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Amid a Safeguards Policy on Imports, Ecuadorians Opt for Free Trade Agreements

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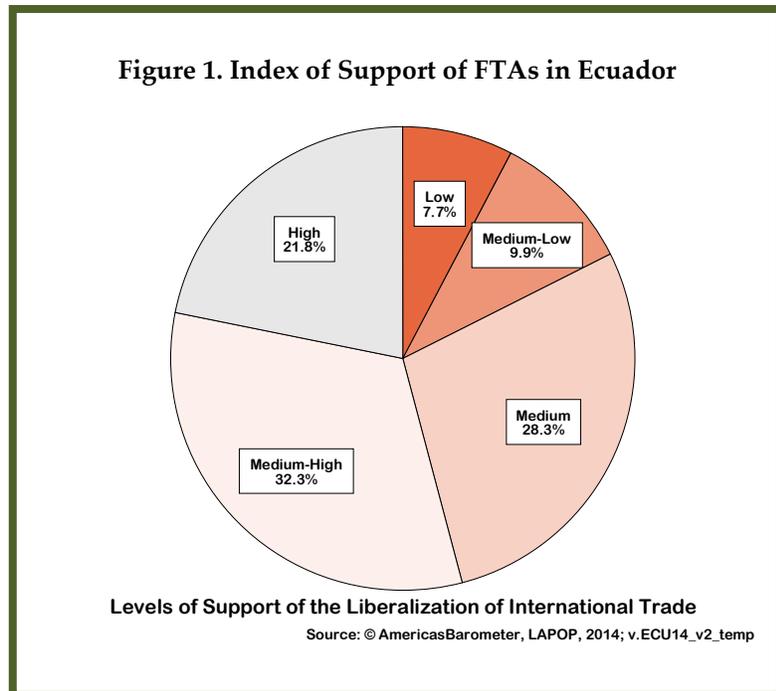
Main Findings:

- The majority of Ecuadorians (54%) believe the liberalization of the international trade system benefits the country economically
- While 64% of Ecuadorian citizens see an FTA with the rest of Latin America as a positive step, only 50% believe that an FTA with the US would be beneficial. 57% support signing an FTA with Europe, and 55% with China
- Those who consider themselves “right” on the ideological scale, and who perceive their personal economic situation to be improved as opposed to 12 months ago, favor FTAs
- Young people and those living in small towns hold more positive views of FTAs
- Traditionally excluded groups such as women and people with darker skin are less interested in signing FTAs

To what extent do Ecuadorians believe that free trade agreements (FTAs) help improve the economy? As of March 11, 2015, the Ecuadorian government decided to “establish a tariff surcharge, temporarily and non-discriminatorily, in order to regulate the general level of imports...”¹ With this resolution, the government implemented a system of safeguards on around 32% of imports (some 2,800 tariff lines) ranging from 5-45% depending on the type of product, for a period of up to 15 months.

Although this measure seems to move the country away from the liberalization of international trade, it should be noted that in December 2014, Ecuador’s Government and the European Union (EU) signed a multi-party trade agreement in Brussels in an effort to boost and diversify trade in both directions. This agreement, which is expected to come into effect in 2016, is anticipated to benefit Ecuadorian exporters of products ranging from fishing to agriculture, as well as benefits to consumers of automotive and alcoholic beverages.²

Although these trade policies seem to contradict one another, and the results of the policies have yet to be seen, one thing is clear: 54% of Ecuadorians express high and medium-high levels of support for liberalizing international trade, while only 18% have medium-low to low support for these policies. The rest (28%) express an average level of support. Figure 1 shows the



results for an “index of support for FTAs in Ecuador.”³

These data come from the last round of the AmericasBarometer in Ecuador. Between January and February 2014, we asked a representative sample of 1,512 Ecuadorians in rural and urban areas in 51 municipalities: *Now let’s talk about trade between our country and other countries and regions. I will ask you to what extent the free trade agreements with the rest of Latin America/the Caribbean, Europe, the US, and China would help the Ecuadorian economy. We use the 1-7 scale where 1 means none and 7 means a lot. To what extent do you think the free trade agreements with other Latin American countries would help improve the Ecuadorian economy? What about Europe? The United States? China?*⁴

¹ Extract of Resolution No. 011-2015. The full resolution can be downloaded from the following link: <http://www.comercioexterior.gob.ec/wp-content/uploads/2015/03/Resoluci%C3%B3n-011-2015.pdf>. Last accessed: May 5, 2015.

