

Perspectives on Trade and Poverty Reduction

A SURVEY OF PUBLIC OPINION | KEY FINDINGS REPORT 2007



The Economic Policy program is an initiative of The German Marshall Fund of the United States (GMF) that promotes cooperation between the United States and Europe on domestic and international trade policies as vital instruments of global prosperity, especially for the poor and those affected by shifts in the world economy. Through in-depth research, targeted grantmaking, strategic convening, and outreach to key policymakers and the media, the program supports transatlantic leadership at the critical nexus of economic policy trade, development assistance, and management of domestic sectors such as agriculture.

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Table of Contents

INTRODUCTION	3
SECTION ONE: ECONOMIC ENGAGEMENT	7
SECTION TWO: GLOBAL CHALLENGES AND RESPONSIBILITIES	13
SECTION THREE: JOB FEARS AND POLICY RESPONSES	21
SECTION FOUR: MIGRATION	25
SECTION FIVE: TRANSATLANTIC MARKETPLACE	28
CONCLUSION	33
METHODOLOGY	35

Introduction

In democracies, leaders must balance the interests of private commerce that provides economic growth alongside the provision of public goods, such as security, education, health, infrastructure, and regulation that limits monopoly and provides social and environmental protections. In the United States and Europe, there are vibrant debates over how we engage the global economy while maintaining this complex balance through effective policy. Given the sheer weight of the U.S. and EU economies and their influence within the global trading system and foreign assistance architecture, their policies have tremendous implications on poverty alleviation. The extent to which Americans and Europeans are willing to engage internationally through trade, investment, and aid will greatly influence economic opportunities for the world's poorest. Global economic engagement on the part of the United States and Europe is in turn heavily shaped by public perspectives on how such policies impact jobs, livelihoods, and security at home.

Accordingly, the fourth annual *Perspectives on Trade and Poverty Reduction* survey offers an assessment of American and European views on jobs, trade, economic integration, and the extent to which aid and trade offer mutual benefits, such as shared prosperity and security. The purpose of this report is to further inform the public debate and policymakers as they consider complex policy options. As in past years, this survey gauges support for trade, the impact of trade liberalization on jobs, the use of trade barriers and farm subsidies, the reasons for giving foreign assistance, and aid and trade as tools for development. The future of the global trading system, multilateral negotiations in the Doha Round of the World Trade Organization (WTO), and foreign assistance programs that offer economic opportunities for the poorest countries of the world, will continue to be influenced by American and European perspectives on these issues.

In addition, this year's survey examines views on policies aimed at helping trade-displaced workers, labor and environmental standards in trade agreements, and the transatlantic marketplace. The extent to which Americans and Europeans favor lowering barriers with Africa as a means to addressing modern threats like unstable states and poverty is also explored. For a second year in a row, immigration — its impact on domestic jobs and contributions to the economy — is also considered.

The United States and Europe account for significant shares of foreign assistance, foreign direct investment (FDI), and trade activity with developing countries. Given the sheer size of their economies and influence over global policies, the United States and Europe have a particular responsibility in helping spur sustainable growth in the developing world. While globalization has lifted millions out of poverty in middle-income countries like China and India, the lowest-tier countries — the “bottom billion” — are falling far behind. Marked by low incomes, underdevelopment, weak institutions, and poor governance, these countries represent potential sources of instability and insecurity. Pandemics, conflicts, terrorism, and a range of transnational threats can emerge from these conditions. In an increasingly interdependent world, economic development is more than just helping the poor — it has wider foreign policy implications in areas of common interest for both the United States and Europe.

Although, in the last year, the Doha Round negotiations have revived, the necessary technical work to forge a multilateral trade deal remains uncertain. In December 2006, the United States passed legislation broadening trade preference programs for developing countries. The U.S. mid-term elections led to the renewal of debates on immigration reform and labor and environmental standards in trade agreements. U.S. Trade Promotion

Authority (TPA) expired in July 2007 and has not been renewed. Despite strong pressures to reform trade-distorting subsidies that negatively impact developing country farmers, the U.S. Farm Bill debate showed continuing support for the trade and subsidy policies of the past. The proposed U.S. free trade agreements with South Korea and several Latin American countries also revealed the challenges of moving forward on trade expansion. Questions over fair trade versus free trade have arisen during the U.S. presidential campaign debates. Nearly all the candidates have made statements about the importance of addressing widespread poverty in Africa — for moral and security reasons — but wide differences exist on how to address this problem.

Across the Atlantic, policymakers have signaled a willingness to move toward green and less trade-distorting policies in the run-up to the 2008 “Health Check” of the EU’s Common Agricultural Policy (CAP). Yet, efforts to increase environmental, health, and quality standards, as well as other non-tariff barriers could limit EU market access. Negotiations between the EU and Africa, Caribbean, and Pacific countries (ACP) to form Economic Partnership Agreements (EPAs) have led to questions about their potential development impact and the necessary aid to help developing countries adjust. During the German G8 presidency, Chancellor Angela Merkel focused heavily on Africa with an agenda that looked beyond just aid increases to consider the role of the private sector in development. In France, President Nicolas Sarkozy in his victory speech, said “the time has come to build together a Mediterranean union that will be the bridge between Europe and Africa.” In the United Kingdom, Prime Minister Gordon Brown has also initiated institutional changes to effectively align aid, debt reduction, and trade policy to achieve greater policy coherence in development.

Openness to trade, investment, immigration, and global engagement through foreign assistance are in question in the United States and Europe. How these issues are seen as affecting jobs, welfare, and security at home helps shape the climate in which policy responses are formulated. France and Germany are encouraging EU

partners to develop a joint “foreign economic policy” to prevent non-tariff barriers, investment restrictions, and currency manipulation from undermining competitiveness. Calls for China to let its currency appreciate have intensified in both Washington and Europe. Increasingly active sovereign wealth funds and state-owned investors based in cash-rich Gulf States, Russia, and China have raised concerns in the United States and Europe. The renewal and expansion of Trade Adjustment Assistance (TAA) focused on helping workers displaced by trade are being considered in the United States. A similar program has been adopted in the European Union. The nature of free trade agreements is evolving as they encompass more sensitive “behind the border” issues like regulation, labor, and environment standards. The perceived impact of immigrant workers on the economy — for good or ill — is a growing challenge on both sides of the Atlantic. The flow of goods, services, investments, and people globally are at stake in these policy discussions, which in turn will heavily impact economic growth, income distribution, and welfare worldwide.

While the United States and Europe account for four out of five official development assistance (ODA) dollars worldwide, many are questioning the effectiveness of such expenditures in delivering economic development and poverty alleviation. Since the Millennium Declaration, Monterrey Consensus, and Gleneagles G8 Summit, the need to scale up aid has gained increased attention. But, the average number of donors per country has increased from 12 in the 1960s to about 33 in recent years. With 230 international organizations, funds, and programs, the international aid architecture has become increasingly complex. This has resulted in duplication, redundancies, and additional costs to donors and, more importantly, aid recipients. The 2005 launch of the Paris Declarations on Aid Effectiveness created a framework aimed at increasing aid coordination, alignment, and local ownership to help improve aid outcomes. Many leading donors are exploring how to leverage partnerships with other donors, foundations, NGOs, and local governments and actors to make aid more effective. But, how do Americans and Europeans view aid as an instrument for alleviating poverty? This year’s survey examines

American and European perspectives on the reasons for giving aid, making aid more effective, increasing aid, and aid delivery institutions.

The U.S.-EU Summit in April 2007 took a potentially significant step toward deepening the transatlantic marketplace, as the U.S. and European governments agreed to renew efforts at closer cooperation through the creation of a new Transatlantic Economic Council. Given the existing, deep transatlantic trade and investment ties, further transatlantic integration holds great promise, but will involve a more complicated policy approach capable of dealing with divergent regulatory approaches and standards in addition to the more traditional trade and investment barriers. Moreover, some are concerned about the implications such an initiative could have on the multilateral system and developing countries. How do Europeans and Americans feel about deeper transatlantic cooperation, and the possibility that each will work more closely with the other in shaping regulatory policy? This year's survey examines public opinion on these questions for the first time.

It is in this global context that the German Marshall Fund of the United States (GMF) conducted its survey *Perspectives on Trade and Poverty Reduction*, in which many of these timely issues are examined. Polling was conducted in the United States and six European countries: France, Germany, Italy, Poland, Slovakia, and the United Kingdom.

Key findings of this survey include:¹

- Most Americans and Europeans remained dissatisfied with the direction of their country, but German and French respondents revealed rapidly rising levels of satisfaction. As a result, overall satisfaction with the way things are going in Europe rose from 27% to 32%. The perception gap between Americans and Europeans has narrowed; 37% of Americans were

¹ Unless otherwise noted, all Europe-wide percentages are weighted on the basis of size of the adult population in each country and refer to the combined responses of France, Germany, Italy, Poland, Slovakia, and the United Kingdom for 2006 and 2007. Europe-wide percentages for 2005 include these countries minus Slovakia (please see the Methodology section for details).

satisfied with the direction of their country, roughly in line with last year.

- Majorities of Americans and Europeans supported international trade, regional integration, and trade liberalization, and believed that “freer trade” leads to consumer benefits and more export opportunities.² Most Americans and Europeans also agreed that freer trade offers foreign policy gains, such as making the world more stable and leading to prosperity at home and overseas. The idea that lowering barriers with Africa could address modern threats like unstable states and poverty is accepted by majorities in the United States and Europe.
- While a majority of Americans still valued the economic and foreign policy benefits of freer trade, compared to last year their support has softened a bit while European support has remained steady. Americans revealed a slightly less-favorable view toward international trade, freer trade, and regional integration with the countries of the North American Free Trade Agreement (NAFTA). Fewer Americans believed that freer trade results in consumer benefits, new market access, shared prosperity, and global stability.³
- Most Americans favored trade with and aid to poor countries, but fewer Americans took this position in 2007. Sixty-six percent of Americans supported providing development assistance to poor countries compared to 72% in 2006, while 69% of Americans supported promoting international trade with poor countries compared to 75% last year. European support for trade with and aid to poor countries remained about the same over this period at 75%.
- German, French, and Italian respondents indicated the highest levels of support for democracy promo-

² Where mentioned, regional integration is defined as “the free movement of people, goods, and services within the European Union” for European respondents and “the free movement of goods and services among the U.S., Canada and Mexico” for American respondents.

³ Note that in a few instances the decline was just within the margin of error.

tion as a reason for giving aid. Respondents from these countries also expressed the highest confidence in the idea that development assistance strengthens democracy in developing countries and that the level of aid to poor countries should be linked to the efforts these countries make to fight corruption and promote democracy. American confidence in trade strengthening democracy declined slightly along with American preference for making aid conditional on countries promoting democracy.

- About half of Americans saw the growth of China's economy as a threat, while 55% of Europeans felt the same. However, the European average is tempered by the extremely bullish sentiment of British respondents — only 34% of them noted China as a threat while nearly 60% noted it as an opportunity. Other Europeans were more threatened by China than Americans: 64% of French, 62% of Slovak, 60% of Italian, 59% of Polish, and 57% of German respondents felt threatened by the growth of the Chinese economy. Americans and Europeans viewed India much more positively. In every country, except Poland, more considered India an opportunity than those who saw it as a threat.
- On both sides of the Atlantic, most believed that their high labor and environmental standards put them at a disadvantage when engaging in freer trade: 61% of Americans and 58% of Europeans took this view. Most respondents in the United States and Europe favored trying to address this issue through trade agreements. Sixty-nine percent of Americans and 73% of Europeans supported including such standards in trade agreements because without them companies in developing countries would have an unfair advantage.
- American and European concerns over the impact of trade on jobs have diverged. In 2005, about half of Americans and Europeans believed that freer trade costs more jobs than it creates. However, since then, American concerns have risen, with 57% of respondents in 2007 having indicated that freer trade costs more jobs than it generates. Over the same period, European fears have slightly moderated with 50% in 2005, 49% in 2006, and 46% in 2007 having taken this view.
- Although outsourcing is a form of international trade, trade itself is considered less threatening to jobs. When asked which of the following factors do you think is most responsible for job loss, fewer respondents noted trade as a source of job loss compared to outsourcing. About one in ten Americans (12%) and Europeans (10%) considered international trade as a leading factor behind the loss of jobs compared to majorities who viewed outsourcing as the leading source behind job loss. Immigration and currency manipulation were also viewed as bigger causes of job loss than trade.
- About three out of four Americans and Europeans supported income to help trade-displaced workers with the cost of moving to another location, while 61% and 69% respectively supported compensating workers for lower wages in new jobs. Education, job training, and job-creating technology investments to help these trade-displaced workers enjoyed especially high favorability: nine out of ten preferred these policies in the United States and Europe as a way to help workers displaced by trade.
- When asked about support for a specific new initiative aimed at deepening the economic ties between the European Union and the United States by making transatlantic trade and investment easier, about two-thirds of Americans and Europeans supported the idea (64% and 69% respectively). There was widespread support for regulatory cooperation between the United States and the European Union with 76% of Americans and 80% of Europeans supporting this.
- However, when asked about specific policies to deepen transatlantic economic ties, nationalities differed. Majorities of British, Italian, Polish, and Slovak respondents favored removing investment and trade barriers between the European Union and the United States. However, American, German, and French respondents were roughly divided over these policy options.

Section One: Economic Engagement

The United States and Europe have made unprecedented advances in human welfare and wealth accumulation coupled with the formation of political institutions that ensure the rule of law and generally favor globally-oriented commerce. These countries account for half of global trade, 65% of global outward FDI, and 80% of foreign aid. However, as industrialized countries see moderating growth rates and increased competition from emerging markets like China and India, there are growing questions about how to maintain advances in prosperity while engaging the global economy. These evolving economic circumstances are shaping public perceptions, impacting the political and social climate, and influencing policies that determine the level of U.S. and EU economic engagement with the rest of the world.

GERMAN FORTUNES RISE, FRENCH STILL IN TRANSITION

Most Americans and Europeans remain dissatisfied with the direction of their country, but the level of dissatisfaction declined most notably in Germany, France, and

Poland. As a result, overall satisfaction with the way things are going in Europe rose from 27% to 32%, since last year. With 37% of Americans satisfied with the direction of the country again this year, the perception gap between Americans and Europeans has narrowed. When asked about the state of the economy, slightly fewer Americans expressed satisfaction — 37% down from 41% — while a third of Europeans said they were satisfied with the economy, up from 27% in 2006. Increased European optimism toward the economy was driven by German, Polish, and Slovak respondents. Although majorities in nearly all countries were dissatisfied with the economy, the British continue to be the most bullish, with 48% of respondents again being satisfied with their economy.

