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U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS

ON

THE PROPOSALS TO TERMINATE TRADE ADJUSTMENT ASSISTANCE PROGRAMS FOR WORKERS AND FIRMS

MARCH 15, 1996

Printed for the use of the Committee on Ways and Means by its staff

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ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
June 12, 1995
No. TR-11

CONTACT: 202-225-6649

Crane Announces Request for Written Comments on the Proposals to Terminate Trade Adjustment Assistance Programs for Workers and Firms

Congressman Philip M. Crane (R-IL), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee is requesting written comments for the record from all parties interested in the proposals to terminate or consolidate the trade adjustment assistance programs for workers and firms.

BACKGROUND:

Title II of the Trade Act of 1974 authorizes the Trade Adjustment Assistance (TAA) program for workers and firms certified by the Secretary of Labor and the Secretary of Commerce, respectively, as adversely affected by increased imports. Eligible workers are entitled to weekly cash payments, training and other employment services, and job search and relocation allowances, subject to specific qualifying requirements and limitations. Certified firms are eligible for technical assistance to prepare and implement economic adjustment plans, or for industry-wide assistance, subject to certain conditions. These programs have been amended and extended several times by the Subcommittee. The most recent, the Omnibus Budget Reconciliation Act of 1993, reauthorized both programs through September 30, 1998. In addition, a new program component was added in 1993 by the North American Free Trade Agreement Implementation Act, providing benefits to workers who lose their jobs because of trade with Canada or Mexico or the relocation of jobs to those countries.

In its resolution for fiscal years 1996-2002, the House Budget Committee recommends eliminating TAA worker benefits and training on the grounds that there is no justification for providing more assistance to workers whose unemployment results from foreign competition than to those whose unemployment results from domestic competition. On May 18, 1995, the House passed this budget resolution. The President's fiscal year 1996 budget proposes to terminate the TAA program for firms administered by the Commerce Department. Additionally, the Committee on Ways and Means is considering consolidating these programs for inclusion in an employment and training block grant. In light of these proposals, Chairman Crane is requesting submission of written comments on the TAA worker and firm programs.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies, with their address and date of request noted, by the close of business, **Friday, June 30, 1995**, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

*****

SUBMITTED STATEMENT OF THOMAS R. DONAHUE,
SECRETARY-TREASURER,
AMERICAN FEDERATION OF LABOR
AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
BEFORE THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE
ON PROPOSALS TO TERMINATE
THE TRADE ADJUSTMENT ASSISTANCE PROGRAM

June 30, 1995

The AFL-CIO strongly opposes the elimination of Trade Adjustment Assistance (TAA) and NAFTA-Transitional Adjustment Assistance (NAFTA-TAA), or their submersion in a block grant employment and training program.

The harm sustained by workers who lose their jobs because of increased imports or trade agreements such as NAFTA is substantial and has been well documented. Long spells of unemployment and loss of medical insurance, homes and a lifetime of savings are not uncommon. Middle class lifestyles are wiped out for many who are forced by low wages and insecure jobs into near poverty. Beyond the human tragedy, the national economy sustains a substantial loss of skills and productive capacity.

The TAA program represents a long-standing commitment by the nation to assist and compensate workers who are harmed by government trade policy and increased imports which flow from those policies. What these workers need most are trade and industrial policies that will stop the disappearance of their jobs, and will instead create and retain more good jobs in the United States.

As presently constituted, the TAA program falls very far short of meeting this need. Yet nearly two million trade-injured workers have received important assistance under this program over the last 20 years. At a time when the nation's trade deficit is massive and rising, and the implementation of trade agreements such as NAFTA and GATT are causing the loss of tens of thousands of jobs, it would be a grave injustice to working people to terminate the modest but necessary assistance that TAA and NAFTA-TAA provide.

The rationale for these programs is even stronger today than when President Kennedy first proposed TAA more than thirty years ago. According to his message to Congress accompanying the trade bill that gave birth to TAA in 1962:

> "I am ... recommending as an essential part of the new trade program that companies, farmers and workers who suffer damage from increased foreign import competition be assisted in their efforts to adjust to that competition. When considerations of national policy make it desirable to avoid higher tariffs, those injured by that competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be borne in part by the Federal Government."[1]

When workers are injured as a result of deliberate national policy such as trade liberalization or a North American Free Trade Agreement (NAFTA), they not only need assistance but as a matter of basic fairness they should be entitled to compensation as well. Property owners who are dispossessed as a result of government action often are entitled to compensation; workers who lose their jobs as a result of government action usually sustain far more serious damage and should have no lesser claim.