² More information about the settlement is available at: http://europa.eu/rapid/press-release_IP-14-845_en.htm. Accessed May 5, 2015.

³ This index is created by taking the mean of each individual’s set of responses to questions measuring support for an FTA with other countries in Latin America, Europe, the US, and China (B48A-B48D in the questionnaires). The reliability coefficient of the scale is 0.85. The original values

ranging from 1-7 were recoded and re-labeled as follows: 1 / 2.25 = “Low”, 2.3 / 3.4 = “Medium-low”, 3.5 / 4.5 = “Medium”, 4.6 / 5.75 = “Medium-High”, 6/7 = “High.”

⁴ Because the question refers to the level of agreement or disagreement with the notion that FTAs can improve the Ecuadorian economy, in this study this measurement is interpreted as equivalent to support for international free trade. It is important to note that although FTAs are generally bilateral or multi-party, in this study, we include the majority of countries and regions with which Ecuador has trade relations, so the index is interpreted as support for the liberalization of international trade as a whole.

In this *Insights*, based on Chapter Six of the report on “The Political Culture of Democracy in Ecuador, 2014” (Montalvo, forthcoming), we discuss responses to survey questions and factors associated with levels of support for FTAs in Ecuador.⁵

What factors influence support for liberalizing international trade in Ecuador?

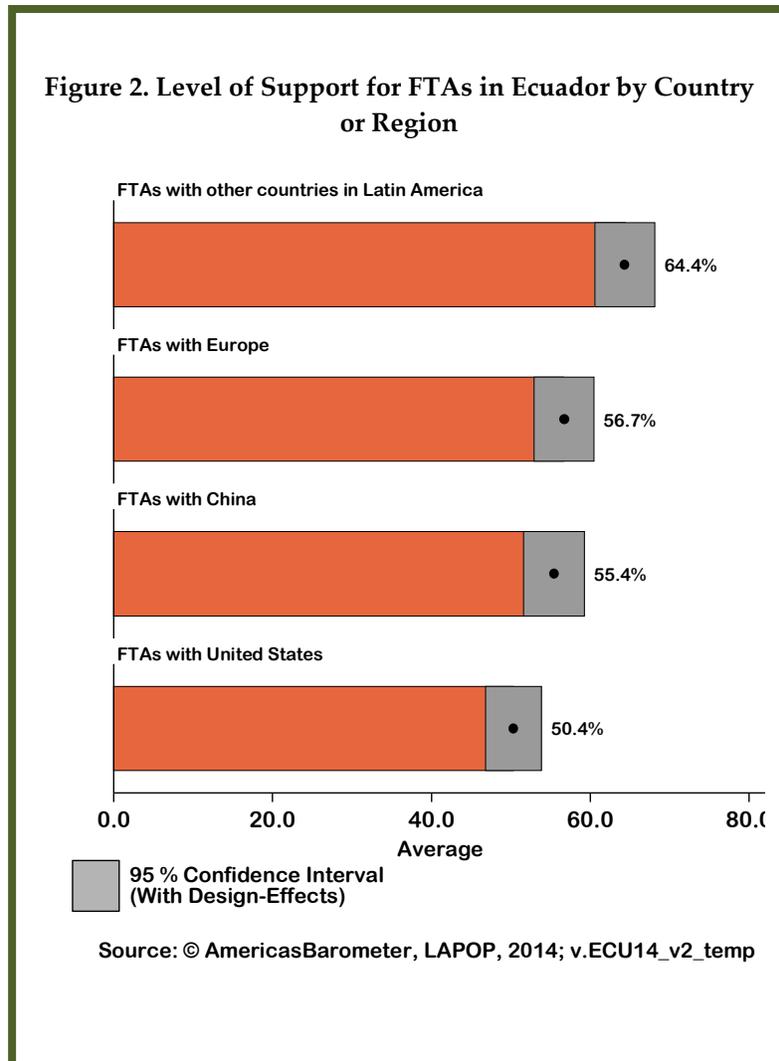
Ecuadorians believe that an FTA could produce different levels of economic benefit, depending on the region or country with which a treaty is signed, according to this study. Thus, Figure 2 shows that there is a high percentage of people (64%) who see an FTA between Ecuador and other Latin American countries as positive; those numbers are 57% for Europe, 55% for China, and 50% for the United States.⁶ What is interesting about these levels of support is that, according to the results of trade balances reported by the Central Bank of Ecuador from January to December, 2014, there is a deficit in non-oil balances with China and the United States as well as with Latin America as a whole.⁷ However, Ecuador had a trade balance surplus with the European Union.