German optimism has spiked considerably over the last three years (see Chart #1). German satisfaction with the direction of the country rose sharply from 17% in 2004 to 38% in 2007 as did satisfaction with the economy which rose from 14% in 2005 to 46% in 2007. Germans now trail just behind the British in terms of confidence in the economy. More French respondents were optimistic on the direction of the country also; 37% took this view

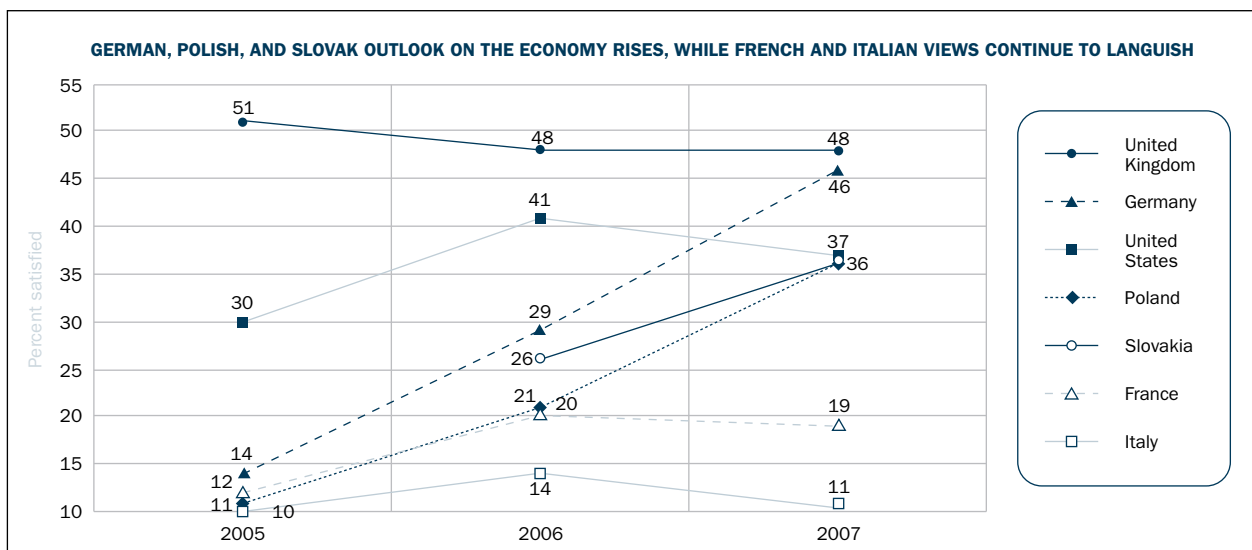


Chart 1

in 2007 compared to only 26% last year. This brighter view on the state of France has not been matched by similar improvements in views on the economy. Only 19% of French respondents were satisfied with the economy, roughly consistent with 2006. Seventy-nine percent of French respondents were dissatisfied with the economy, surpassed only by the Italians, 86% of whom expressed the same view. Polish satisfaction with the direction of the country remained low (17% to 21%), but Polish respondents were more upbeat on the economy (21% to 36%) compared to last year.

In the United States, 37% of Americans were satisfied with the economy and 60% were dissatisfied. For a second year in a row, there were some stark differences between Democrats and Republicans on the state of affairs in the country. About three out of four Democrats (76%) expressed dissatisfaction with the economy compared to only 36% of Republicans. More Republicans (63%) were satisfied with the economy compared to Democrats (22%). Attitudes with regard to the direction of the country followed a similar pattern as well. However, Republican levels of satisfaction with the direction of the country fell from 63% in 2006 to 54% in 2007.

UNCERTAINTY ABOUT GLOBALIZATION PERSISTS

Americans and Europeans revealed a very mixed picture when asked about globalization. In 2007, the number of those supporting globalization remained the same in the United States (52%) and Europe (53%). The strongest support for globalization was in Italy, with 62% supporting it. Thirty-four percent of Americans and 38% of Europeans viewed globalization unfavorably. In Poland, the United States, and the United Kingdom, more respondents favored globalization than disfavored it. However, in these same countries, there were numerous respondents who stated they had no opinion (27%, 14%, and 11% respectively). In countries where there were fewer “don’t knows,” such as Germany and France, no clear majority favored or disfavored globalization. More Slovak respondents disfavored (48%) than favored (37%) globalization, while 15% expressed no opinion.

Views on the WTO followed a similar pattern. More Polish, Slovak, German, British, and American respondents favored rather than disfavored the WTO. However, many of these respondents also stated they had no opinion of the WTO (46% in Poland, 27% in Slovakia, 21% in Germany, 20% in the United Kingdom, and 15% in the United States). Only the Italian respondents had a clear opinion, with 78% of whom favored the WTO (14% disfavored and 8% had no opinion). Consistent with 2006 results, there appears to be a lack of consensus in country-wide views on the WTO and globalization.

MAJORITIES CONFIDENT IN BENEFITS OF PRO-GLOBALIZATION POLICIES

Despite less definitive views on globalization and the WTO, Americans and Europeans expressed support for international trade and more transatlantic economic integration. Sixty-four percent of Americans and 75% of Europeans favored international trade. Majorities in all countries see international trade positively, where Italian respondents were the most enthusiastic at 87%. German respondents showed the second-highest level of support (79%). Sixty-three percent of Americans and Europeans favored deepening trade and investment between the European Union and the United States.

Majorities of Americans and Europeans supported regional integration and freer trade, that is, “making it easier to buy and sell products internationally by reducing tariffs and other barriers to trade.” Most believed that freer trade leads to consumer benefits in and more export opportunities for the United States and Europe. Most favored the immigration of workers between the United States and Europe although, as discussed below there are significant differences in support for immigration and views of its impact on the economy.

Most Americans and Europeans generally believed that freer trade also offers foreign policy gains. Majorities in the United States and Europe saw freer trade as a means to helping increase prosperity both at home and in other parts of the world. Majorities also saw freer trade sup-

porting global security by putting people from different countries in contact with each other. There was also transatlantic support for the idea that lowering trade barriers between our countries and Africa could address modern threats like unstable states and poverty (see Global Challenges and Responsibilities section).

ITALIANS MOST SOUR ON COUNTRY'S PROSPECTS, YET ADVOCATE TRADE

For the past three years, Italian respondents have been among the leading pessimists on the state of affairs in their country. In 2007, 79% of Italian respondents were dissatisfied with the way things were going in their country and 86% were dissatisfied with the performance of the country's economy, similar to 2006. However, Italians are among the strongest supporters of globalization (62%), the WTO (78%), deepening trade and investment between the European Union and the United States (75%), and international trade (87%). Among all nationalities surveyed, Italians represented the biggest advocates for removing trade barriers to ensure faster economic growth

even if this might result in some risks for local businesses. Fifty-five percent of Italian respondents took this view — the only majority among all nationalities surveyed. The second-highest level of confidence for such policies was expressed by British respondents (49%).

AMERICANS SHOW DIMINISHED SUPPORT FOR TRADE

Again this year, majorities of Americans valued trade and the economic benefits derived from freer trade. However, compared to last year, American support has softened while European support has remained relatively stable in most cases (see Chart #2). Americans revealed a slightly less-favorable attitude toward international trade and regional integration with Canada and Mexico. American support for freer trade, that is trade liberalization, and freer trade leading to export market gains and consumer benefits also declined. As discussed below, American views on the potential foreign policy benefits from freer trade and support for trade and aid as tools for development follow a remarkably similar pattern.

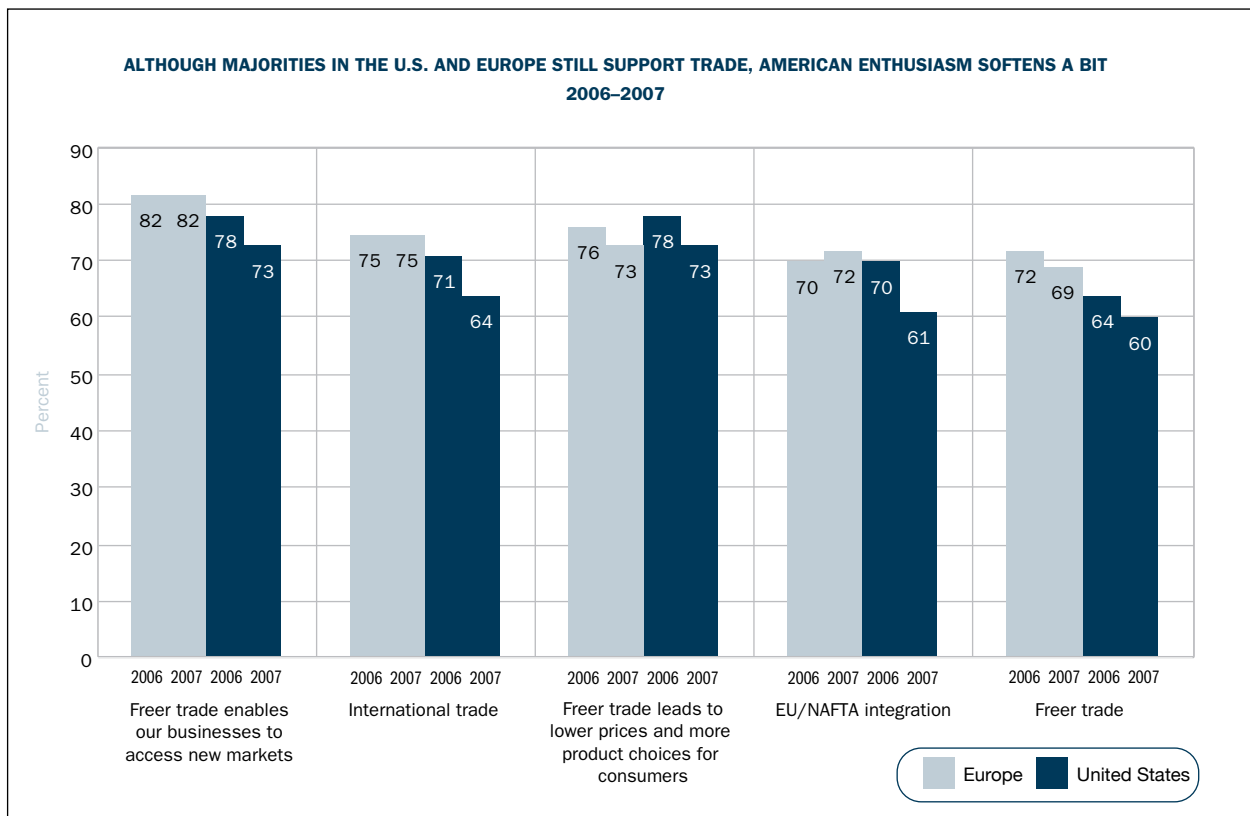


Chart 2

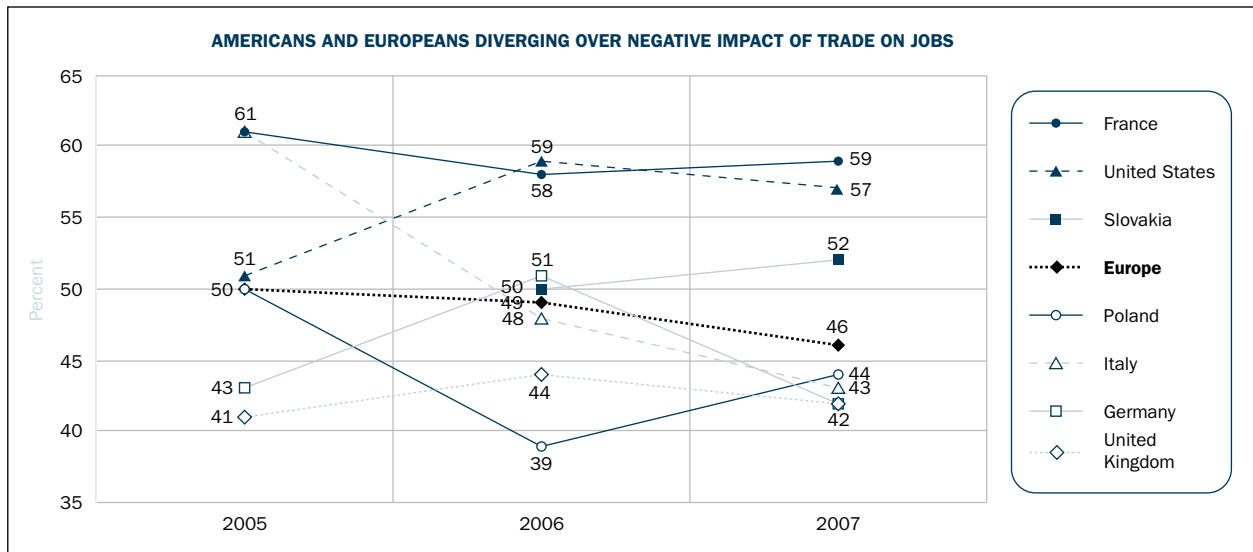


Chart 3

Although majorities in all cases still agreed with trade, aid, and the potential benefits they offer, American confidence has dipped across many indicators.

FEARS RISE IN THE U.S. OVER THE IMPACT OF TRADE ON JOBS

In 2005, half of Americans and Europeans believed that freer trade costs more jobs than it creates. However, since then, American concerns have risen with 59% in 2006 and 57% in 2007 having taken this view. In the last three years, Europeans fears have slightly moderated with 50% in 2005, 49% in 2006, and 46% in 2007 having taken this view. While a majority of Americans believed trade negatively impacts jobs — less than half of Europeans felt the same. France was the only other country where a majority believed there was a net negative impact from freer trade on jobs — 59% of French respondents agreed that freer trade costs more jobs than it creates (see Chart #3).

AMERICANS MORE CONCERNED ABOUT CROSS-BORDER FOREIGN INVESTMENTS

Fifty-three percent of Americans and 65% of Europeans favored foreign companies investing in their markets, similar to 2006. For a second year in a row, Americans — along with French respondents — expressed the stron-

gest opposition to FDI among all nationalities. Forty percent of Americans did not favor FDI, the strongest level of opposition next to the French (38%). Seventeen percent of Americans viewed foreign companies investing in the United States as “very unfavorable” — again the strongest opposition among respondents. Germans — along with British respondents — revealed the strongest pro-foreign investment sentiment, with 69% in each country favoring it.

AMERICANS AND FRENCH REVEALING HIGHER LEVELS OF ANXIETY OVER TRADE AND INVESTMENT

American and French respondents tended to be among the most anxious about international trade and foreign investment (see Chart #4). Majorities of Americans (64%) and French (65%) favored international trade but, along with Slovak respondents, they both expressed the lowest levels of support for it among national respondents. Nearly a third of Americans and French did not favor international trade. Fewer respondents in both France (37%) and the United States (60%) supported freer trade, compared to the United Kingdom (84%), Poland (78%), Germany (74%), Italy (75%), and Slovakia (72%).

American and French respondents also appeared to be relatively less confident in the potential benefits of freer trade compared to other nationalities. Seventy-three percent of Americans and 68% of French believed freer trade enables their businesses to tap new markets compared to 81% or more of others who took this view. Sixty-three percent of Americans and 55% of French believed that freer trade makes the world more stable compared to 81% of Polish, 78% of Italian, 76% of German, 75% of British, and 68% of Slovak respondents. When asked if trade barriers should be kept to protect our businesses against risk even if this means forgoing faster economic growth, American and French respondents were among the most supportive of this idea. American and French respondents also expressed the least support for FDI.

