

DOLLAR & SENSE: THE BROOKINGS TRADE PODCAST
WHAT AMERICANS REALLY THINK ABOUT GLOBAL TRADE

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DOLLAR: Hi, I'm David Dollar. Host of the Brookings trade podcast Dollars and Cents Today, my guest is Cathy Novelli, president of Listening for America, a nonprofit set up to survey and talk to Americans about international trade. They've just published a report called Connecting People with International Trade, it's the outcome of a national listening tour. So that's our topic today—popular attitudes toward international trade. So welcome to the show, Cathy.

NOVELLI: Thanks so much, I'm glad to be here.

DOLLAR: In your listening focus groups, where does trade rank as an issue in the minds of most Americans?

NOVELLI: Well, we conducted not just focus groups, but also informal conversations with over a thousand people throughout the country, in every region of the country. And interestingly, trade is not something that was really top of mind for people. It was after the conversations with them that they would, on their own, conclude, hey, wait a minute, trade and globalization touches everything that we do. But it wasn't what came into their mind initially.

DOLLAR: So what were the main perceived benefits of trade and what are some of the perceived downsides of trade that you encountered?

NOVELLI: Well, we talked about trade and globalization together, and people were actually really positive about globalization, and the benefits that they perceived were things like allowed folks to join hands to cooperate, better understanding of cultures, better access to different kinds of goods and services. So there were a lot of perceived benefits to globalization.

In terms of the downsides, I think what folks mostly cited was in their mind, trade agreements had a link with manufacturing job loss in the country. And also they were concerned about, and this really spanned all political parties, they're very concerned about the

environment, which was something that surprised us. It came up constantly that people were concerned particularly about companies relocating in places where the environmental standards weren't as high and then operating in a way that caused pollution and degradation of the environment. So we had not expected to find that, but it was very front and center in practically everybody's mind that we talked to.

DOLLAR: That's pretty sophisticated understanding. So we'll come back, particularly, to manufacturing job loss. But first, I forgot to check in the report, when exactly you were doing the listening tour. Did it cover some of this pandemic period?

NOVELLI: Yes, it did. So we did a lot of that in person until we got until the pandemic hit us. And then we spent the last several months doing things over Zoom because of the pandemic. And that was obviously a more of a challenge. But we just continued on.

DOLLAR: But what I was thinking is that the pandemic experience probably brought home for a lot of people at least certain aspects of trade and globalization. We're all sitting at home working on our laptops. I mean, I ordered a nice microphone and ordered better headphones. And we ordered a brand new TV. We had a new TV delivered. All this stuff is manufactured abroad, essentially, and coming into the United States through different value chains.

NOVELLI: Yes, for sure. And people commented on that a lot, especially their electronics. They were very aware that their electronics, a lot of it was coming from China. And that didn't actually seem to bother people, which was also interesting.

DOLLAR: So as I understand it, you also use these focus groups and the interviews to raise a number of myths around international trade, and a big one in recent years has been the whole issue of tariffs and who pays for tariffs and what do they mean. And the actual complete answer to that is somewhat complicated. But to a large extent, it's American consumers and American firms that are paying various tariffs. For example, the tariffs that

have been put on a lot of imports from China. So did you discuss that, did you get some aha moments from different groups?

NOVELLI: Yes, we actually we did talk about that, and one thing I would say is the myths that we actually brought up were things that we found consistently when we very first started doing the project. And so they grew out of all the discussions we had where we saw these myths across the board, and that's when we started actually talking about them as myths. And so the question of who pays the tariffs was one of the myths.

And what was interesting about that was that depended on where people were situated, whether they understood who paid the tariff. And folks that were in port cities, they were much more understanding about that and about the impact of tariffs and also more understanding of what could the impact be if there was less imports into the U.S., because part of the livelihoods of their communities was based on trade. And again, we had not expected to see that because we weren't talking to people in big businesses. We were just talking to your person off the street kind of people. And yet they clearly understood that.

But there were also a lot of folks who did not understand that tariffs were being paid at the border by the importer. And as you say, that's a more complex kind of question about who pays. But I think the rhetoric at the time when the tariffs were really being imposed initially in the last administration was more misleading in the sense that it tended to seem like it was the companies in China or elsewhere that were paying the tariffs.

DOLLAR: Right. In theory, Chinese companies could be lowering their prices in response, and that would be they're paying part of the tariff, essentially. But we have enough data now to show that that largely didn't happen. And mostly it's just the prices that are charged by the exporter stay the same. And you add this tax on top, so American firms and consumers are paying for it.

NOVELLI: Yeah. It was interesting the first time that we heard a tariff referred to as a tax was in our listening sessions in South Carolina and particularly in Charleston, where folks are like, yeah, tariffs are taxes. And so we were like, whoa, okay. And before that we really hadn't heard that in other places.

DOLLAR: Did you say Charleston, South Carolina?

NOVELLI: Yeah.

