

FREE TRADE & MARKET ACCESS

Americas

THE POLICY JOURNAL FOR OUR HEMISPHERE

QUARTERLY

★ **Senator
Harry Reid** ★

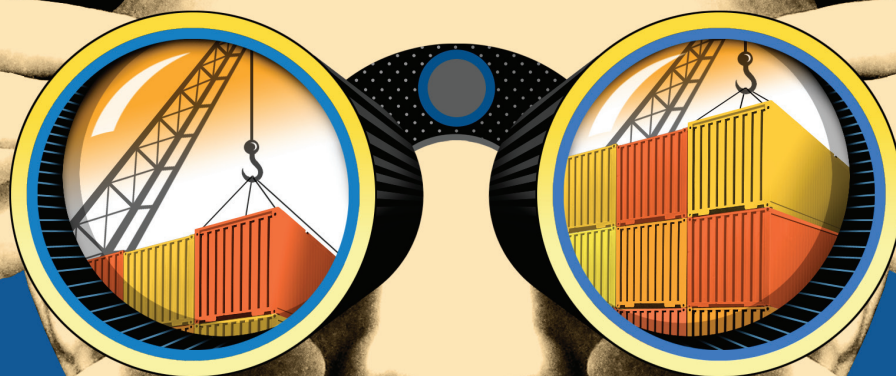
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The Chances of Immigration
Reform in the New Congress

★
The Integration
of Stock Markets
in Chile, Peru
and Colombia

★ **ALBERT
FISHLOW** ★

On Brazil's
New President
**Dilma
Rousseff**



THE PROSPECTS FOR FREE TRADE AND MARKET ACCESS

HOW PRODUCERS LINK TO THE GLOBAL ECONOMY

PLUS The Risks and Hypocrisy
of Trade-Bashing in the U.S.



WHO SUPPORTS FREE TRADE IN THE AMERICAS (AND WHY)?

BY DANIEL ZIZUMBO-COLUNGA, ELIZABETH J. ZECHMEISTER AND MITCHELL A. SELIGSON

At the core of the “Washington Consensus,” the package of free-market policies popular among Western economists in the 1990s, was strong support for free trade. However, the extent to which this “consensus” extended beyond leaders of advanced industrial democracies and international lending agencies has remained unclear. Free trade has been the target of mass protests, some of which have turned ugly, such as the violent riots during the World Trade Organization ministerial conference in Seattle in 1999. Yet do the protestors represent the norm of public opinion, or are they just extreme outliers? What is the state of public opinion today in the Americas regarding free-trade agreements, and what factors help explain differences of opinion?

In 2010, Vanderbilt University’s Latin American Public Opinion Project (LAPOP) set out to answer these questions. In its AmericasBarometer survey, which involved interviews with more than 40,000 individuals from 26 countries in North, Central and South America, LAPOP asked respondents about the extent to which they believe free-trade agreements

are good for the economy. On average, they found wide support for free trade but also significant variation across countries. The variation can be explained partially, though not entirely, by findings that income inequality within a country is directly and negatively correlated with support for free-trade agreements.

LAPOP’s goal was to determine which factors at the individual level predict positive assessments of free-trade agreements. Classical theories linking economic insecurity to economic liberalization focus on an individual’s sector of employment and skill set. For example, one model predicts that those countries that possess relatively abundant advantages for production (e.g., low-skilled workers in developing countries or high-skilled workers in advanced, industrialized countries) will benefit from trade liberalization as the demand-supply ratio tilts in their favor. Another posits that individuals with high skill levels are better able to adjust to changing economic circumstances—such as new trade policies—because their skills allow them to move from one job to another.

LAPOP, however, found only mar-

ginal differences in attitudes toward free-trade agreements within the region by education level (a widely-used proxy for skill set); and even these differences narrowed when controlling for other variables.

Far more significant influences at the personal level include political ideology and individuals’ economic circumstances—both current and projected. People with right-wing or conservative ideologies are more likely to approve of free-trade agreements. And as income level, perceptions of government economic performance, and expectations of personal and national economic growth increase, so does support for free trade.