⁵ The concept of free trade in this study is subjective; i.e., it responds to survey participants’ own interpretation of information and not necessarily to the concepts of economic theory. However, support for public policies by citizens is based largely on the perceptions that people have about those policies.

⁶ To determine the percentage of people assessed as “positive” to the idea of signing an FTA, the original scale ranging from 1-7, is recoded to a new level where values range from 1 to 4 take a value of 0 and those that range from 5 to 7 take a value of 100.

These results may suggest that, on average, Ecuadorians support (or lack thereof) for FTAs goes beyond the classic cost-benefit trade relationship. It may be that free trade agreements are symbols of cooperation among countries, and Ecuadorians could be more willing to cooperate with those with whom they identify – for example citizens of other countries of the region, or Spain in the European Union.

⁷ However, if the trade balance between Ecuador and Latin America is studied separately, there was a surplus in trade with Venezuela and the Central American countries with the exception of Costa Rica and Panama. More information is available at the following link: <http://contenido.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/balanzaComercial/ebca201502.pdf>. Accessed May 11, 2015.



On the contrary, citizens may be slightly more reluctant to cooperate with countries like the U.S. or China because they do not identify as strongly with those countries. Another explanation for this phenomenon could be that Ecuadorians believe the terms of a negotiation would be fairer if negotiated with other countries in Latin America, compared to other countries (especially the United States).

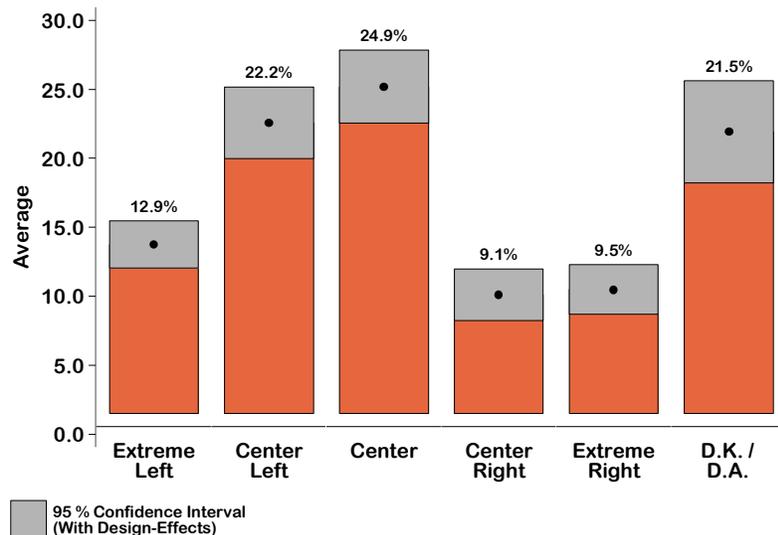
To determine the factors that could be related to support for FTAs by Ecuadorians, we consolidated responses regarding all countries and regions into an index of support for the liberalization of international trade, for which the scale is runs from 0 (none) to 100 (a lot).⁸ In the next section, we analyze theoretically relevant political, socioeconomic, and demographic variables to assess their relationship with support for FTAs in Ecuador.