FRENCH EMBRACE TRADE WITH THE EU, POOR COUNTRIES, AND AFRICA

Despite lower levels of support among French respondents for trade generally compared to other nationalities,

this was not the case when asked about trading with the European Union, poor countries, and Africa. French support for the free movement of people, goods, and services within the European Union was in line with the European average (72%). French — along with British respondents — showed the strongest support for lowering barriers between EU and Africa as a means to addressing modern threats like unstable states and poverty.

Seventy-seven percent of French respondents supported promoting international trade with poor countries, consistent with the overall European average (76%). Along with the Germans, French respondents showed the strongest disagreement with the idea that lowering barriers between the European Union and Africa would result in job loss in the EU. Sixty-five percent of German and 63% of French respondents saw no link between job loss at home and greater EU-Africa trade liberalization.

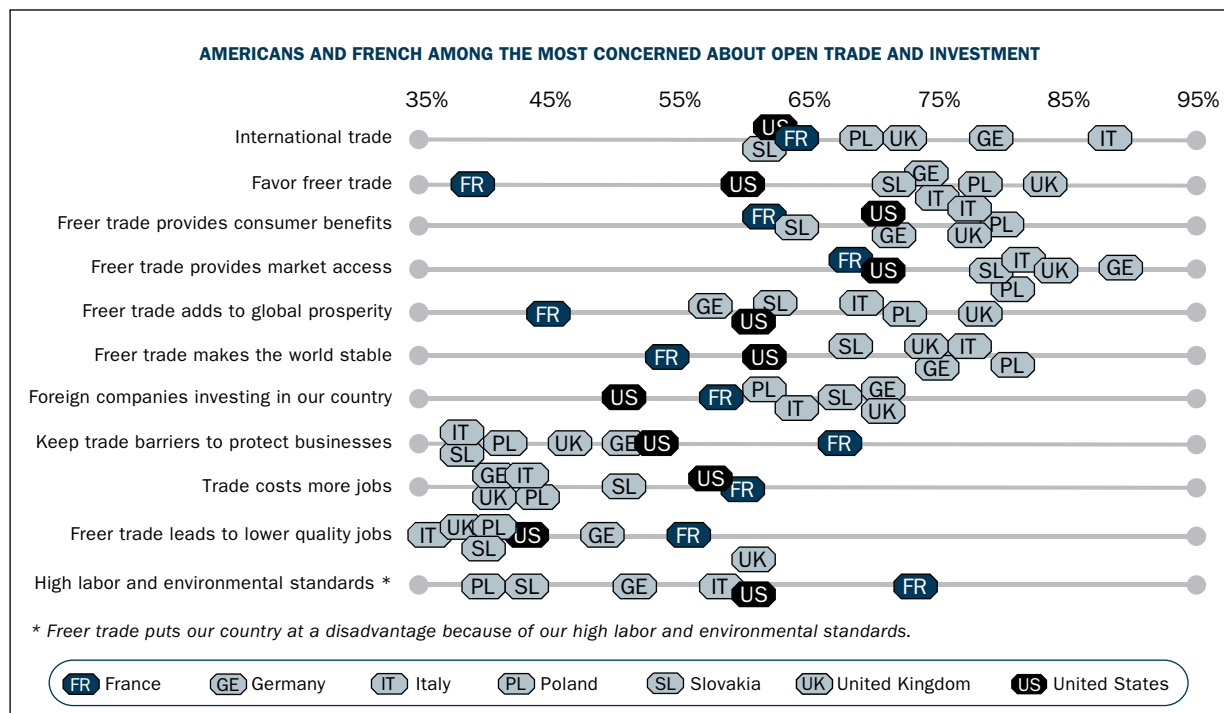


Chart 4

INDIA AND CHINA

India and China are growing economies with expanding and increasingly sophisticated consumer markets. Both countries are viewed as attractive low-cost locations for investment and outsourcing among American and European businesses. They have become global economic players, forecasted to contribute growing shares to global trade and gross domestic product (GDP) over the next few decades. Economic competition from these markets will only intensify, creating both opportunities and challenges for the rest of the world.

MORE VIEW INDIA AS OPPORTUNITY DESPITE GROWING SERVICE SECTOR

In every country, except Poland, more respondents viewed India as an opportunity than those who saw it as a threat. India's vibrant information technology and services sectors have made it a global leader in these industries. Jobs that could move overseas to India extend beyond just manufacturing to high-value-added activities, namely white-collar jobs. However, Americans and Europeans tend to not view the growth of India's economy as much of a threat as China's economy (see Chart #5). Given India's tremendous service sector and outsourcing potential, and despite the fact that most respondents consider outsourcing the leading factor behind job loss, only about a third of Americans and Europeans viewed India as a threat.

EXCLUDING BRITISH, EUROPEANS MORE THREATENED BY CHINA THAN AMERICANS

About half of Americans saw the growth of China's economy as a threat, while 55% of Europeans felt the same. However, the European average was tempered by the extremely bullish sentiment of the United Kingdom; where only 34% of British respondents saw China as a threat and nearly 60% saw it as an opportunity. Sixty-four percent of French, 62% of Slovak, 60% of Italian, 59% of Polish, and 57% of German respondents felt threatened by the growth of the Chinese economy. British and American respondents expressed the strongest optimism toward China among all nationalities. However, British respondents distinguished themselves as having the only majority confident about competing with China.

Perceptions of the challenge posed by China were reflected, to some degree, in responses to other questions. One in five Europeans (22%) who supported a transatlantic marketplace initiative thought that the most important reason for doing so was in order to protect their economies from competition with China. Only 13% of Americans said the same. This seems to further confirm relatively greater concern over China among Europeans compared to Americans. Separately, when asking Americans and Europeans possible policy responses aimed at helping workers displaced by trade, 63% of Americans and 55% of Europeans agreed that encouraging China to appreciate its currency would be helpful.

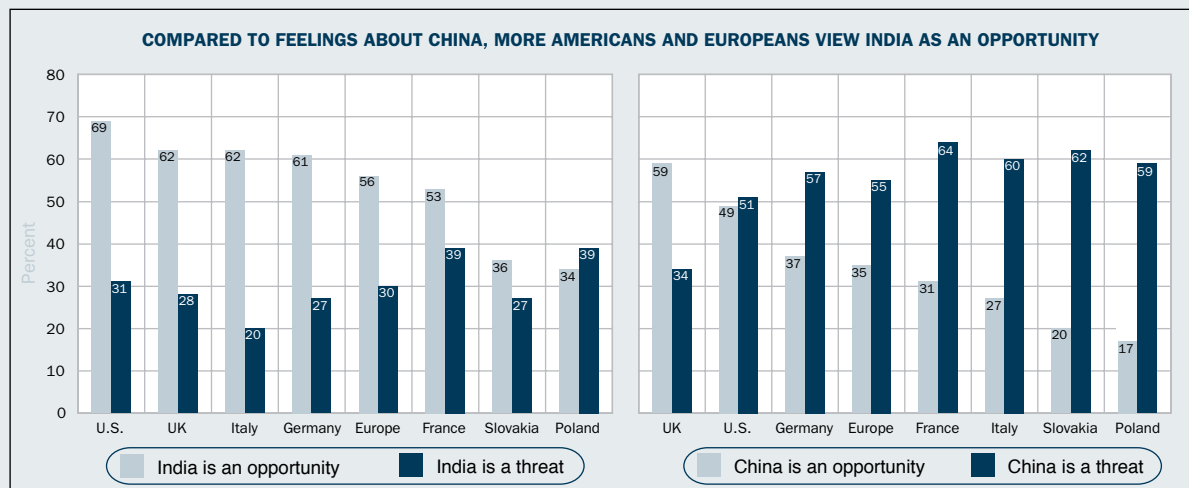


Chart 5

Section Two: Global Challenges and Responsibilities

Despite billions of dollars spent on foreign assistance programs over the past 50 years, many countries remain underdeveloped and potential sources of instability. Those countries that have seen economic advances and notable reductions in poverty have often done so without significant donor assistance as a share of their income — namely China, India, South Korea, Singapore, and Taiwan. These nations along with a few other middle-income countries are now “catching-up.” However, numerous countries, most of which are located in Africa, suffer from a vicious cycle of economic stagnation, poverty, and insecurity. Some seek to increase aid, while others aim to reexamine the effectiveness of foreign assistance given past performance. In addition to aid, trade is also considered an important dimension in the economic development puzzle. The Doha Round of the WTO negotiations represents an opportunity to adjust the global trading system in a manner that supports development. Addressing these global challenges and responsibilities not only has moral, but also foreign policy implications.

MORAL IMPERATIVE, ECONOMIC GROWTH TOP REASONS FOR GIVING AID

Alleviating poverty and fighting health problems like HIV/AIDS are among the top reasons for giving aid to poor countries: 49% and 37% of Americans and 59% and 46% of Europeans, respectively indicated these as their top reasons for giving aid. However, supporting economic growth was also considered among the leading reasons for giving aid, with just over a third of American and European respondents citing this as their top reason for giving aid. While the moral challenge of addressing poverty and major health issues in the developing world is an important factor in driving American and European support for aid, the practical necessity of supporting economic growth is also.

There are also some interesting differences when examining secondary reasons for giving aid. For Europeans, their next most important reasons for giving aid were democracy promotion, helping poor countries trade, and helping with natural disaster relief — all three were assigned about equal amounts of importance (roughly 30%). For Americans, their next most important reasons for giving aid were contributing to global stability (35%), helping with natural disaster (32%), and preventing breeding grounds for terrorism (31%). Global stability was just as important as fighting health problems and supporting economic growth when giving aid for American respondents.

Thirteen percent of Americans ranked gaining political allies among their top reasons for giving aid — more than twice as many Americans took this view than did Europeans (5%). Helping with disaster relief is important for both Americans and Europeans as a primary reason for giving aid. But, these other secondary reasons seem to reveal fundamentally different views on aid priorities with Europeans keen on democracy and trade and Americans focusing on global stability and preventing terrorism.

GERMANS, FRENCH, ITALIANS ADVOCATE DEMOCRACY AND GOOD GOVERNANCE AID

Compared to other respondents, Germans, French, and Italians indicated the highest levels of support for democracy promotion as a reason for giving aid. Respondents from these three European countries along with the United Kingdom expressed the highest confidence levels in the idea that development assistance strengthens democratic institutions in developing countries — German (77%), French (76%), Italian (74%), and British (72%) respondents. Polish and Slovak respondents showed somewhat lower confidence in the pro-democracy impact of aid with 64% and 63% respectively, having taken this position, similar to Americans (64%).

When asked whether the level of aid to poor countries should be linked to the efforts these countries make to promote a democratic government, 91% of Italian, 89% of French, and 85% of German respondents also agreed with this policy. When asked whether the level of aid to poor countries should be linked to the efforts these countries make to fight corruption, 92% of Italian, 91% of German, and 90% of French respondents agreed with this policy, representing the highest levels of support among all nationalities (see Chart #6).

GERMANS WARY OF AID OVERALL

Despite the fact that Germans are very supportive of aid as a tool for democracy promotion, when asked whether or not they favored providing development assistance to poor countries, German respondents showed the lowest support. While 75% of Europeans and 66% of Americans

supported aid, only 55% of Germans favored it. This is a continuation in the decline for support for aid among Germans over the past three years (69% in 2005 and 58% in 2006). German respondents revealed the least faith in their own government to be primarily responsible for delivering aid; only 5% of respondents indicated that individual European governments should be primarily responsible for delivering aid, compared to 12% of Europeans on average. A little more than half of German respondents (54%) expressed support for multilateral organizations like the World Bank and the UN overseeing aid delivery, the highest percentage among all nationalities.

Germans — along with French respondents — indicated the highest support (about 60%) for increasing the effectiveness of aid rather than increasing current aid levels. Again this year, German respondents indicated the least support

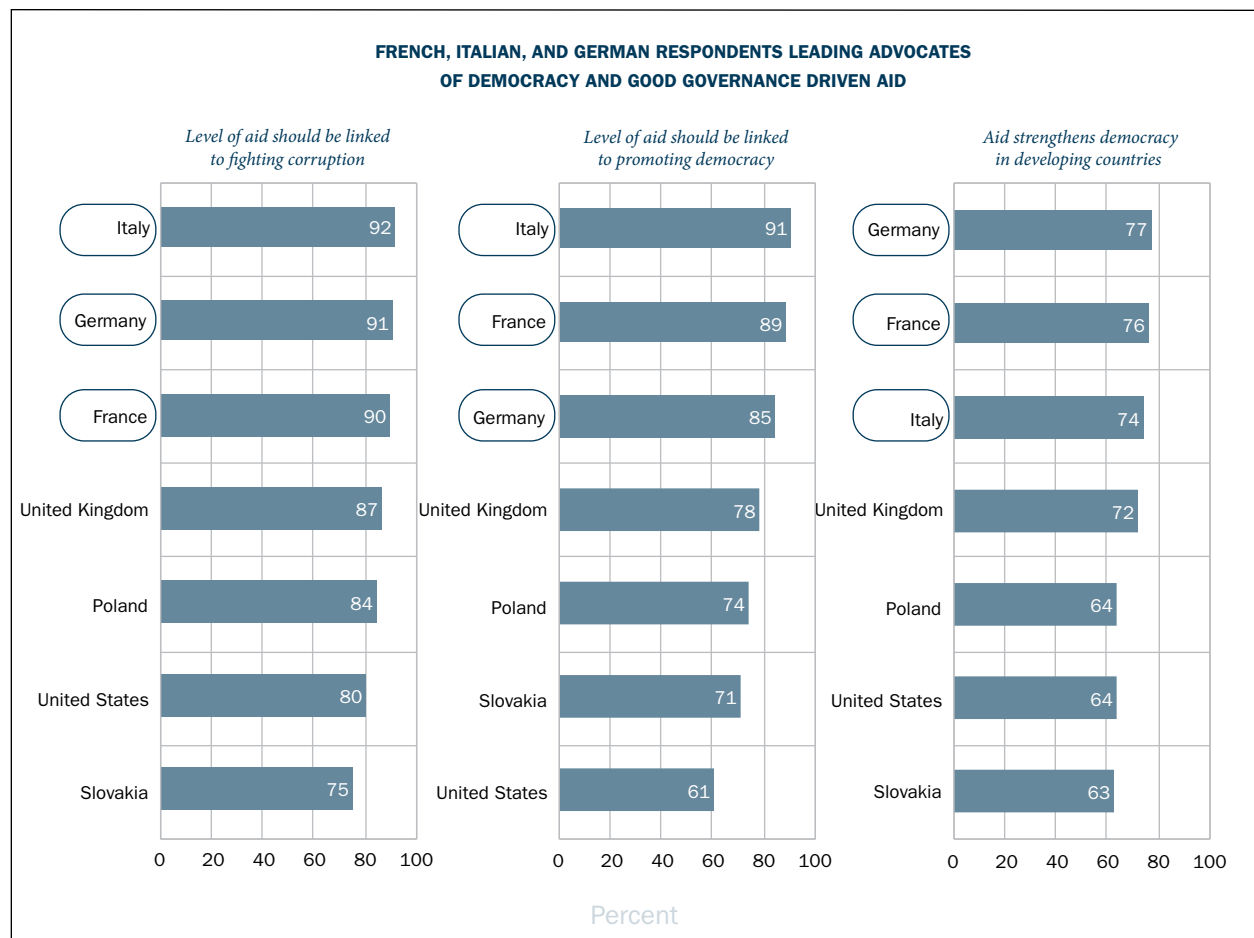


Chart 6

for poor countries setting their own priorities for how development assistance is spent — only 57% of Germans took this view, compared to 70% of all respondents.