Overall, the LAPOP results suggest that economic rationality influences opinion on free-trade agreements across the Americas. To the extent that individuals stand to benefit—for example as consumers—from free-trade agreements, they lend their support to such policies. However, as individuals find that their countries suffer deleterious macroeconomic consequences—such as inequality—from free trade, average support decreases.

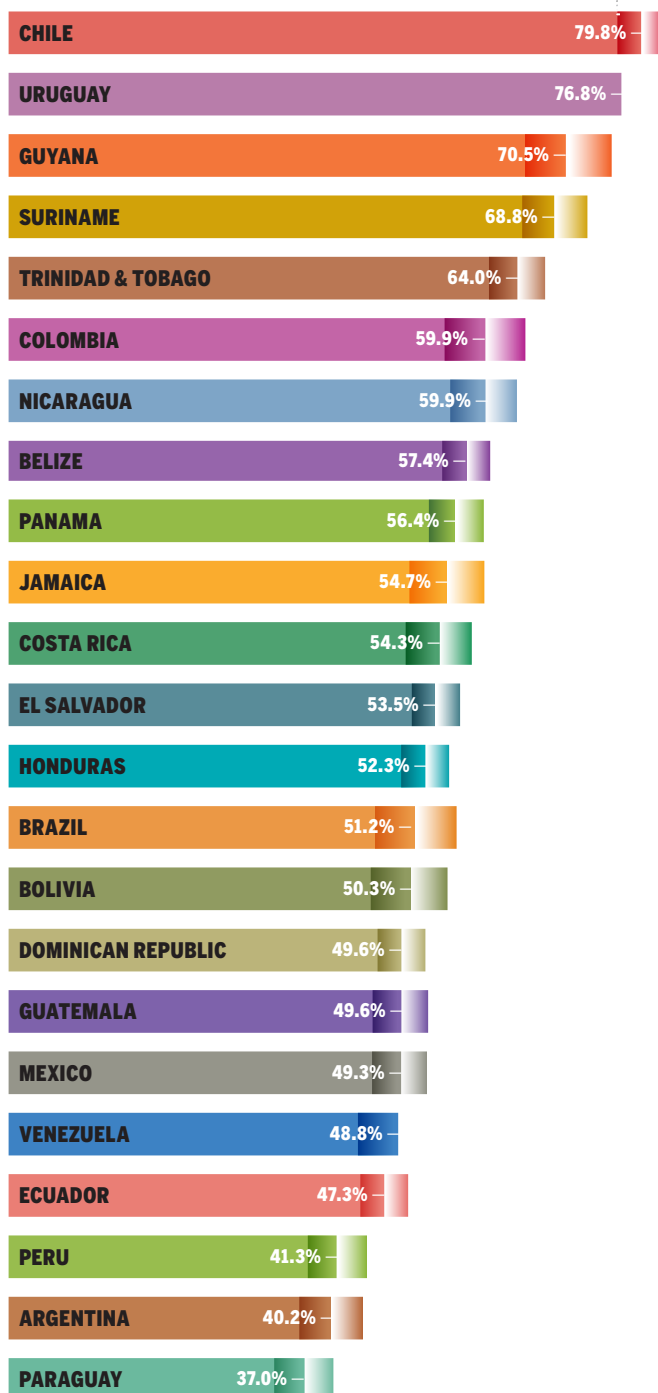
THE PUBLIC SPEAKS

In the 2010 round of the AmericasBarometer survey, LAPOP asked respondents in Latin America and the Caribbean the following question: “To what extent do you believe that free-trade agreements help to improve the economy?” Respondents indicated their position on a 1 (not at all) to 7 (a lot) scale. By calculating the percentage of individuals in each country who selected 5, 6 or 7—indicating positive assessments of free-trade agreements—LAPOP could assess the percentage of free-trade supporters in each country. It found that a higher percentage of respondents think positively of free-trade agreements in Chile (79.8 percent) and Uruguay (76.8 percent), while lower levels of support exist in Paraguay (37.0 percent) and in Argentina (40.2 percent). In contrast, according to The Pew Research Center for the People & the Press (2009) and Gallup (2009) polls, around 52 percent of the U.S. public¹ and 51 percent² of the Canadian public think that free-trade agreements have been positive for their respective countries.

