 10 points (from 28% to 38%) and the percentage saying that it was going too slowly dropped 14 points (from 31% down to 17%).

METHODOLOGY

The poll was fielded by Knowledge Networks, a polling, social science, and market research firm in Menlo Park, California, with a randomly selected sample of its large-scale nationwide research panel. This panel is itself randomly selected from the national population of households having telephones and subsequently provided internet access for the completion of surveys (and thus is not limited to those who already have internet access). The distribution of the sample in the web-enabled panel closely tracks the distribution of United States Census counts for the US population on age, race, Hispanic ethnicity, geographical region, employment status, income, education, etc.

The panel is recruited using stratified random-digit-dial (RDD) telephone sampling. RDD provides a non-zero probability of selection for every US household having a telephone. Households that agree to participate in the panel are provided with free Web access and an Internet appliance, which uses a telephone line to connect to the Internet and uses the television as a monitor. In return, panel members participate in surveys three to four times a month. Survey responses are confidential, with identifying information never revealed without respondent approval. When a survey is fielded to a panel member, he or she receives an e-mail indicating that the survey is available for completion. Surveys are self-administered.

For more information about the methodology, please go to:

www.knowledgenetworks.com/ganp.

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The Program on International Policy Attitudes (PIPA) is a joint program of the Center for International and Security Studies at Maryland and the Center on Policy Attitudes. PIPA undertakes research on American attitudes in both the public and in the policymaking community toward a variety of international and foreign policy issues. It seeks to disseminate its findings to members of government, the press, and the public as well as academia.

Knowledge Networks is a polling, social science, and market research firm based in Menlo Park, California. Knowledge Networks uses a large-scale nationwide research panel which is randomly selected from the national population of households having telephones and is subsequently provided internet access for the completion of surveys (and thus is not limited to those who already have internet access).

The Center for International and Security Studies at Maryland (CISSM), at the University of Maryland's School for Public Policy, pursues policy-oriented scholarship on major issues facing the United States in the global arena. Using its research, forums, and publications, CISSM links the University and the policy community to improve communication between scholars and practitioners.

The Center on Policy Attitudes (COPA) is an independent non-profit organization of social science researchers devoted to increasing understanding of public and elite attitudes shaping contemporary public policy. Using innovative research methods, COPA seeks not only to examine overt policy opinions or positions, but to reveal the underlying values, assumptions, and feelings that sustain opinions.

Steven Kull, Clay Ramsay, Evan Lewis, and Stephen Weber designed the questionnaires and wrote the analysis.

Knowledge Network's Stefan Subias adapted the questionnaires and managed the fielding of the polls.

Melanie Ciolek, Shiela Lee, Roman Gershkovich, and Batsuuri Haltar contributed to the production of the report.

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