STRONG SUPPORT FOR AID AND TRADE AS FOREIGN POLICY TOOLS

Again this year, majorities of Americans (69%) and Europeans (76%) believed in promoting international trade with poor countries. Support for trading with poor countries was extremely high among Italian (92%) and British respondents (81%). At the same time, majorities of Americans (66%) and Europeans (75%) supported providing development assistance to poor countries, with the greatest number of advocates in Italy (93%) and France (85%).

Most Americans and Europeans continued to believe that freer trade provides for prosperity at home and abroad, it makes for a more stable world, and it strengthens democracy in developing countries. Sixty-four percent of Americans and 73% of Europeans thought

that foreign assistance also strengthens democracy in developing countries. Majorities in nearly every country believed freer trade and foreign assistance lead to these foreign policy benefits.

MORE SEE THREAT REDUCTION FROM LOWERING BARRIERS WITH AFRICA THAN THOSE WHO SEE JOBS LOST

More Americans and Europeans believed that lowering barriers with Africa could help address modern threats like unstable states and poverty than do those who think it will negatively impact jobs at home (see Chart #7). Majorities in all countries except Slovakia agreed that lowering trade barriers between the European Union and Africa could address these global challenges — with British and French respondents expressing the greatest faith in the power of trade liberalization to help address these modern threats. Majorities in Germany, Italy, and France believed that lowering barriers with Africa will not lead to job loss at home. The remaining respondents were fairly divided over the impact that lowering trade

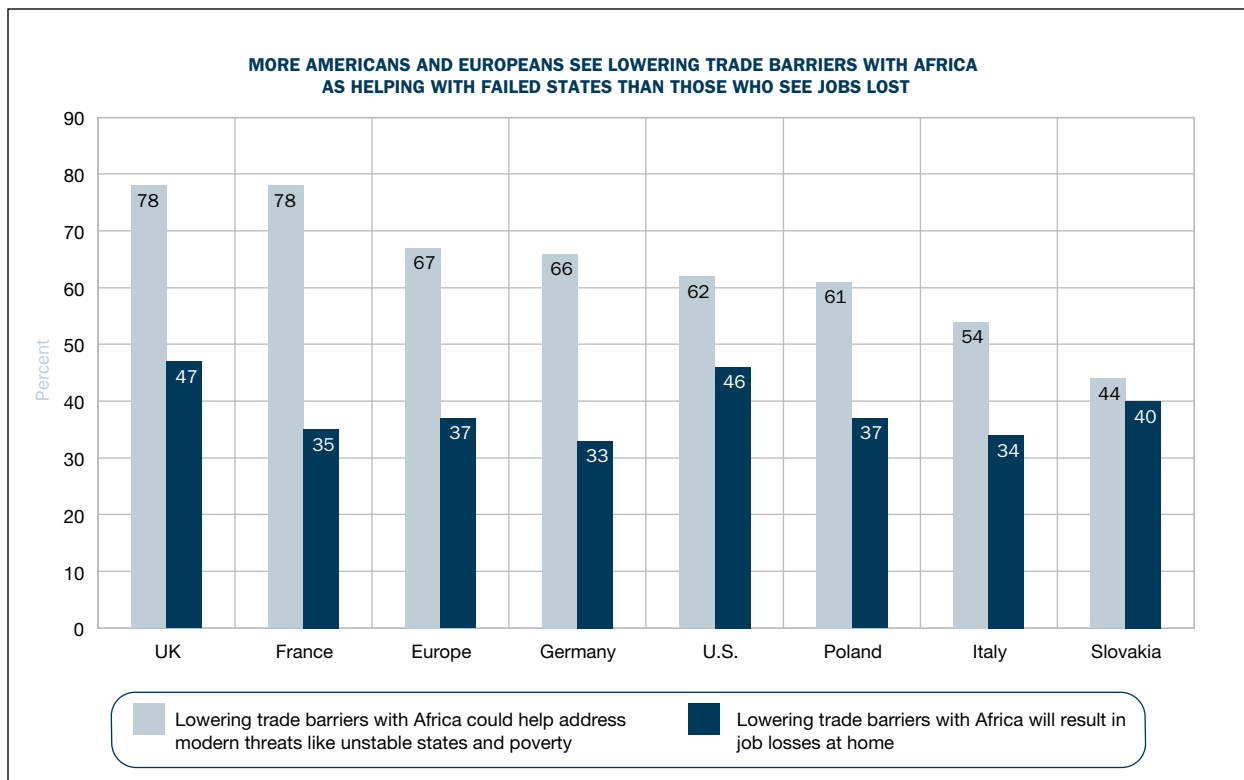


Chart 7

barriers with Africa might have on jobs, with no clear majority agreeing or disagreeing with this statement.

AMERICANS REMAIN ENGAGED BUT SHYING AWAY FROM GLOBAL RESPONSIBILITIES

Majorities of Americans still favored trade with and aid to poor countries, and this support is seen among both Democrats and Republicans. However, American support has waned slightly in 2007. Sixty-nine percent of Americans supported promoting international trade with poor countries compared to 75% in 2006. Also, compared to last year, fewer Americans believed freer trade leads to shared prosperity, global stability, and democracy in developing countries. While 65% of Americans believed trade helps democracy in developing countries in 2006, only 55% did so in 2007.

In most cases, diminished support occurred among both Democrats and Republicans across these questions. The largest declines among Democrats and Republicans occurred in support for freer trade and strengthening democracy in developing countries (65% to 54% for Democrats and 71% to 61% for Republicans, respectively). Republican support for promoting international trade with poor countries dropped from 78% to 68%, compared to 73% to 69% among Democrats.

This year, 66% of Americans supported providing development assistance to poor countries, compared to 72% in 2006. Sixty-one percent of Americans believed the level of aid should be linked to country efforts to promote democratic governments (down from 70% in 2006), and the lowest number among all responding nationalities. Americans also expressed diminished support for letting poor countries set their own priorities when spending aid (64% compared to 70% in 2006). Enthusiasm for linking the level of aid to countries fighting terrorism also declined slightly — 73% to 69% (see Chart # 8).⁴

⁴ Although in some cases these declines are within the margin of error, they are noteworthy given the overall trend.

INTERNATIONAL ORGANIZATIONS SEEN AS BEST DELIVERY PLATFORMS FOR DEVELOPMENT ASSISTANCE

Pluralities of Americans and Europeans preferred that multilateral organizations like the World Bank and UN be primarily responsible for delivering development assistance (37% of Americans and 46% of Europeans took this view). Although the bulk of American and European foreign assistance is bilateral, only 17% of Americans and 12% of Europeans believed that their own governments should be primarily responsible for delivering development assistance. One in five Europeans believed that the European Union should have primary responsibility for development assistance, more than those Europeans who supported individual European governments having this responsibility.

AMERICANS AND EUROPEANS WANT MORE EFFECTIVE AID, BUT AID INCREASES TOO

When asked whether current U.S. and EU aid levels should be increased or not be increased but made more effective to alleviate poverty, nearly half of Americans (45%) and Europeans (49%) favored holding current aid levels and making aid more effective. However, within Europe there are some differing opinions. The biggest support for not increasing aid and making current aid more effective was seen in Germany (61%) and France (59%). Only about one-third of Italian (38%), Polish (36%), and Slovak (34%) respondents took this view. About half of respondents in each of these countries instead preferred increasing aid levels to help alleviate poverty. British respondents were divided with 47% supporting more aid and 42% supporting more effective aid without increasing it (see Chart #9). Twenty-eight percent of Americans stated they support the European Union and United States increasing aid. A number of Americans spontaneously stated that they preferred both options — increases in the quantity and quality of aid (about 12% compared to only 3% of Europeans). A small but notable number of respondents indicated that they did not support aid: 8% of American and British and 4% of European respondents stated that they did not support development assistance.

**FEWER AMERICANS SUPPORT AID AND TRADE AS TOOLS FOR DEVELOPMENT
AND EXPECT DEMOCRACY, SHARED PROSPERITY, AND GLOBAL STABILITY**

2006-2007

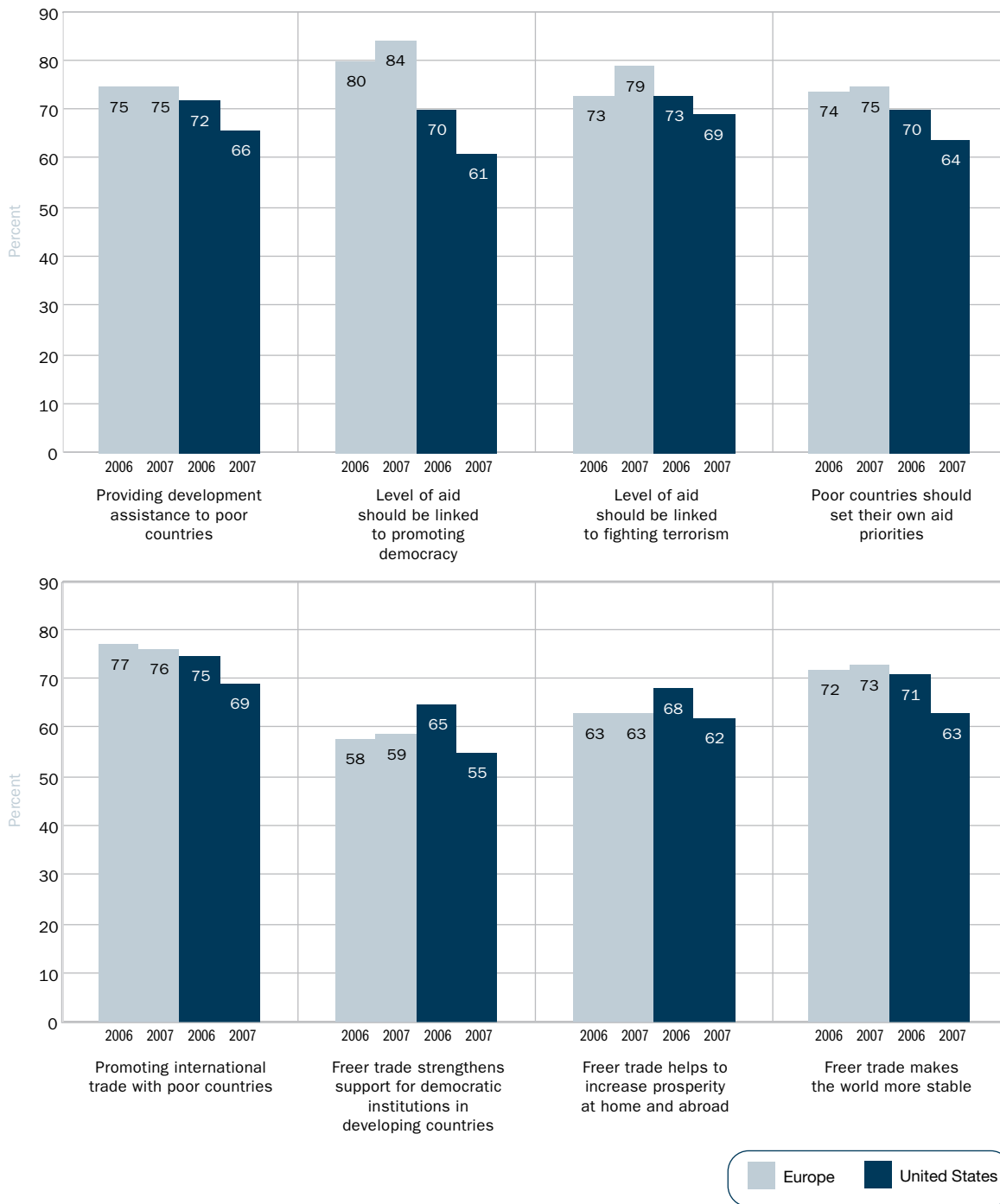


Chart 8

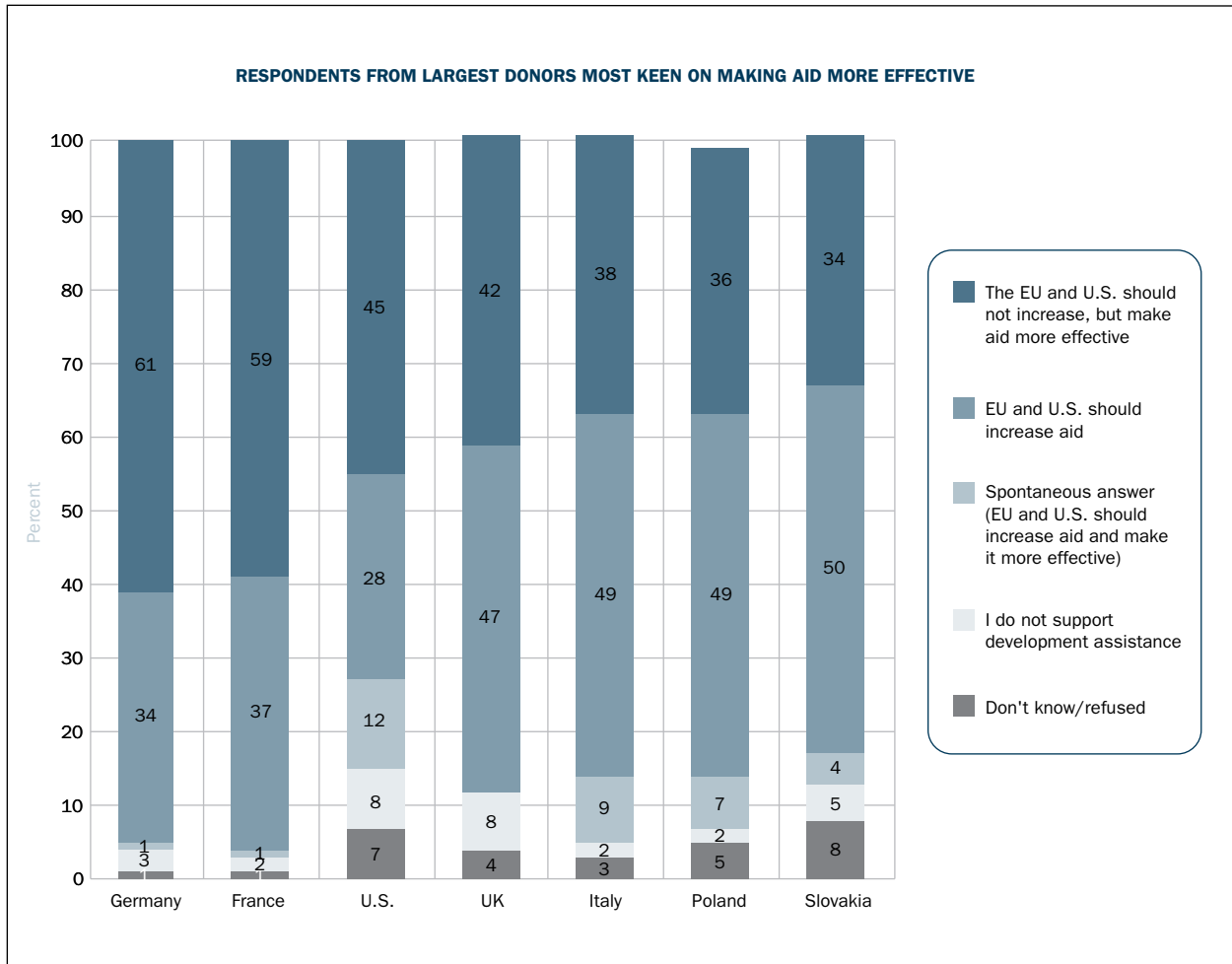


Chart 9

TRANSATLANTIC SUPPORT FOR AID “CONDITIONALITY,” BUT LOCAL OWNERSHIP ALSO IMPORTANT

Majorities of Americans and Europeans agreed that the level of aid should be linked to efforts these countries make to fight poverty (83% and 91%), corruption (80% and 89%), and terrorism (69% and 79%), promote democracy (61% and 84%), and open their markets to international trade (68% and 75%). However, majorities of Americans (64%) and Europeans (75%) also believed that poor countries should set the priorities for how foreign assistance is spent in their own countries.