Political economic factors

The first factor analyzed is ideological self-identification on the left-right spectrum.⁹ Following classical political economy philosophy, it is expected that those Ecuadorians who are located to the left of the scale will demonstrate less support for trade liberalization than those who self-identify on the right. This expectation is primarily due to the idea that those on the left prioritize social over individual welfare, such that they would have greater concern about the negative effects

that FTAs may have on employment, the environment, cultural heritage, etc. On the contrary, those who identify as right leaning are assumed to put more emphasis on individual gains that FTAs can bring in terms of access to more varied and cheaper products; as such, greater support for international trade liberalization is expected by this group (Lipset 1960). Figure 3 illustrates the distribution of the Ecuadorian population by category, according to their ideological self-identification. As noted, about 35% of Ecuadorians self-identify on the left, while only 19% self-identify on the right, 25% as center, and 21% do not know or did not answer the question.

Figure 3. Percentage of Individuals by Ideological Category, Ecuador 2014



Source: © AmericasBarometer, LAPOP, 2014; v.ECU14_v2_temp

What other factors could influence public support for FTAs? Previous work by Zizumbo and Seligson (2013) suggests that while some authors explore the impact of public opinion elites on international trade (Ehrlich and Maestas 2010), most studies have focused on the

⁸ The statistical analysis of reliability of scales suggests that it possible to theoretically group these countries and regions in the index in order to study the factors that explain the different levels of support for FTAs among the citizenry together as a dependent variable. The coefficient of the

reliability of scale is, again, 0.85. To build the index, we keep cases that have up to 2 missing values.

⁹ The terms “left” and “right” originate from the French Revolution of 1789. In the National Assembly, those who supported the revolution were considered to the left of the President, while those on the right supported the King.

economic interests of the citizenry (Zizumbo and Seligson 2013). However, Using data from the 2010 AmericasBarometer, Zizumbo and Seligson demonstrate that the most decisive factor in citizen support for FTAs is one's assessment of how responsible the government is in managing the economy. They argue that the reason for this is that the process of negotiating FTAs is complex and heterogeneous, with ever-changing conditions, and estimating their effects is quite difficult to do. As a result, citizens who trust that the government is doing a good job believe that FTAs could be good for the country. Along these lines, in this study, we evaluate the relationship between presidential job approval and support for FTAs.

Other factors that could influence public support for free trade are sociotropic and idiotropic in nature. In the first case, scholars suggest that the political preference of individuals is based on their perception of the economic situation in the country (sociotropic factor) in general (Mansfield and Mutz 2009, Davidson et al. 2012). In this sense, one might believe that those who think the economy is robust and is ready to compete internationally may support the liberalization of the trade markets. On the contrary, one could expect that those who perceive that the economy is vulnerable may prefer protectionist policies. In the second case, several authors assert that personal economic interests (idiotropic factors)

are central to the decision to support foreign trade policies (O'Rourke and Sinnott 2001, Hiscox 2002). In that sense, one's personal economic situation could determine support for or rejection of an FTA. In general, it is expected that those who perceive their personal economic situation as good will want less government interference in business affairs. By contrast, those who perceive their economic situation as bad will prefer state protectionism.

Socioeconomic and demographic factors

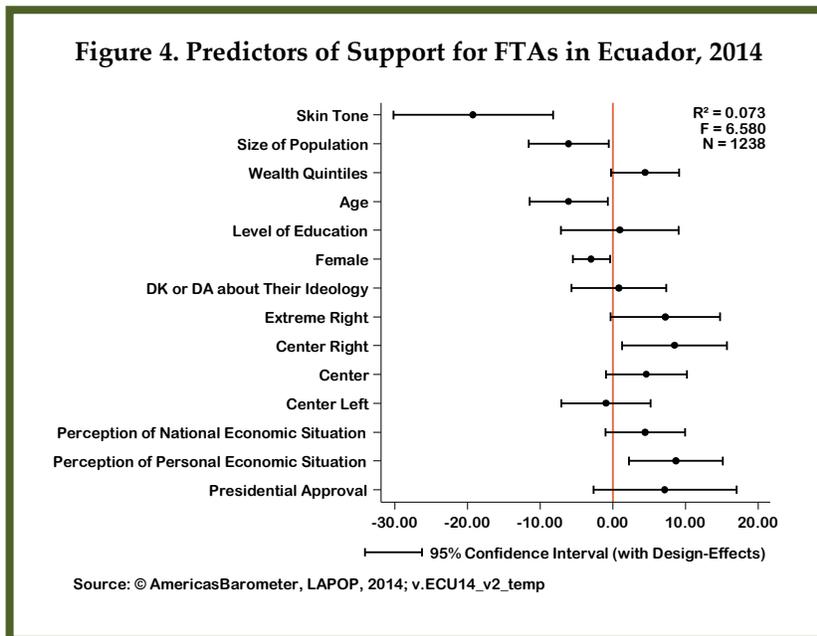
Finally, it is expected that there are also differences by socioeconomic and demographic characteristics. For example, it is possible that those who live in the countryside and whose incomes depend on small-scale agriculture could have less favorable opinions of FTAs than those who live in the city and would benefit from more varied and cheaper products. Also, it may be expected that younger people have a higher level of support for the liberalization of international markets, as they are more immersed in a globalized world through access to technology than their older counterparts. This could reduce concerns about globalization among those who are young. All of these variables, along with the respondent's sex and level of education are taken into account in the econometric model in order to determine which factors are relevant in explaining support for FTAs among Ecuadorians.¹⁰