DOLLAR: Yeah. So that's one of the biggest ports in the United States. I toured that port a couple of years ago. I mean, it's enormous and impressive. And I like your point that people living close to the ports probably understand the mechanics of this somewhat better. So another popular myth that you take up is this idea that trade is the main cause of manufacturing job loss in the United States. So what were some of the discussions around that issue?

NOVELLI: Well, I would say we didn't spend a huge amount of time on trying to debunk that myth because we were talking about a lot of other things. But that notion is directly linked to international trade agreements. So people really link the agreements with that idea, and it's a very entrenched. So they may not necessarily say trade per se is a cause of manufacturing job loss. They think it comes from the agreements.

DOLLAR: Hmm, that's interesting. Any more detail on that? I mean, a good trade agreement is liberalizing trade, and does tend to import a lot of manufactured products. So if you have a big trade agreement, depends on the partner, of course, some trade agreements. But yeah, anyway, is there a little more detail on that?

NOVELLI: Well, I think, you know, we started off our sessions, we started in the Midwest where I'm from. And so, there is a lot of concern about the auto industry and what's happened there. And if you may recall, way back when Ross Perot described NAFTA as a great sucking sound. And interestingly, people talked about that, even people who weren't old

enough to know who Ross Perot was. That notion really stuck with people. And I think folks were genuinely generally concerned about trade agreements across the board. And one of the reasons why I started this whole project was because I was dispatched to help promote the Trans-Pacific Partnership agreement when I was undersecretary of state. And I took the Midwest to talk to people about it and found this sentiment very strongly, including among people you would have thought would be for increased trade and increased market opening in other countries.

And so after the end of the Obama administration, I started this project to try to figure out what really are people worried about, what should we be thinking about if we're thinking about trade policy and having it more connected to people and things that affect them in a positive way. And so it didn't surprise me to find this. I think it's going to be very difficult to dislodge that view. And we don't really try to it in this whole this phase of what we were doing.

DOLLAR: So your report includes case studies of some local transformations. You know, I think we have to be honest that there are some cities that have been hit pretty hard, often by automation, but also examples where international trade and new trade agreement really has had a devastating effect on the city. So you've got some interesting places here. Pittsburgh, Greenville, Grand Rapids. So what are some of the interesting examples of how these cities reinvent themselves when they're hit by a trade or an automation shock?

NOVELLI: With regard to the link with international trade and globalization, Greenville, South Carolina is one of the most dramatic places, and it wasn't a place I really knew about before we started this whole project. But Greenville had been one of the textile capitals of the U.S. And we had a long conversation with the mayor of Greenville and he, by weird coincidence, was himself a textiles lawyer. And he saw that Greenville was going to take a huge hit because he saw that textile quotas were going to be eliminated as part of that

WTO agreement, the World Trade Organization, the institution of it. And so they started immediately planning, what are we going to do?

And they looked at, okay, well, what's our comparative advantage here? We have all these people who know how to make stuff. So what are we going to do? And they started to look around the world to attract foreign direct investment into Greenville that involved manufacturing, and they were able to attract BMW, Michelin, a number of other companies. That has grown like topsy, and BMW actually has its largest manufacturing plant in the world in Greenville, South Carolina. And interestingly, part of the way that they did that was by saying, look, we have these people, we also have community colleges and technical schools, and we can train the workers to be exactly what you need for your kind of manufacturing.

And that is only grown into a real ecosystem there, including what there are universities and looking at applied science that relates to the companies that are there. So, it really was fascinating to see how a plan that incorporated globalization and foreign direct investment and trade actually made a huge difference.

And one other thing I would add about that is we were there at the time when President Trump was imposing a lot of tariffs on China, on Europe, elsewhere. And folks there absolutely understood that you needed to have inputs in order to make finished products, and they were really, really worried about what was going to happen to them if the tariffs became so high or if there were absolute prohibitions, which was really sophisticated to use the word that you used before.

And we found in other cities like Grand Rapids and like Pittsburgh, there really was a very much of a strategic plan for what to do. Pittsburgh, obviously flattened by Japanese steel imports a long time ago. But part of their plan involved how do we engage the global world in what we're doing? How do we access that not just for inputs, but also as markets for us?

And they were very successful and I believe partly because they incorporated this global you into their planning.

DOLLAR: Yeah, those are really great, positive examples. When I was a graduate student 40 years ago, I worked for the Amalgamated Clothing and Textile Workers Union in their research department full time for a while. And I was actually sent to Greenville, South Carolina, as part of a negotiation process. So I actually know a lot about the clothing and textile industry. And this might be slightly controversial, but we tend to glorify manufacturing jobs, but some manufacturing jobs are really not that great. Textiles is not particularly high paying. So your story is really nice. Greenville ends up with automobile plants and more sophisticated manufacturing, and those are generally going to be a higher productivity, better paying jobs. So, it illustrates the trade does create disruption—you can understand why people are worried. On the other hand, it can be turned into a very positive direction in terms of creating better jobs, higher incomes.

NOVELLI: Yeah. And one thing that's interesting about all this is especially in these cities, we would ask people in focus groups and in our informal discussions like, do you wish that things could be the way they were before all this happened? And resoundingly, we did not find one person who said, Yes, please, let's go back to the way things were before, in any of those cities, which I thought was really, really interesting.