Within the United States, questions over aid conditionality and local ownership in spending aid funds revealed some interesting differences among Democrats and

Republicans. Ninety-one percent of Republicans and 77% of Democrats believed fighting corruption should be linked to aid. Seventy-two percent of Republicans and 53% of Democrats thought that promoting democratic governments should be linked to aid. Seventy-eight percent of Republicans and 65% of Democrats agreed that efforts by countries to open their markets should be linked to aid. Eighty-six percent of Republicans and 63% of Democrats believed that countries’ efforts to fight terrorism should be linked to aid. Republicans revealed less willingness to let poor countries set their own priorities when spending aid; 59% of Republicans agreed with this compared to 71% of Democrats.

AGRICULTURE

The United States and the European Union spend billions of dollars each year on domestic agriculture support. Coupled with other policies, this support makes agriculture one of the most highly distorted sectors in the global trading system. This can have detrimental effects on poor countries, many of which rely heavily on farming and related economic activities. Agriculture is a central part of the Doha Round of WTO negotiations, given that this round is intended to be focused on development and so many of the world's poor derive their income from farming. Three out of four poor people in the developing world live in rural areas — 2.1 billion living on less than \$2 a day and 880 million on less than \$1 a day — with the vast majority of these individuals depending on agriculture for their livelihoods. Knowing the reasons behind support for such policies can help inform these ongoing policy discussions.

FOOD SAFETY TOP PRIORITY FOR AGRICULTURE SUPPORT, BUT NOT BY MUCH

When asked what should be the top priority when providing domestic agriculture support, 27% of Americans believed that ensuring food safety should be a top priority. Twenty-one percent of Americans said ensuring a plentiful food supply and 17% said preserving the small family farm are the top priorities. However, Europeans were split between ensuring food safety (21%), preserving small family farms (20%), and protecting the environment (19%) as their top priorities when providing agriculture support. (See chart #10)

AMERICANS FAVOR FOOD SUPPLY WHILE EUROPEANS FAVOR THE ENVIRONMENT

Only 13% of Europeans said that ensuring a plentiful food supply is their top priority for agriculture support, compared to 21% of Americans. Only 12% of Americans indicated that protecting the environment is their top priority for agriculture support, compared to 19% of Europeans. The momentum behind the CAP

reforms of the European Union and the movement toward “greener” and less trade-distorting activities seems to be reflected in stronger European views on the environment when supporting farms. Relatively stronger support for ensuring food safety could reflect American concerns resulting from recent food scares and Chinese food imports.

MARKET PROTECTION AND EMERGENCY RELIEF ELICIT LIMITED SUPPORT

Some of the leading arguments behind support to domestic agriculture did not gain that much traction among Americans and Europeans. Insuring farmers against unpredictable market conditions and providing emergency relief seem to carry less importance. Only 8% of Americans and 14% of Europeans believed that insuring farmers against unpredictable market conditions should be the top priority for the government when making these payments. Only 9% of Americans and 10% of Europeans believed that providing emergency relief for farmers should be the top priority.

EUROPEANS DIFFER OVER HELPING SMALL FAMILY FARMS

Helping the small family farm is a factor in some surveyed countries. About 17% of Americans indicated preserving small family farms as their top priority when providing agriculture support. Among all nationalities, the largest advocates of targeting the small family farm with agriculture support were among the big agriculture producers of Europe — Germany (29%), Poland (23%), and France (19%). In Germany and Poland, helping the small family farm was the most important priority for agriculture support. In France, this was not the case though; French respondents preferred helping the environment (27%) and food safety (23%) above all other priorities. Seventeen percent of British, 10% of Slovak, and 8% of Italian respondents considered helping small family farms to be their top priority for domestic agriculture support.

FOOD SAFETY A TOP PRIORITY FOR AMERICANS WHEN GIVING AGRICULTURE SUPPORT, BUT EUROPEANS HAVE MULTIPLE PRIORITIES*

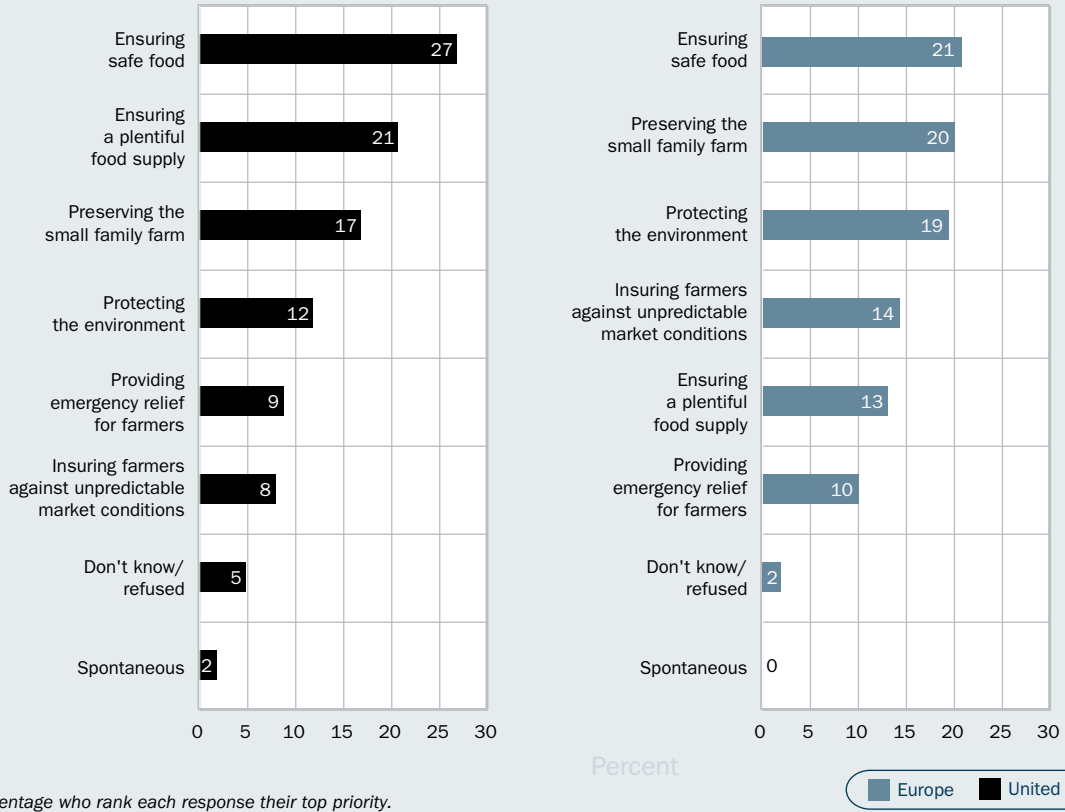


Chart 10

Section Three: Job Fears and Policy Responses

Trade Adjustment Assistance (TAA) in the United States and the European Globalization Adjustment Fund (EGF) in the European Union represent policy responses to concerns over trade impacting jobs. Each considers a variety of ways to help workers that become unemployed due to trade. However, what do Americans and Europeans fear most about losing a job? Many of the policies that determine the level of U.S. and European global economic engagement — through trade, investment, and immigration — are being influenced by questions over what causes job loss. Many economists argue that corporate restructuring due to domestic competition and business cycles, changes in consumer preferences, and technology changes are the key sources of job loss (and creation). Nevertheless, outsourcing, trade, immigration, and even currency manipulation by other countries have been identified as sources of job loss in the public discussions and in the media. What do Americans and Europeans see as the leading source for job loss?

AMERICAN JOB FEARS COMPLICATED BY HEALTHCARE

When asked “were you to lose your job, what would be your greatest fear,” Americans and Europeans agreed that the inability to find a new job is their biggest fear. However, 38% of Europeans compared to 29% of Americans took this view, revealing just how much more anxious Europeans are about trying to find a new job than Americans.

Having to take lower wages in a new job was also indicated by many Americans and Europeans as a notable fear (23% of Americans and 25% of Europeans). Americans and Europeans seem to hold similar levels of anxiety over wage loss. However, unlike most Europeans, Americans face concerns over the inability to find a new

job and wage erosion coupled with the loss of healthcare, making it difficult to make direct comparisons. About 22% of Americans compared to only 7% of Europeans feared the loss or reduction in healthcare after losing a job. Being forced to move in search of a new job, having to take a job with a lower status, and losing the respect of your family and neighbors were viewed with less anxiety when losing a job.

“TRADE” NOT AS THREATENING TO JOBS AS OUTSOURCING, IMMIGRATION, AND CURRENCY MANIPULATION

Outsourcing is a form of international trade. However, when Americans and Europeans were asked whether outsourcing or trade causes job loss, outsourcing was seen as being substantially more responsible for job loss than trade (see Chart #11). American, German, French, and Italian respondents indicated outsourcing was the top reason for job loss. Just under half of British respondents took this view (46%). Polish and Slovak respondents revealed less concern over outsourcing and instead viewed corporate restructuring as being the primary reason for job loss.

Corporate restructuring was seen as the second overall cause of job loss for Americans and Europeans. But, roughly half as many respondents viewed this as a cause for job loss compared to outsourcing, revealing the magnitude of importance Americans and Europeans place on outsourcing as a source of unemployment. Immigration and currency manipulation were also viewed as bigger causes of job loss than trade, with about one quarter of Americans and Europeans having indicated these as leading causes of job loss. French respondents assigned an unusually high importance to currency manipulation (44% compared to 25% for all respondents). Only about one in ten Americans and Europeans considered inter-

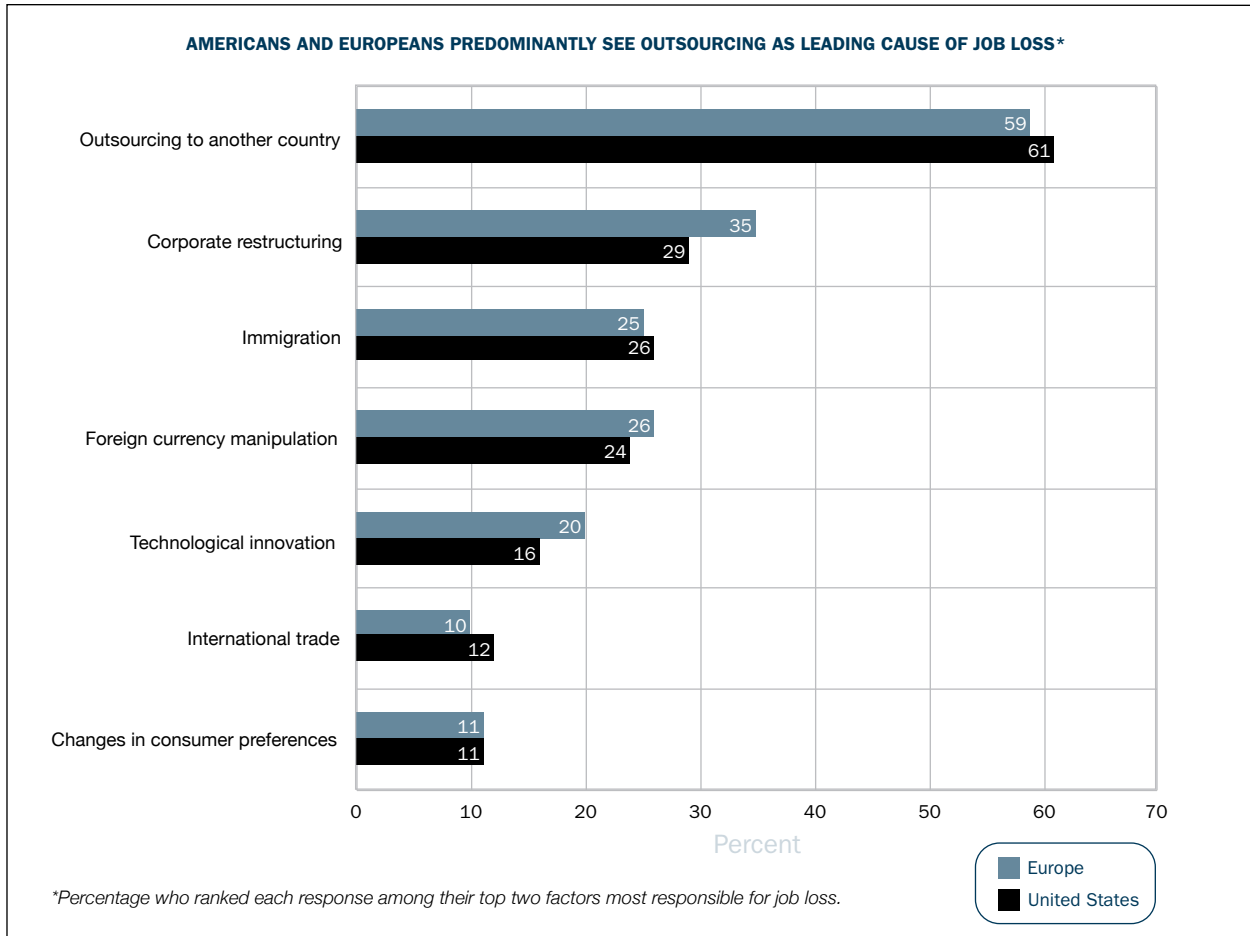


Chart 11

national trade as a leading factor behind the loss of jobs. Trade was considered about as threatening to job loss as changes in consumer preferences.