¹⁰ **Presidential job approval** is measured in the variable M1 in the AmericasBarometer. The scale, originally from 1-5, is recoded from 0 (very bad/bad) to 1 (very good). For "**personal economic situation**" the question IDIO2 is used to measure the idiotropic variable; originally scaled from 1-3, this is recoded from 0-1 where 0 is the worst personal economic situation and 1 is the best. To look at "**national economic situation**," (SOCT2) we recode the same way we did the IDIO2 variable. **Ideology** has a special recoding; the original question L1 uses a 1-10 scale from left to right, where 1 means left and 10 means right. Due to the high percentage of people who don't know where they place on the scale, or do not respond (21.5% of respondents), 6 dummy variables are created to make comparisons between groups. In the first category, the respondents 1& 2 on the scale are considered "extreme left." Respondents 3&4 are grouped in the second category called "center left," and 5&6 are considered "center" on the scale. The fourth category is considered "center-right" and corresponds to 7&8, the fifth category is 9&10 and corresponds to "extreme-right."

Finally, the category of "no ideology" corresponds to the people who do know or do no answer. For comparison in the model, the base category is "extreme-left." The **gender** variable (Q1) determines whether the respondent is male or female; the original scale is recoded so that 1=woman and 0=man. The **education** variable (ED) measures years of complete education on the interviewee through a table; the original values, 0-18+, are recoded so that 0 means no education and 1 signifies superior. **Age**, Q2, is divided by cohort, and respondents are grouped in the following categories: 16-25, 26-35, 36-45, 46-65, 65+. These values are recoded on a scale from 0-1. To measure wealth in five categories, a variable is generated using a series of articles about household possessions, and recoded 0-1; for more information see Cordova 2009 (<http://www.vanderbilt.edu/lapop/insights/I0806en.pdf>) For **population size** (ESTRATOSEC), the size of the city of residence is used; large cities (more than 100,000); medium cities (25,000-99,999); and small cities (less than 24,999) are recoded from 1 (small town) to 1 (big city). Finally, **skin**

Political and sociodemographic factors that predict support for FTAs in Ecuador

In order to test which factors are related to support for the liberalization of international trade through FTAs in Ecuador, a linear regression model is analyzed using ordinary least squares (OLS). Figure 4 demonstrates the results of this analysis.



Each independent variable is recoded on a scale of 0-1, so that the regression coefficient can be understood as the maximum effect each independent variable has on support for FTAs in Ecuador, with that dependent variable coded on a scale of 0-100. Non-standardized coefficients for each of the independent variables are identified with a black dot connected to the horizontal line, which shows a 95% confidence interval for this estimate. Coefficients that are to the left of the red "0.00" line have a negative relationship to the dependent variable, while those to the right of the line have a positive relationship; when the line

color (colorr) is used to measure the skin tone of the respondent on a scale from 1 (lightest) to 12 (darkest), and is recoded from 0 (darker) to 1 (white).

does not cross the zero point, the effect is statistically significant.

The factors that have a statistically significant relationship in this model are: a) the perception of one's personal economic situation; b) ideology; c) sex; d) age; e) the size of the population of the city; and f) skin tone.