That is not true for cities who haven't kind of turned a corner. I don't know what's the chicken and what's the egg, but some cities are much more kind of stuck in a place where, okay, this has happened to us, we have lost jobs, and we can't figure out how to get ourselves out of this situation that we're in. And so I think in those places, you find people who very much wish that things could go back to the way they were.

DOLLAR: Another interesting thing I found in your report is the discussion around small business people. Obviously you pick a random sample of Americans, you get a good

number of small business people. And as I took the message away, many of them were involved in trade, but they don't really know about trade agreements or what kind of support there is for them. So can you elaborate a little bit on that reaction from the small business community?

NOVELLI: Yeah. Well, two quick stories. One, there was a startup business in Ann Arbor that was a small business that was basically Sales Force for small businesses. And so they were telling us how so great that they were in 23 countries now. And I said, well, so what does international trade and trade agreements mean for you? And they said nothing. We're a service, it has nothing to do with us. And so I talked about General Agreement on Trade in Services and market access, et cetera. But it was just very interesting.

And the other quick story was a small business that tracked trucks. And they were they were doing it for many companies like UPS and large trucking, interstate trucking companies, et cetera, with all kinds of different data about how fast drivers were going and where they were and every aspect. And so they said, Well, you know, we'll talk to you but we have nothing to do with trade. And so we said, Oh, well, how do you track the trucks? And they said, Well, we have this transponder that we put on the truck. And we're like, Well, where does that come from? Do you make it? No, we import it from China. And so then we said, Well, so does this come programmed, how do you then do it? And they said, Oh no, we program it. And we're like, Oh, do you guys do that? No, we have people in India programming it and then we add stuff. And we said, Well, do these trucks, are they only in the U.S.? Well, no, they go to Canada and Mexico, too. And we're tracking them there. So, this was like somebody who was really plugged in but had no clue that what they were doing was involving trade in practically every aspect of their business.

DOLLAR: So you've done a really nice job in the report laying out what I think of as grassroots sentiment about international trade and globalization, and it strikes me that

Washington policymakers are very much out of touch with this sentiment. I'm sitting in the suburbs of Washington working at Brookings and you were undersecretary in the State Department and sounds like you had this similar kind of reaction that the policy community seems out of touch. So what are the recommendations that you have coming out of this work?

NOVELLI: A couple of ones that I think are really important is that if we want to think about trade policy, I think we need to think about what are our priorities that are really going to align with what all these different mayors and city planners are trying to do, and that there needs to be more discussion and trying to mesh those things, because that's where a lot of jobs are going to be coming from, not from the federal government, but more locally. And none of the cities we talked to, including big cities like Houston, they were doing their own thing. They weren't really at all in touch with what's going on federally or with policy. So I think that's one thing.

Another piece that we recommended was starting a Trade Corps of people that were experienced that could go and help small businesses and help city planners to figure out how to plug in to all these pieces. One of the things we found with a lot of small businesses is that they were struggling to smoothly access the global world with whatever products they had, where they could have products that would easily access the global market.

So I think those are two very practical things. You said something that I totally agree with when we were first talking about we have to be honest that trade agreements aren't always going to have a positive effect for every single person at a given point in time. And I think we need to be more planful about what's going to happen if we do future trade agreements, and acknowledge that there's going to be challenges, and have a plan for how are we going to deal with those, and not just sort of step back and say, well, the economy will figure it out by itself.

And I think that's been a huge problem because there have been some dislocations as we talked about and folks were kind of left to their own devices. And I think that undermines the credibility that trade agreements can benefit people because they remember the actual problems that have been experienced and the benefits are pocketed as part of everyday life.

DOLLAR: Yeah, I think all of that makes a lot of sense. It's particularly striking that a lot of small business in the United States don't connect easily to international trade and globalization. In Europe, small businesses are used to working across a large number of countries. It's just kind of natural. We've been this big, insular economy and probably wasn't that important until recently. But now it's increasingly important. So it seems like a very good effort. Do have hopes our central policy on this can change?

NOVELLI: I hope so. I think it is not healthy for us to just try to be so insular and think that we can make everything ourselves here. And so I think it is really important that we figure out how to connect policy and decisions about what policy should be, as well as communication in a two-way way about policy more directly to localities.

DOLLAR: I'm David Dollar, and I've been talking to Cathy Novelli about a new report on attitudes of Americans towards international trade, the result of Listening for America. A lot of good practical ideas, so I hope Washington policymakers listen to this kind of report and essentially listen to the people, which you're filtering their voice up. So thank you very much, Cathy.

NOVELLI: Thank you so much, David. A pleasure.

DOLLAR: Thank you all for listening. We'll be releasing new episodes of Dollar and Sense every other week, so if you haven't already, follow us wherever you get your podcasts and stay tuned. Dollar and Sense is part of the Brookings Podcast Network. It's made possible by support from producer Fred Dews, our audio engineer Gaston Reboredo, and

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Until next time, I'm David Dollar and this has been Dollar and Sense.