TRANSATLANTIC SUPPORT FOR EDUCATION, JOB TRAINING, TECHNOLOGY INVESTMENTS, AND WAGE AND RELOCATION SUBSIDIES

U.S. and European policymakers are exploring ways to help workers displaced by trade through training programs, wage insurance, relocation subsidies, and other support mechanisms. Such policies garnered majorities of support among Americans and Europeans. Education, job training, and job-creating technology investments to help trade-displaced workers enjoyed especially high favorability — roughly nine out of ten supported these policies in the United States and Europe. About three out of four Americans and Europeans supported income to

help trade-displaced workers with the cost of moving to another location to find a new job, while 61% and 69% respectively supported compensating workers for lower wages in new jobs.

MANY SUPPORT MORE RESTRICTIVE POLICIES, BUT EDUCATION AND TECHNOLOGY TAKE PRIORITY

Seventy-three percent of Americans and 62% of Europeans believed that limiting outsourcing will be helpful to workers who lose their jobs due to trade. Nearly 40% of Americans and 27% of Europeans considered limiting outsourcing as a “very helpful” option to assist workers who have lost their jobs as a result of international trade. French and Italian respondents also favored this policy option — about one-third of them viewed it as “very helpful.” Limiting outsourcing and immigration were both

preferred by majorities in the United States and Europe — although Americans leaned more favorably toward these policies than Europeans. Sixty-three percent of Americans and 55% of Europeans favored encouraging China to let its currency appreciate as a means to helping trade-displaced workers.

However, “raising barriers to international trade” as a policy response to trade-related job loss gained the lowest level of support; about half of Americans and 42% of Europeans supported this policy response, and 43% of Americans and 51% of Europeans actually opposed this idea. Despite support for these more restrictive policy responses, in most cases more Americans and Europeans favored policies like providing education, job training, investing in new technologies, and worker assistance policies (see Chart #12).

LABOR AND ENVIRONMENTAL STANDARDS SOURCES OF CONCERN

Free trade agreements are evolving and moving into more challenging “behind the border” issues like standards and regulation. Importantly, in the United States, Democrats and Republicans concluded an agreement on May 10, 2007, which helped form the basis for bipartisan consensus on pending trade agreements. Based on this agreement, new provisions on international labor standards and enforcement of multilateral environmental agreements were incorporated into the Peru Free Trade Agreement considered by the U.S. Congress during the 2007 session.

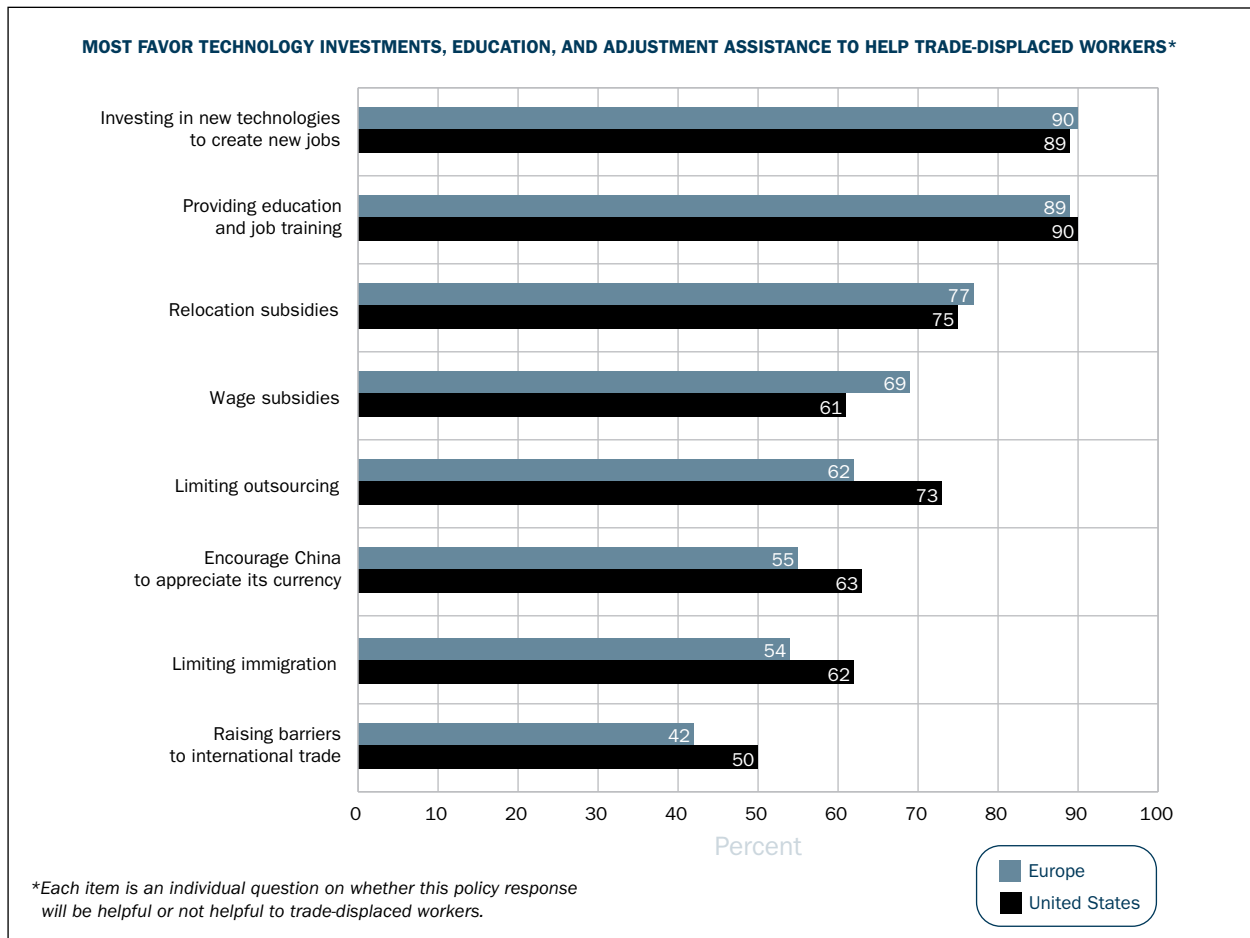


Chart 12

Some have argued that differences in levels of standards in part create an uneven playing field for domestic workers, and that trade agreements can help adjust for these differences. Majorities of Americans (69%) and Europeans (73%) favored including labor and environmental standards in trade agreements because without them companies in developing countries will have an unfair advantage. Fewer believed that putting such standards into trade agreements would result in higher import prices (17% of Americans and 18% of Europeans). West Europeans expressed strong support with 72% or more favoring these standards in trade agreements, while Central Europeans were least supportive — only 64% of Slovak and 54% of Polish respondents favored this approach.

Majorities of Americans (61%) and Europeans (58%) agreed that their high labor and environmental standards put them at a disadvantage when engaging in free trade. France expressed the strongest concern, with three out of four respondents agreeing that freer trade puts France at a disadvantage because of its high labor and environmental standards. Sixty-one percent of British and 58% of Italian respondents also agreed with this position. A slight majority of German respondents favored this policy, while less than half of Slovak and Polish respondents agreed with this (see Chart #13).

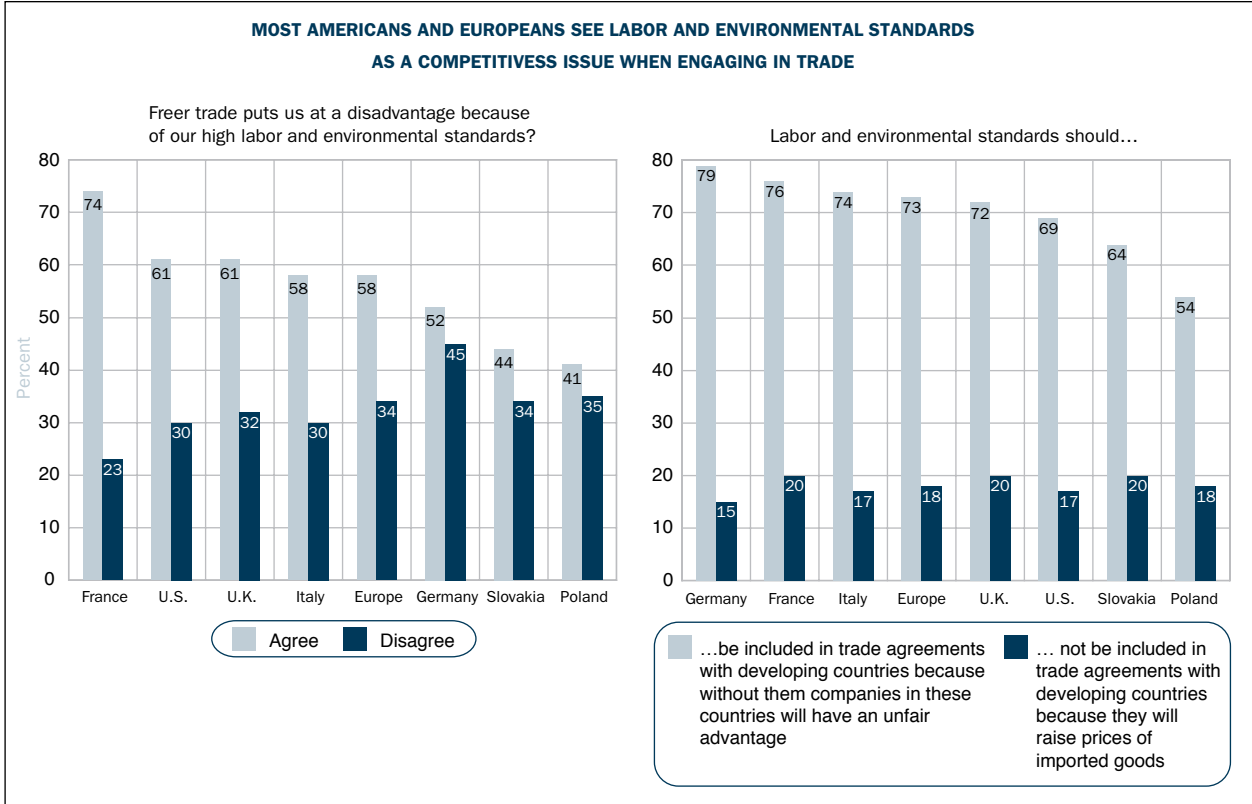


Chart 13

Section Four: Migration

Many developed countries face aging societies with fewer workers available to maintain a vibrant labor force to help drive productivity and economic growth. For some countries, pressures on fiscal, health, and social systems are expected to increase, while a shrinking labor force could limit growth. Some argue that migrant workers can help to mitigate the impact of this demographic decline. At the same time, remittance flows back to developing countries amounted to \$207 billion as of 2006, more than twice as much as total development aid and in some countries representing the leading form of capital inflow. Brain drain is a risk to developing countries, but when immigrant workers return to their home countries to start businesses (i.e. brain circulation) this can spur entrepreneurship and development. Nevertheless, there are challenges associated with integrating migrants economically, politically, and socially in the United States and Europe. How immigrant workers may impact unskilled-worker wages and job opportunities for domestic workers and social service costs are sources of concern. Policymakers on both sides of the Atlantic are exploring ways to manage the opportunities and risks associated with migration.

MOST SEE IMMIGRANT WORKERS AS COSTLY TO SOCIAL SERVICES AND UNSKILLED WORKERS

While some argue that immigrants may offer a long-term solution to the fiscal problems resulting from aging societies, many in the United States and Europe view them as increasing fiscal costs on social services. Sixty-eight percent of Americans and 59% of Europeans viewed immigrant workers as a burden on social services. Aside from Germany, where half of the respondents took this view, majorities in all countries surveyed also agreed with this. Sixty-three percent of Americans and 57% of Europeans believed that immigrant workers reduce the wages of national unskilled workers. Polish and Slovak respondents

expressed the greatest concern over the negative impact on unskilled-worker wages, with 67% and 66% of them respectively having taken this view, and slight majorities in the other countries agreed, except France (41%).

LITTLE CONSENSUS ON THE NEGATIVE IMPACT ON SKILLED-WORKER WAGES

Forty-eight percent of Americans and 39% of Europeans believed that immigrant workers negatively impact domestic skilled-worker wages. At the same time, 47% of Americans and 58% of Europeans did not believe that immigrant workers negatively impact skilled-worker wages. While a majority of Europeans disagreed with the statement that immigrant workers negatively impact skilled-worker wages, Europeans revealed a diverse set of opinions on this issue.

Fifty-seven percent of Polish respondents and about half of Slovak respondents believed that immigrant workers negatively impact skilled-worker wages. However, 73% of French, 71% of Italian, and 55% of British respondents did not believe that immigrant workers negatively impact skilled-worker wages. German respondents were roughly divided on this issue — 47% did and 50% did not believe there was a negative impact of immigrant workers on skilled-worker wages. However, Americans and Europeans were more certain in their views on the impact of immigrant workers on unskilled-worker wages: 63% and 57% of them, respectively, believed they reduce their wages.

AMERICANS MORE FEARFUL OF IMMIGRATION THAN EUROPEANS

More Americans than Europeans expressed concerns over the impact of immigrant workers on social costs (68% vs. 59%), domestic wages (63% vs. 57% for unskilled workers and 48% vs. 39% for skilled workers), and job

opportunities (53% vs. 49%). More Americans (62%) than Europeans (54%) expressed greater support for limiting immigration as a way to help workers who have lost their jobs due to trade. In the context of looking at the transatlantic marketplace, significantly fewer Americans (58%) than Europeans (81%) agreed with making it easier for people to move across the Atlantic to work either in the European Union or the United States. One-third of Americans (35%) opposed transatlantic immigration compared to only 17% of Europeans. European support for transatlantic immigration is driven by strong Italian and Polish enthusiasm for such policies — 91% in each country favored transatlantic worker migration.

REPUBLICANS MORE ANXIOUS OVER IMMIGRATION

More Republicans than Democrats expressed concern over the negative impact of immigrants on domestic-worker wages for unskilled and skilled workers (66% and 55% of Republicans versus 62% and 46% of Democrats). Fifty-nine percent of Republicans believed that immigrants limit domestic job opportunities compared to only 51% of Democrats. Eighty-one percent of Republicans considered immigrants a burden on social services compared to 61% of Democrats. Seventy percent of Republicans compared to 60% of Democrats preferred limiting immigration as a policy response to helping workers displaced by trade.

By a slight margin, Democrats have more confidence in the economic benefits of immigrants than do Republicans. Fifty-six percent of Democrats believed that immigrant workers contribute to the success of industries like science, medicine, and technology compared to 51% of Republicans. Fifty-eight percent of Democrats appreciated the entrepreneurial benefits immigrant workers bring to the economy by creating new businesses compared to 54% of Republicans.

FRENCH AND ITALIANS LESS THREATENED BY IMMIGRANT WORKERS

Although most French (64%) and Italian (63%) respondents believed that immigrant workers are a burden on

social services — in line with the overall respondent average (63%) — citizens in these countries viewed immigrants as less threatening compared to other nationalities. Forty-one percent of French and 54% of Italian respondents believed that immigrants negatively impact unskilled-worker wages — among the lowest level of concern of all respondents. Compared to other nationalities, fewer French (26%) and Italian (26%) respondents believed that immigrants negatively impact skilled-worker wages. Fewer French (41%) and Italian (43%) respondents also believed that immigrant workers limit job opportunities for national workers.