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PERCENTAGE OF PEOPLE THAT SAY THAT FREE-TRADE AGREEMENTS HELP TO IMPROVE THE ECONOMY

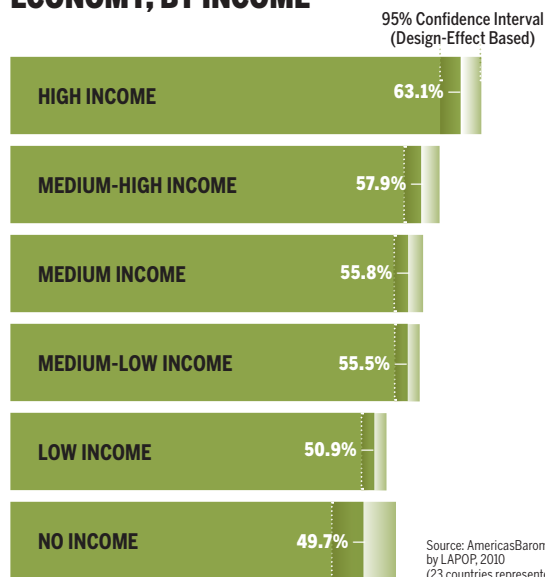
95% Confidence Interval
(Design-Effect Based)



BY INCOME

In his 2009 book, *The Market and the Masses in Latin America*, Andy Baker of the University of Colorado argued that assessments of the benefits of free trade are influenced by an individual's capacity to participate in, and profit from, the free market as a consumer of freely traded, lower-priced goods. The expectation is that people who are in better positions as consumers will be more supportive of free trade, regardless of their skills sets or other factors. The chart (right) shows that as income increases so does the percentage of people with positive attitudes toward free-trade agreements. The results are similar when a variable measuring ownership of consumer goods is substituted for income. While just 49 percent of those at the lowest income levels in the Americas believe that free-trade agreements help the economy, 63 percent of the people in the highest income ranking say that free-trade agreements are positive. As a point of comparison, data from Pew surveys reflect the same tendency in the United States, where support ranges from 46 percent in the lowest income to 49 percent³ in the near to highest income level, although the shift in the U.S. is much smaller than it is hemisphere-wide. Baker's argument, then, receives strong support from these findings.

PERCENTAGE OF PEOPLE WHO THINK FREE TRADE HELPS TO IMPROVE THE ECONOMY, BY INCOME

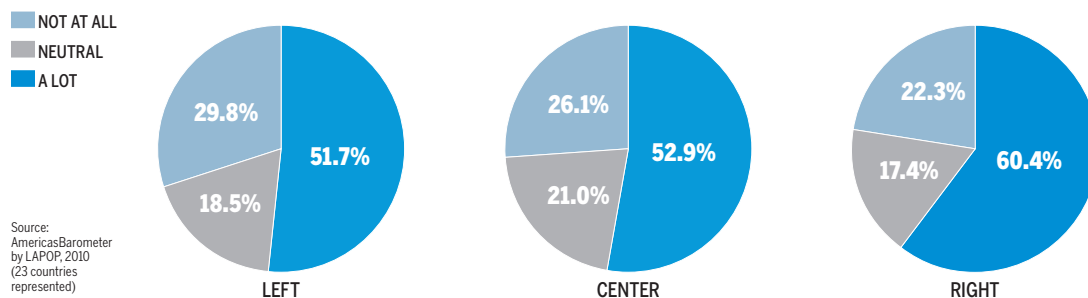


POLITICAL IDEOLOGY

A third factor affecting attitudes toward free trade is political leaning, which reflects people's predispositions as well as the type of information an individual receives and is likely to agree with. Historically, but with some exceptions, left-wing parties and elites in the Americas have opposed free-market reforms, while right-wing parties and elites have been more accepting of the Washington

Consensus. The charts (below) present findings consistent with this trend. Respondents' opinions of free-trade agreements can be explained, at least to some degree, by their self-identified ideological leanings. While 51.7 percent of left-leaning individuals think free trade helps the economy, 60.4 percent of right-leaning individuals think so.

