



## Salvaging Trade—and Trade Adjustment Assistance

*Howard Rosen assesses the prospects of Trade Adjustment Assistance (TAA) getting approved in Congress and explains why the criticism of the program is outmoded and misplaced.*

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Steve Weisman: A group of trade agreements are help up in Congress because of a dispute over whether they should be accompanied by a program called Trade Adjustment Assistance, which would help workers dislocated by any agreements on trade. Howard Rosen senior fellow at the Peterson Institute for International Economics, is the premier expert on this subject. This is Steve Weisman. Howard, where do these trade agreements stand in terms of the dispute over the Trade Adjustment Assistance?

Howard Rosen: It looks like we are approaching the finish line, although it's not really clear what's going to cross the line. But I think we're getting very close to that line.

Steve Weisman: These trade agreements affect which countries?

Howard Rosen: There are three FTA's, Free Trade Agreements, out there with Korea, Colombia, and Panama. They have been negotiated over the last four or five years, but the Obama administration wanted to make some changes to it and they did that. They have to be approved by Congress. At the same time, simultaneous to the FTA negotiations [is consideration of] the Trade Adjustment Assistance Program, which provides assistance to workers who lose their jobs because of globalization. The authorization of that program ran out at the end of December. At first, the administration just wanted to extend the program and the Republicans in Congress said that they wanted to see the Free Trade Agreements before they would agree to extending these programs. Then the administration completed its negotiations on the three agreements and was getting ready to submit them and then said, look, we can't move forward with these agreements until we have a deal on Trade Adjustment Assistance.

Steve Weisman: How close are they to a deal?

Howard Rosen: The immediate goal was to try to have these three agreements approved by Congress by the end of the summer. That was the initial hope in Congress and the administration. Under the worst case scenario, it was thought that the President would like to have the US-Korea Free Trade Agreement approved by November when he meets with APEC in Hawaii.

Steve Weisman: The Asian Pacific Economic Cooperation Forum...

Howard Rosen: Correct. When they meet in November. Certainly by then the administration would like to have that agreement to be able to go to the meeting and have that agreement approved. But like I said, the Congress was pushing to try to get these agreements approved by the end of the summer. And they would be approved under the fast track process, which means that once the administration presents them before Congress,

the Congress would have forty-five days to vote up or down on the agreement with no changes to them. So we are quickly approaching this window to try and get something done before the end of July to have Congress consider these agreements.

Although the administration said that they were not going to put up the agreements formally until there was “a deal” on Trade Adjustment Assistance, everyone has been continuing working on the agreements, on the process. The process has not stopped just because the administration is waiting for this deal. All the technical work that’s being done on the agreements is being done and what’s really important is that the House Ways and Means Committee will most likely hold a hearing next week to what’s being called a “non mark-up” mark-up. Usually what would happen is there would be a bill and then the House Ways and Means Committee would review that bill in a public session.

There is no bill right now but they’re going through the motions as if there were a bill, which suggests to us that they may be very close to reaching an agreement on Trade Adjustment Assistance. Otherwise they wouldn’t want to move forward with this “non mark-up mark-up.” And once they do that next week, we should probably know a little bit better the parameters of that deal. But let me just say one other thing on this. We’re in a strange political situation right now where we have the Democrats in control of Senate. So it’s Senate Finance Committee Chairman Senator [Max] Baucus [D-Montana] and the House Ways and Means is being controlled by the Republicans. So that’s Chairman Congressman [David] Camp [R-Michigan]. And of course the House Democrats are in favor of Trade Adjustment Assistance. They are mixed on their support of the Free Trade Agreements. Some Democrats in the House will most likely vote in favor of the Korea Agreement. In fact, Congressman [Sander] Levin [D-Michigan] has suggested that he is favorable to the agreement. But most will probably vote against the other two agreements, which are the Colombian and Panama Agreement.

Steve Weisman: Most Democrats.

Howard Rosen: Most Democrats. The missing links in all of this are the Senate Republicans. They are not in the leadership in terms of doing this mark up and getting it through Congress, but they could veto the process. They are the wild card right now. They have not been participating in the negotiations over a deal on Trade Adjustment Assistance. Most of the criticism of the program has come from Senator [Orin] Hatch [R-Utah] and Senator [Charles] Grassley [R-Iowa].

Steve Weisman: Senators Hatch and Grassley question whether a special program should be enacted to help workers thrown out of work from trade when workers are thrown out of work for all kinds of reasons, including technology innovations. Second, they question whether this is a sop for union support for those trade agreements.

Howard Rosen: I’m reminded of a short story. Two older women are on a cruise and they come back and they’re talking about the cruise. One says to the other, you know the food really was pretty terrible on that cruise. And the other one says, yeah, and the portions were so small. It reminds me of this debate. Senator Hatch is against this program because it’s only given to some people. So why don’t we give it to everyone? It just doesn’t seem to make a lot of sense.

Steve Weisman: He wouldn't be in favor of giving it to everyone.

Howard Rosen: He wouldn't be in favor of giving it to everyone. Second, why don't we at least give it to as many people as we can until we move towards giving it to more people? But let me address it more seriously. Number one, we know, we have evidence, that people that lose their jobs as a result of import competition or a US company moving overseas, these workers tend to be older, they tend to be less educated. Seventy-five percent of them only have a BA degree, while people that lose their jobs for every reason, about 50 percent of them have BA's and 50 percent of them have more than that.