GERMANS AND BRITISH LEAD SUPPORT FOR ECONOMIC GAINS FROM IMMIGRATION

Fifty-two percent of Americans and 57% of Europeans believed that immigrant workers contribute to the success of industries like science, medicine, and technology. This is roughly in line with last year's results. Most of this European enthusiasm comes from German and British respondents, with 74% and 68% respectively agreeing. While about half of the French respondents also agreed that immigrants support these key sectors of the economy, only 46% of Polish, 40% of Italian, and 20% of Slovak respondents did. Sixty-six percent of British and 60% of German respondents agreed that immigrant workers create new businesses that add value to the economy, the highest level of support among all nationalities (see chart #14).

GERMANS WARM UP TO IMMIGRATION

Compared to last year, fewer Germans were fearful of the negative impact of immigrants on worker wages — both skilled and unskilled. Also, fewer Germans saw immigrant workers limiting job opportunities for national workers and fewer Germans saw immigrant workers as a burden on the social system compared to last year. At the same time, more Germans appreciated the economic benefits of immigrant workers — in terms of entrepreneurship and contributing to high-value sectors of the economy — compared to last year.

**GERMAN AND BRITISH RESPONDENTS MOST ENTHUSIASTIC
ABOUT THE POSITIVE IMPACT OF IMMIGRANTS ON THE ECONOMY**

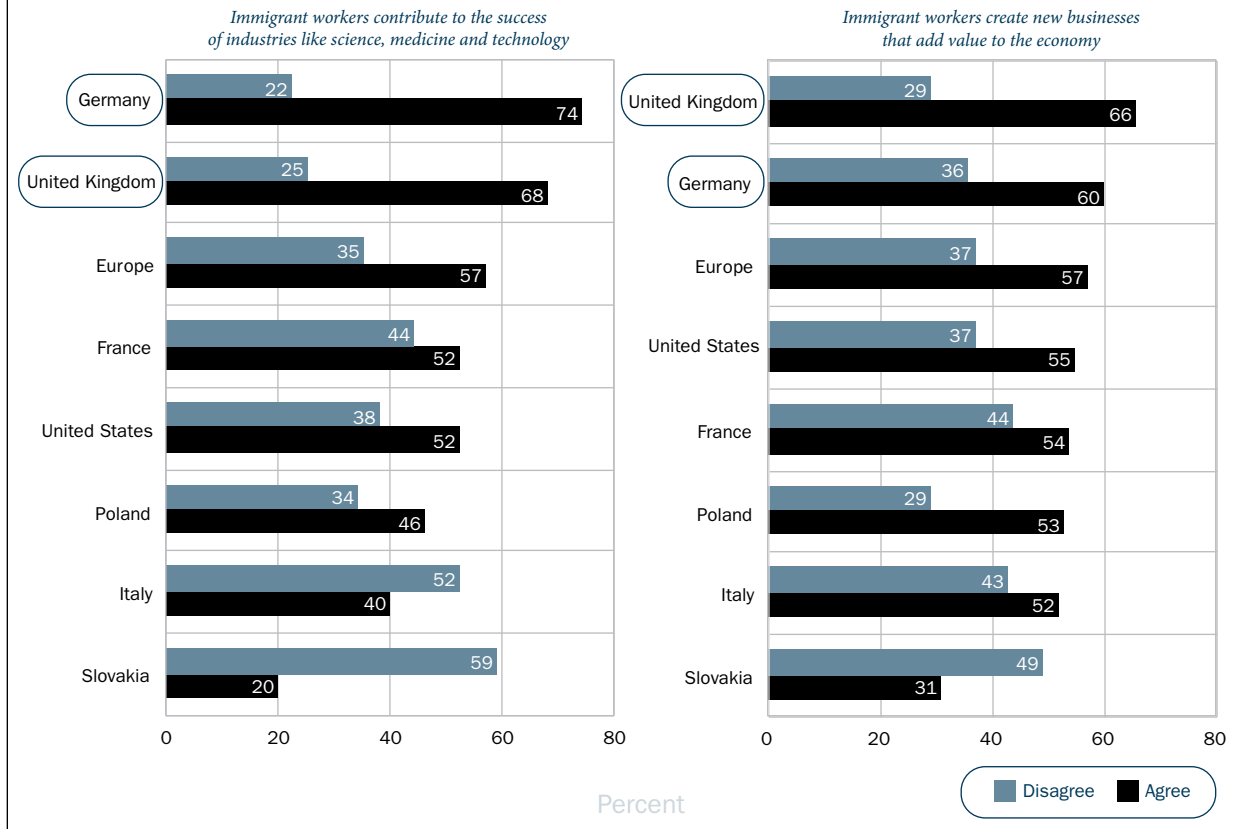


Chart 14

Section Five: Transatlantic Marketplace

The U.S.-EU Summit in April 2007 took a potentially significant step toward deepening the transatlantic marketplace, as the U.S. and European governments agreed to renew efforts at closer cooperation through the creation of a new Transatlantic Economic Council. Angela Merkel, chancellor of Germany and then president of the European Council; George W. Bush, president of the United States; and Jose Manuel Barroso, president of the European Commission, signed a framework agreement for advancing transatlantic economic integration. U.S. and European economies have integrated significantly through massive trade and investment flows since World War II, such that they now represent the world's deepest bilateral trade and investment relationship between continents. As a result, many believe that more economic gains could be achieved through greater integration, and by removing unnecessary regulatory obstacles in areas like intellectual property, accounting, and financial markets. Such cooperation offers an opportunity to accelerate economic growth and create jobs in the United States, Europe, and globally.

MOST FAVOR DEEPENING TRANSATLANTIC TIES AND REGULATORY COOPERATION

Sixty-three percent of Americans and Europeans supported deepening trade and investment between the European Union and the United States. When asked about support for a specific “new effort to deepen the economic ties between the EU and the United States by making transatlantic trade and investment easier,” about two-thirds of Americans and Europeans supported the idea (64% and 69% respectively). Italian (78%) and British (74%) respondents were the most enthusiastic about this initiative, while smaller majorities in all other countries also supported it (68% of Polish, 66% of German, 64% of French, and 57% of Slovak respondents, respectively). About one in four overall opposed this initiative.

When asked about regulatory cooperation in the context of transatlantic economic integration, most Americans and Europeans favored these efforts. Seventy-six percent of Americans and 80% of Europeans favored making their national regulations on products and services as similar as possible to each others. One-third of Americans and Europeans said that they “strongly agree” with regulatory cooperation. European support was broadly favorable: 86% of Italian, 84% of British, 81% of Polish and French, 75% of Slovak, and 71% of German respondents agreed with regulatory cooperation. However, Americans are less eager to engage in full trade and investment liberalization and much less supportive of transatlantic worker immigration compared to Europeans (see Chart #15).

AMERICANS, GERMANS, FRENCH APPREHENSIVE ABOUT LOWERING TRANSATLANTIC BARRIERS

When asked if they agree with removing all remaining barriers to investment and tariffs on goods traded between the United States and the European Union, Americans were divided and Europeans, on average, favored these policies. Forty-six percent of Americans agreed and 44% disagreed with removing all remaining barriers to investment between the United States and the European Union. Fifty-eight percent of Europeans agreed with this policy and only 35% disagreed with it. When asked about removing all remaining tariffs on goods traded between transatlantic partners, 48% of Americans agreed and 43% disagreed with this; in contrast, 61% of Europeans agreed and only 33% disagreed.

Although Europeans are, on average, more upbeat than Americans about lowering barriers to transatlantic investment and trade, this masks differences within Europe. German and French — along with American respondents — were divided over removing investment

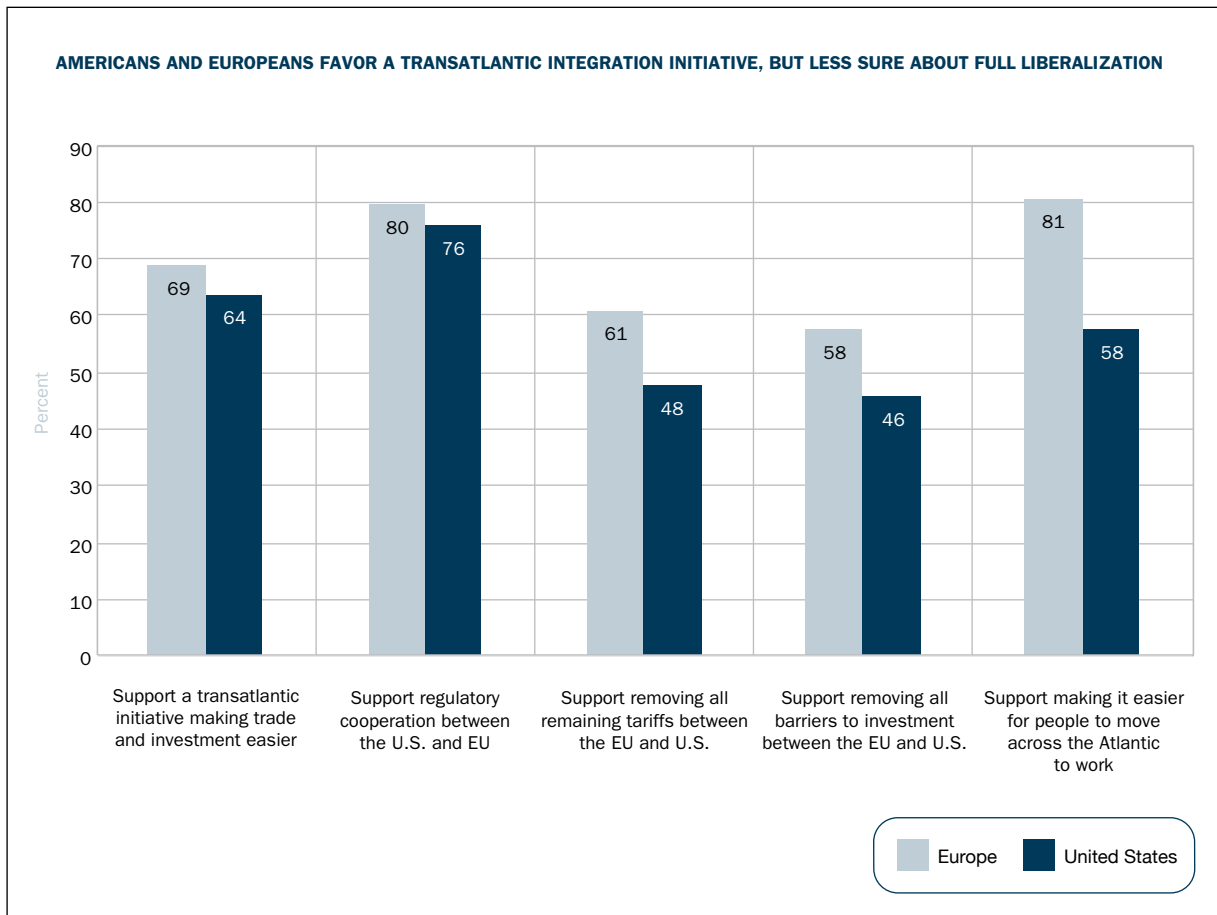


Chart 15

and trade barriers. Fifty-one percent of German and 44% of French respondents agreed with removing all remaining barriers to investment across the Atlantic, while 42% and 53% of them, respectively, opposed this. Fifty-four percent of German and 50% of French respondents agreed with removing all remaining tariffs on goods across the Atlantic, while 42% and 47% of them, respectively, opposed this. Along with American, German and French respondents were more apprehensive about removing trade and investment barriers compared to other respondents.

BRITISH, ITALIAN, POLISH, AND SLOVAK RESPONDENTS LEADING TRANSATLANTIC LIBERALIZERS

British, Italian, Polish, and Slovak respondents were most keen on liberalizing investment and trade between the United States and the European Union. Majorities in these countries favored removing all remaining barriers on investment and goods traded across the Atlantic (see Chart #16).

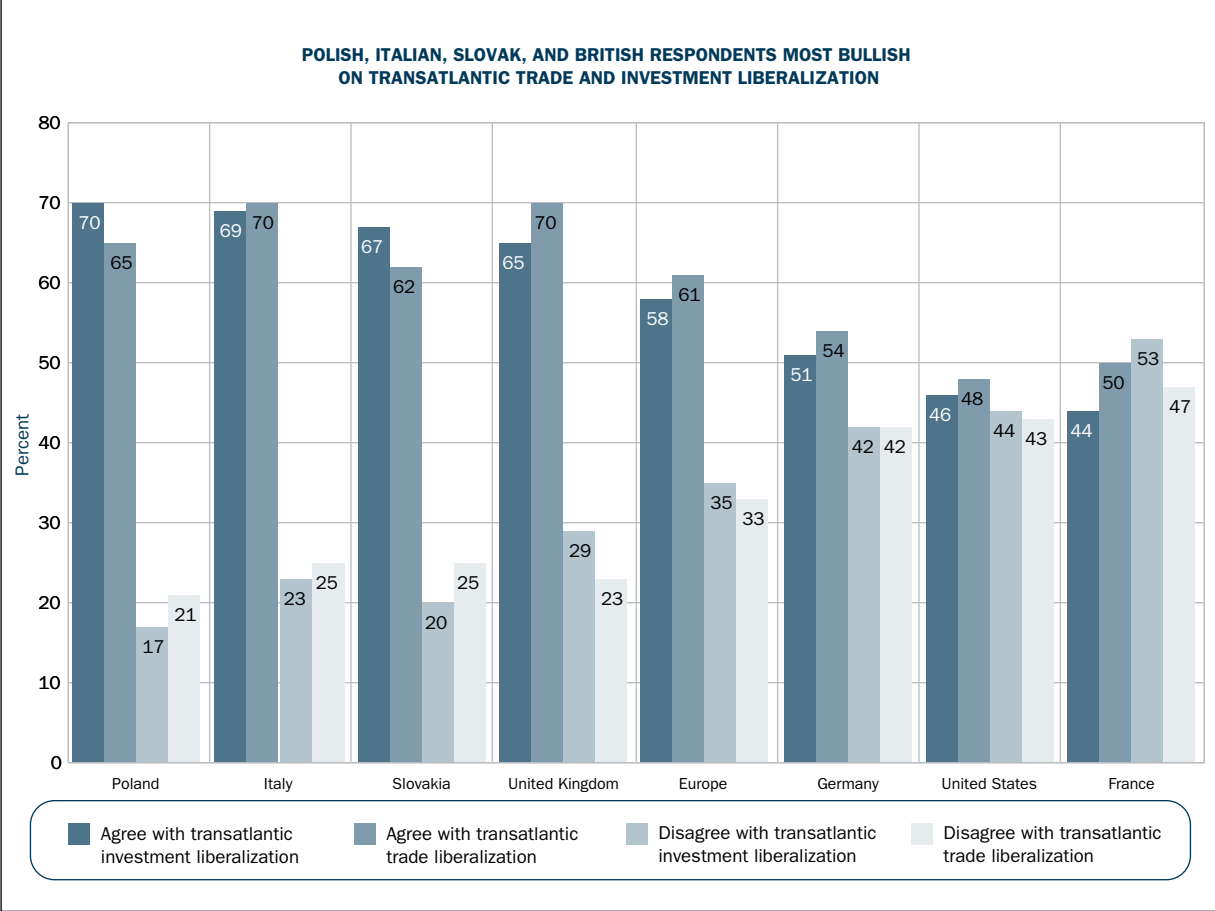


Chart 16

JOINT STANDARD-SETTING, PRODUCTIVITY GAINS TOP REASON FOR TRANSATLANTIC MARKETPLACE

Of those Americans and Europeans who said they supported a transatlantic initiative (64% and 69% respectively), roughly one-third did so because it would help the United States and the European Union set global standards for the world economy. Joint standard-setting was most important to German, French, British, Italian, and American respondents — where 41% of German

and French, 39% of British, 35% of Italian, and 32% of American respondents indicated that as their top reason. The next leading reason for supporting a transatlantic initiative is that it would help make American and European economies more productive — 28% of Americans and 24% of Europeans noted this when asked why they support this initiative. Helping build stronger diplomatic ties between the United States and the European Union was indicated by one in four Americans (24%), but only 15% of Europeans stated that is why they support this initiative (see Chart #17).