TO WHAT EXTENT DO YOU BELIEVE THAT FREE-TRADE AGREEMENTS HELP IMPROVE THE ECONOMY?



SUPPORT FOR FREE TRADE

To further probe the findings linking income and ideology to opinions on free trade, LAPOP constructed and analyzed a multiple variable regression model. This table (right) presents the independent variables at the individual and country levels. To capture individuals' economic circumstances, the following variables were included: future expectations of the national and personal economy, perceptions of the incumbent government's economic performance, and household income. To capture the political side of the equation we included presidential approval, political ideology, political knowledge, and the interaction between political ideology and knowledge (to test whether more politically sophisticated individuals assign more substantive content to ideology). Controls included age, education, sex, and urban/rural setting. The Gini index was introduced to measure the effect of income inequality on countries' mean level of support for free trade.⁴

The rows depicted in the table are ordered according to the magnitude of these variables' relationship to the dependent variable, support for free trade. Perception of government economic performance is seen as having the strongest effect on public support for free trade. Other indicators, of an individual's potential to participate in the economy and profit as a consumer, are also positive and statistically significant. All else being equal, a more right-wing ideology is linked to greater support

DETERMINANTS OF INDIVIDUAL SUPPORT FOR FREE TRADE

		Standard Coefficient	Confidence Interval
		Perception Of Government Economic Performance	0.268
Gini2009	-0.116		
		Political Knowledge X Ideology	0.073
		Political Ideology	0.050
		Presidential Approval	0.048
Political Knowledge	-0.046		
		Income	0.041
		Prospective Assessment of Personal Economy	0.033
		Prospective Assessment of National Economy	0.024
		Education	0.019
Age	-0.019		
Female	-0.012		
Urban	0.000		
Constant	-0.007		
		0.0	

Source: AmericasBarometer by LAPOP, 2010
(23 countries represented) N: 19,871

for free-trade agreements than a left-wing ideology. Moreover, the effect of political ideology on attitudes toward free trade is magnified at greater levels of political knowledge.

Finally, the analysis suggests that macroeconomic conditions are related to mean levels of support for free-trade agreements. Specifically, as inequality within countries increases, support for free-trade agreements decreases.

The two most important variables affecting attitudes toward free trade were a positive assessment of the government's economic performance (positive) and a country's inequality (negative).

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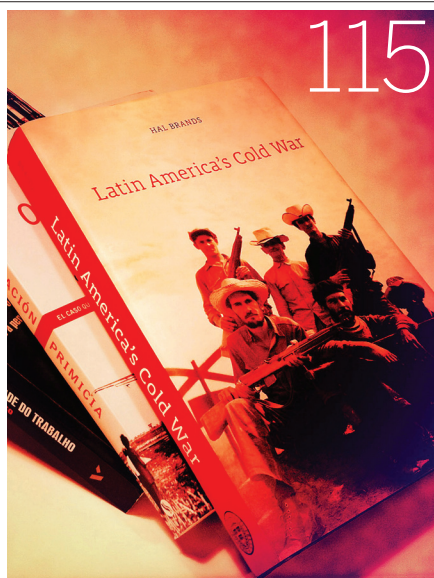
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in our
next
issue:

What Happened to Hemispheric Unity? With U.S. influence in the region waning, Brazil emerging as a global player, and diverging economic trajectories (e.g., Chile, Venezuela), does it make sense to talk about the hemisphere as a unit any more? Robert Pastor, Matias Spektor and Joel Hirst join the discussion in the Spring issue of *Americas Quarterly*.