So these trade impacted workers tend to be older, less educated. This is a little bit of a kind of nuance but it is an important point here. Their pre-layoff wages tend to be higher than those people that lose their jobs for all reasons. Now you might say, "If they've got a higher wage, why do we need to help them?" We need to help them because we also know that probably 75 percent of them will not go back to their previous jobs and will therefore probably take a cut in wages. And that cut will be much bigger. They will experience a much greater loss in earnings than the average person that loses [his or her] job for whatever reason. So the bottom line is that the adjustment costs on people that lose their jobs because of import competition or shifts in production tend to be more costly than it is for everyone else. So that is right there a reason to help these people.

Steve Weisman: Right.

Howard Rosen: But there is actually a political and a moral issue here. International trade and globalization helps everyone in the economy. The benefits are large but highly distributed. But the costs, which might be smaller, the ones I've just spoken about, people that lose their jobs and have to change jobs, are much more concentrated. There's an argument both on political grounds, which is if we want to move forward with Free Trade Agreements we should help those people that are hurt. By the way the majority, the vast majority, 80-90 percent of Americans in polls say that they favor globalization if the government helps these people adversely affected. So that's the political argument. But there is also a moral argument. If we are all benefiting through these trade agreements and through the increase in trade and investment, but there are some people being hurt, we have an obligation to help those people.

There are a lot of reasons why we have a special program but I want to assure you that the program as it has been reformed since '02 and again in '09 is a flexible program. Workers do not, are not obligated, to take the entire package of assistance. They take that assistance which is deemed necessary that they need. So it is very different from our regular kinds of programs, which are one size fits all.

The point is, if there's a fear somehow that people are getting assistance that they don't need, that is just not the case. And therefore they can pick and choose what they really need to get. It's very tailored to their needs. And so it is a much more efficient program. Now on the question of the unions, I'm sensitive to people's criticisms of these programs and worker adjustment programs in general. But I think what's unfortunate in this case is that people are criticizing a program that no longer exists.

Most of the criticisms being lodged against this program were accurate up until 2002. And in fact it was because of those criticisms that we have gone through this decade-long reform of the program. To now criticize the program for the way it was prior to the reforms is really very unfair. Let me give you the example of the unions. Prior to the reforms in '02 -- this was the case in the 1980's and maybe in the '90's -- some companies, let's say the car industry or the steel companies, were laying off their workers temporarily. And they were then putting them into this Trade Adjustment Assistance program.

They were receiving benefits, money, income maintenance, extended unemployment insurance, maybe some training, or whatever, and then when things picked up they would rehire these people. And in that case it is accurate to say that this program was benefiting the unions. If the government hadn't stepped into assist these people, the unions would have been assisting these workers. And so in some sense crudely Trade Adjustment Assistance was subsidizing the union temporary assistance to workers that were being laid off on a short term. That was changed in '02. That cannot happen anymore. People have to be permanently laid off and they have to engage in serious training that takes a year or two years, and it has to be approved by a career counselor. So I am actually at a loss to understand how the unions now somehow benefit. In addition, we also know there's been a decline in unionization within the entire economy, and globalization has affected a lot more workers across the economy. The percent of workers getting Trade Adjustment Assistance who are unionized has also declined.

Steve Weisman: What is it?

Howard Rosen: Right now it's a little hard to put your finger on. It used to be in the 75-80 percent range and now it's probably about the 30 percent range. Although the criticism is accurate for 20 years ago, it no longer is relevant today.

Steve Weisman: And the unions aren't going to support these deals anyway.

Howard Rosen: That's exactly right. It is possible that the unions will make the argument that they want these changes. Obviously, they're in support of these changes. It affects some of their workers and some of the unions are supporting the Korea Agreement but certainly a few hundred million dollars for Trade Adjustment Assistance is not going to buy union support for the Colombia and Panama Agreements because they are so opposed to those agreements.

And to think somehow that you're going to buy their support with that is really being politically naive. But let me just say one other thing, which is interesting in this context. What we have found on the adjustment process and through Trade Adjustment Assistance is that if a worker is coming out of a union job, there is a very high probability that the new job they take will not be unionized. So in fact the unions want to support Trade Adjustment Assistance as part of a bigger package of helping workers. But I don't really see the linkage to how it helps the union...

Steve Weisman: As a movement.

Howard Rosen: As a movement directly. What the adjustment is doing, actually, is reducing the number of unionized workers in the country. Maybe the problem is that when we went and did

these reforms first in '02 and the second half of these reforms in '09, the one thing that wasn't reformed was the title of the program. Maybe the reforms that have been done really do address these criticisms but we undermine the creditability by continuing to call it a Trade Adjustment Assistance Program.

Steve Weisman: Does it have a new title?

Howard Rosen: It does not and maybe we should. We weren't putting a lot of effort into just the semantics but the program...

Steve Weisman: What would be your title?

Howard Rosen: You could just call it an Adjustment Assistance Program or you could call it a Globalization Adjustment Assistance Program. The point being that it no longer just addresses those workers who lose their jobs due to imports. In fact that was the major change in '02 and then expanded in '09, which was that it helps people that lose their jobs because US companies close and move overseas. We found that since '09, when these reforms were put in place, twice as many workers now come in under shifts in production [to overseas] than come in under import competition. So import competition is really an '80's issue. It's like, you know, your grandfather's Cadillac is the import issue.

Steve Weisman: Now it's offshore and outsourcing.

Howard Rosen: Now the issue really is outsourcing.

Steve Weisman: Yes.

Howard Rosen: And that's really where it is much harder to differentiate who is an eligible worker or not an eligible worker. But the program is flexible enough that it really is trying to go after the people who need the assistance rather than trying to really identify the cause. That's the whole point of these reforms: to expand the eligibility criteria. And like I said, the problem is that we continue to call it Trade Adjustment Assistance so people still have these old ideas in their mind. Unfortunately, maybe names really do mean something here in Washington.

Steve Weisman: Thank you Howard.