FOR SOME EUROPEANS, CHINA A FACTOR IN SUPPORT FOR TRANSATLANTIC MARKETPLACE

Among those that support a transatlantic initiative, fewer Americans than Europeans stated that they did so because it would help protect their economies against competition from China. Only 13% of Americans supported it for this reason, the lowest response among all nationalities. However, 22% of Europeans did see a transatlantic initiative as a means to protecting their economies from competition from China. Twenty-eight percent of French and Polish respondents saw this as the most important reason for supporting a transatlantic initiative, and a quarter of Italian and Slovak respondents did the same. Only 16% of German and British respondents took this position.

FEARS OVER SOVEREIGNTY LEADING REASON FOR OPPOSING TRANSATLANTIC MARKETPLACE

Of those that said they oppose this initiative (25% of Americans and 23% of Europeans), pluralities indicated that they did so because it would give the other respective economy too much influence over their own economy. But, there are differences between transatlantic partners. While 46% of Europeans took this view, only 30% of Americans did. This question of sovereignty was more critical to Europeans than Americans, largely driven by concerns among British (61%) and Slovak (55%) respondents. That said, pluralities in all other European nations (within a range of 42% to 44%) indicated this as their top reason for opposing a transatlantic initiative.

The remaining Americans and Europeans stated that they oppose a transatlantic initiative for other reasons: the need to deepen trade and investment ties globally, not just between the U.S. and EU; more trade and investment would damage our economies; and it might harm developing countries by excluding them.

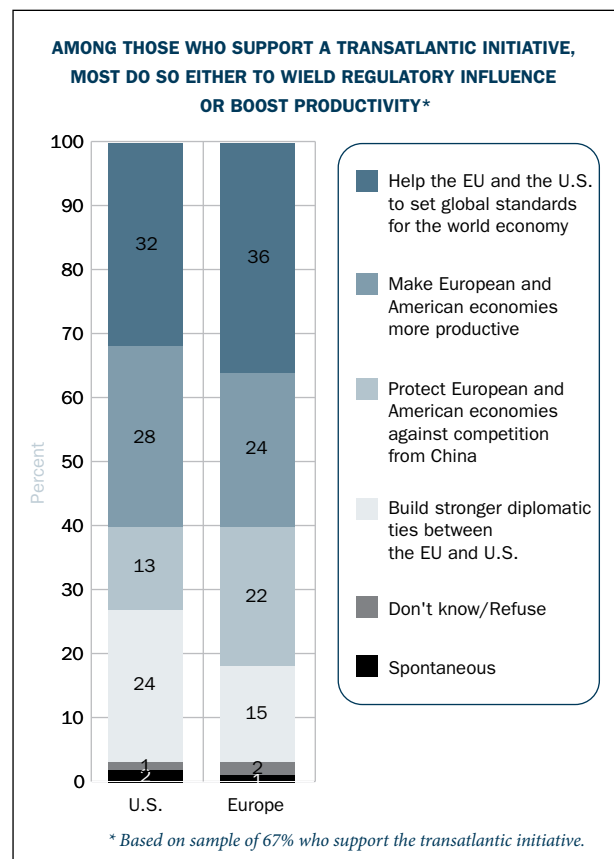


Chart 17

BIOFUELS

In November 2007, the United States and the European Union agreed to a provisional framework for setting common standards for trading biofuels, the first to be made in the wake of forming the new EU-U.S. Transatlantic Economic Council. The promise of energy independence and environmental benefits from biofuels are driving interest in alternative energy. However, the use of subsidies, tax credits, and other measures to encourage biofuel production and the potential impact of higher food stock prices have raised questions.

EXPECTATIONS OVER BIOFUEL BENEFITS COULD BE OUT OF PROPORTION

Americans and Europeans showed relative confidence that biofuels will help deliver energy independence and mitigate climate change. Concerns over energy shortages, dependence on foreign oil, global warming, rural development, and the future of agriculture have

helped to increase interest in biofuels in recent years. Eighty percent of Americans and 71% of Europeans agreed that biofuels will help reduce national dependence on other countries for energy. Americans' heightened sense of overdependency on foreign energy sources seems to be evident in these results. Sixty-five percent of Americans and 68% of Europeans agreed that biofuels will help address climate change. (See Chart #18)

However, the environmental and national security benefits of biofuels are not certain. Significant investments are being poured into biofuel activities, in part the result of preferential policies and incentives. But, the actual environmental impact and the likely fossil fuel displacement potential from such investments are in question. That said, most Americans and Europeans do understand some of the downsides associated with biofuels. Sixty-four percent of Americans and 56% of Europeans also believed that biofuels will in fact increase food prices due to increased demand for agriculture products.

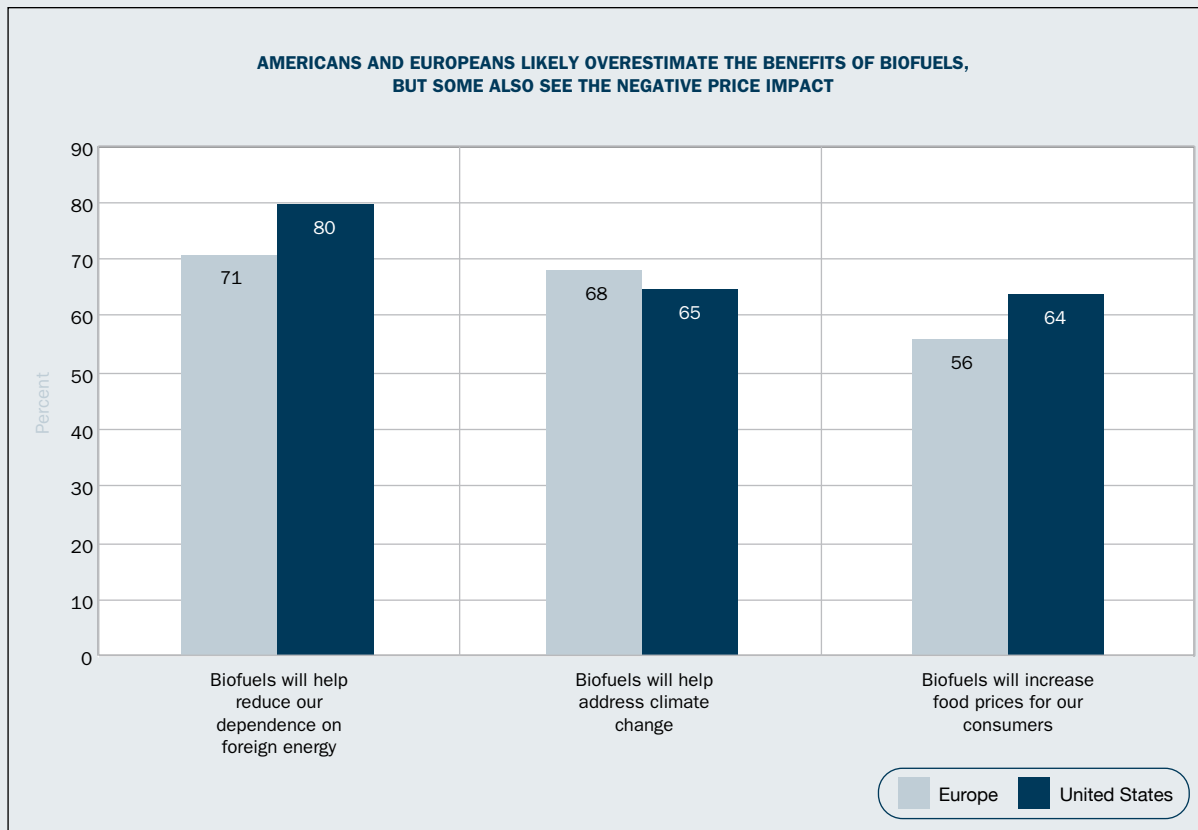


Chart 18

Conclusion

In 2007, most Americans and Europeans continued to reveal a willingness to engage in the global economy through trade and investment, and recognized the mutual benefits from helping poor countries through aid and trade. Not only do majorities of Americans and Europeans support trade with and aid to poor countries, many appreciate the wider commercial and foreign policy advantages of doing so. Americans and Europeans favor such policies not only for moral reasons, but practical reasons as well, such as addressing modern threats like unstable states and poverty, strengthening democracy, and supporting economic growth in developing countries. More Americans and Europeans support lowering trade barriers with Africa to address such global challenges than do those who think that such policies will result in job loss at home.

However, compared to last year, slightly fewer Americans support trade and aid, and fewer recognize the mutual benefits of such policies, such as shared prosperity, stability, and enhancing democracy abroad. In 2005, half of Americans and Europeans believed that freer trade costs more jobs than it creates, but since then their views have diverged; this year 57% of Americans believed that trade costs more jobs than it creates compared to less than half of Europeans who felt the same way. Americans and Europeans both revealed strong views on outsourcing and to some extent immigration as being responsible for job loss. As a result, they supported limiting outsourcing and immigration as policy responses to helping workers displaced by trade. However, stronger majorities favored

other policy responses such as investing in training, education, new technologies, and worker adjustment assistance to help workers displaced by trade. Moreover, the idea of raising trade barriers gained the least amount of support among Americans and Europeans as a means to helping these same workers.

Overall, views on the impact of immigrant workers on the economy were mixed. Many in the United States and Europe expressed anxieties over the negative effect immigrant workers have on domestic unskilled-worker wages and social costs. About a quarter of all respondents identified immigration as a leading source of job loss and half or more thought limiting immigration would help trade-displaced workers. However, some responding nationalities revealed an appreciation for the contributions of immigrant workers to the entrepreneurial-base and high-valued-added sectors of the economy.

Americans and Europeans largely backed the idea of deepening trade and investment between the United States and Europe. As part of a new initiative to boost economic cooperation, a majority of Americans and Europeans favored closer regulatory cooperation, although concern over the implications that this might have for each country's ability to decide its own affairs was the most popular reason for opposing such an initiative. American, German, and French respondents, however, were less certain about completely removing all barriers to trade and investment across the Atlantic.

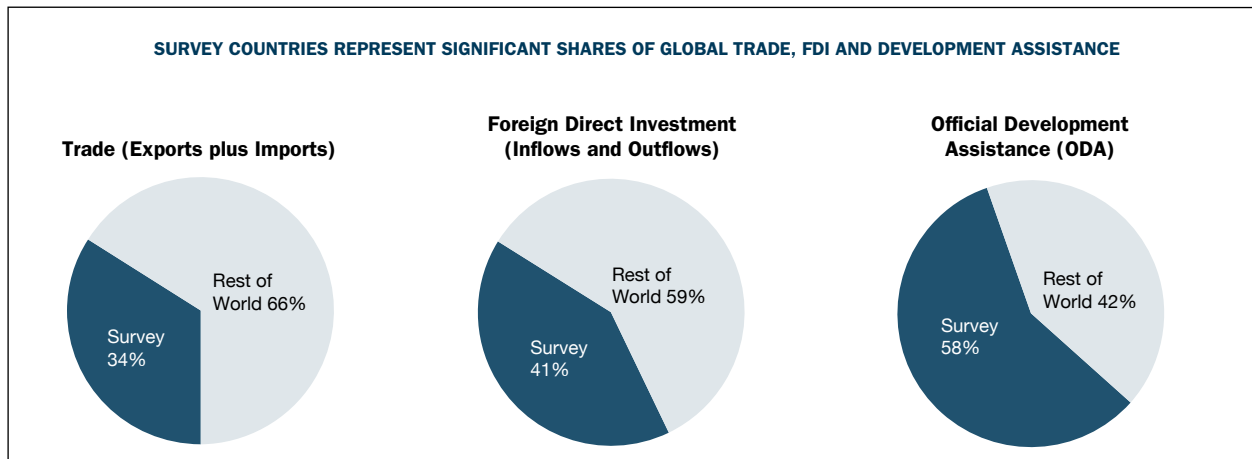
Methodology

This year's *Perspectives on Trade and Poverty Reduction* survey consists of seven countries: France, Germany, Italy, Poland, Slovakia, the United Kingdom, and the United States. These countries represent a significant share of global economic and aid activity. Surveyed countries account for a third of exports and imports, 41% of foreign direct investment (FDI) inflows and outflows, and 58% of official development assistance worldwide. They are also a representative sample of overall transatlantic trade, FDI, and aid flows.

TNS Opinion was commissioned to conduct GMF's *Perspectives on Trade and Poverty Reduction* survey in a total of seven countries (France, Germany, Italy, Poland, Slovakia, the United Kingdom, and the United States). Computer Assisted Telephone Interviews were used in all countries except in Poland and Slovakia where interviews were conducted face-to-face due to the low phone penetration rate. In all countries a random sample of approximately 1,000 men and women, 18 years of age and older, were interviewed. Interviews were conducted between September 10, 2007 and September 24, 2007.

For results based on the total national sample in each of the seven countries surveyed, one can say with 95% confidence that the margin of error attributable to sampling and other random effects is up to plus or minus 3.1 percentage points and for results based on the total European sample, the margin of error is up to plus or minus 1.3 percentage points. The average response rate for the seven countries surveyed was 19%.

Europe-wide figures are weighted on the basis of the size of the adult population in each country. Slovakia was added to the survey in 2006 and its impact on the Europe-wide average has not been statistically significant. The 2006 European 6 average (Europe 6) represents the combined responses of France, Germany, Italy, Poland, Slovakia, and the United Kingdom, weighted according to the national adult population of each. The 2005 European 5 average (Europe 5) represents the combined responses of France, Germany, Italy, Poland, and the United Kingdom, weighted in a similar manner. Unless otherwise specified, comparative data comes from GMF's *Perspectives on Trade and Poverty Reduction* (2005 and 2006) and *Reconciling Trade and Poverty Reduction* (2004) reports.





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