Among the factors that have a positive relationship are perception of personal economic situation and ideological self-identification. As people tend to think their personal economic situation was better in 2014 than 12 months prior to the survey, support for FTAs increases. Likewise, those who identify as ideologically right also have higher levels of belief that FTAs could help improve Ecuador's economy than those on the extreme left.¹¹ By contrast, older people on the one hand, and those with darker skin tones on the other, adhere less to the idea that FTAs could bring a boon to the Ecuadorian economy. Women, compared to men, express less support for FTAs with other countries. Finally, people living in more populated cities are less inclined to favor liberal trade policies.

Discussion and Conclusion

In times when decisions over Ecuador's foreign trade policy are very active, whether to promote a trade agreement with the European Union or to implement safeguards to around 2,800 imported products, it is important to study the public's assessment of the impact of FTAs on the country's economy. Data from the

¹¹ For comparison in the model, the base category is "extreme-left."

AmericasBarometer are very revealing in this regard.

In the first place, there is more support for the idea of an FTA between Ecuador and the rest of Latin America than with Europe, the US, or China. This could be an issue of identity; some social psychology studies reveal that cooperation is more likely among groups that share an affinity such as historical legacy, language, or even religion (Bandura 1992, Brewer 1996). To the extent that FTAs are understood as a manifestation of cooperation among states, it is possible that Ecuadorians are more likely to implement FTAs with other groups of people with whom they share the same identity than with countries that have less common interests. An alternative (or complementary) explanation is that among Ecuadorians, the terms of negotiation with other countries in Latin America might be anticipated to be more fair, given that with Europe, the US, and China there is greater asymmetry of political economic power.

In the second place, people who identify on the right of the ideological scale are more willing to accept FTAs than people who identify on the left. This finding coincides with what has been stated in several studies of classical philosophy of political economy. Those who self-identify on the ideological right tend to be more supportive of the idea of free trade and non-intervention of the government in general than those on the left. On the other hand, people on the left usually consider that the state should have a greater role, not only as regulator, but also as an actor of economic development and as a source of protection for infant industries within countries (Zechmeister and Corral 2010).¹²

¹² While this is the classic conception of the left-term terms, these associations are not always found in Latin America (see, for example, Zechmeister and Corral 2010).

With respect to the socioeconomic classical theories, this study finds no relationship between support for FTAs and a) wealth quintiles or b) level of education. However, those who perceive their personal economy as being good prefer less government intervention in business affairs (by the measure of FTA support). The same applies to those living in less populated cities. Contrary to what one might have expected, these people support FTAs more than those living in large cities. This could be because many of these people are engaged in commercial activities and agriculture that could benefit by increasing the access of their products to international markets.

Finally, other relevant social factors when supporting FTAs are sex, age, and skin tone. Women and people with darker skin tones tend to be less supportive of FTAs as a positive option for improving the country's economy. A possible explanation for this phenomenon is that both women and people with darker skin are members of the vulnerable groups of society. Traditionally, these two groups of people have experienced greater difficulty in accumulating wealth than men and those with lighter skin. Therefore, these people might be more likely to seek protectionist measures by the state, even when it comes to issues such as globalization. It would require further research on this topic to verify this hypothesis empirically. Regarding age, it is possible that younger people more easily support FTAs than older people because they enjoy greater access to the information that globalization provides through social networks and media communication, than do older people.

Traditionally vulnerable groups like women and those with darker skin express less support for FTAs.

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Appendix:

Levels of Support for the Liberalization of International Markets, Ecuador 2014

Coefficients	(t)	Standard Error
Presidential Approval	7.190	(1.45)
Perception of personal economic situation	8.693*	(2.67)
Perception of national economic situation	4.466	(1.61)
Center left	-0.924	(-0.30)
Center	4.619	(1.64)
Center right	8.491*	(2.33)
Extreme right	7.227	(1.90)
Don't know/don't respond about ideology	0.838	(0.26)
Female	-2.936*	(-2.27)
Level of Education	0.965	(0.24)
Age	-6.074*	(-2.23)
Wealth Quintiles	4.450	(1.88)
Size of Population	-6.052*	(-2.18)
Skin tone	-19.230*	(-3.46)
Constant	59.397*	(10.47)
F	6.58	
N. of cases	1238	
R-squared	0.07	

* p<0.05