For workers who qualify, TAA provides a range of benefits including job search assistance, relocation assistance and up to two years of training assistance. Most important, it

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[1] "Text of Kennedy's Message to Congress asking for New Tariff Bargaining Powers," New York Times, January 26, 1962, p.10.

provides a modest level of income support for up to one year after an eligible worker's basic unemployment benefits have expired. This entitlement to income support is essential to allow trade-injured, TAA-eligible workers to afford the longer-term, higher quality training which can prepare them for new jobs.

If TAA and NAFTA-TAA are terminated or included in a block grant there will be little or no money for income support, and workers who lose their jobs because of increased imports or trade agreements will no longer have any entitlement to receive assistance, despite the federal government's obvious and long-recognized obligation to compensate them for the loss of their jobs.

While TAA and NAFTA-TAA are far from perfect, most of their problems stem from inadequate commitment of resources and inadequate federal oversight. These problems will be severely exacerbated by the block grant approach. Money may be saved, but at the expense of jobless workers who lose their jobs because of federal policies and decisions, and who urgently need and clearly deserve to be helped.

The possibility that NAFTA-TAA may be eliminated so soon after the ink has dried on this nearly brand new trade agreement is especially troublesome. Many members of Congress would not have voted for NAFTA had they known that the federal government intended to renege on its commitment to compensate and assist workers who are injured as a result of this trade agreement. NAFTA-TAA is woefully inadequate, but its elimination will only make a bad situation even more dire for thousands of workers.

Problems related to poor administration at the state level -- since the states have enormous responsibility for NAFTA-TAA already -- are a preview of what is in store if the program is eliminated and folded in to a block grant. In many states, due to inadequate state outreach efforts, potentially eligible unemployed workers are not made aware of the existence of the program and hence are denied the opportunity even to apply for assistance. This serious problem, and many others, would become dramatically worse under a block grant approach.

In the nearly eighteen months since NAFTA took effect, NAFTA-TAA petitions have been submitted by or on behalf of workers at 488 firms in 46 states. The 245 certifications which have been made cover more than 34,000 workers. The Congress, which adopted NAFTA over the strenuous opposition of most American working people, should not now renege on the modest but important commitment to help NAFTA's victims which NAFTA-TAA represents.

The AFL-CIO also opposes termination of the TAA program for firms injured by trade. What workers need most are trade and industrial policies that will create good jobs in America and stop the hemorrhage of those jobs. Workers need assistance when they become unemployed, but no amount or kind of assistance can take the place of a steady, decently-paid job. TAA for firms is a program that has retained and preserved at least some of these jobs, and at modest cost.

Currently, TAA benefits for firms consist solely of technical assistance. The purpose of this assistance is to help trade-injured firms develop and implement an adjustment plan to restore their economic health. Firms are eligible to apply for TAA if a substantial number or proportion of their workers have been or are at risk of being laid off, sales or production have declined by 25 percent or more during the previous year, and increased imports have contributed importantly to the layoffs and the sales/production declines.

Once these criteria have been met, firms can apply for TAA by submitting a proposal for economic adjustment. TAA is granted if the Commerce Department determines that implementation of the adjustment plan has a reasonable chance of restoring the firm's economic health, that the plan gives adequate consideration to the interests of the firm's workers, and that the firm will be relying on its own resources to implement the plan.

The federal share of technical assistance cannot exceed 75 percent of the cost of the assistance, except for the cost of developing the adjustment plan, which can be 100 percent federally funded. The program is administered by twelve regional Trade Adjustment Assistance Centers (TAACs) around the country, most of them affiliated with business schools at major

universities. Since 1972, some 2,000 firms have received adjustment assistance from the TAACs.

Many free market economists would advocate simply letting all of these firms fail. Yet in certain cases the development and implementation of an appropriate economic adjustment plan, including if necessary changes in corporate management, can give even badly trade-injured firms a new lease on life. Where such a turnaround is possible at modest cost to the federal government, it is far cheaper for the government to preserve jobs via Trade Adjustment Assistance than to pay the devastating social costs that will be incurred if those jobs are lost. Moreover, since the injury to these firms and workers is the result, directly or indirectly, of the federal government's trade policy, the federal government has an obligation to help them out.

Two years ago, the AFL-CIO was heartened by proposals in President Clinton's economic program which addressed the need to revitalize the nation's sagging manufacturing base, by means of programs such as industrial extension centers. These programs are now at risk from the budget cutters' ax. At such a time, it would be a particularly serious mistake to dismantle TAA for firms, which targets help to trade-injured firms for which the federal government bears special responsibility.

Thank you for this opportunity to present the views of the AFL-CIO on TAA. The suggestion that the Congress eliminate the only program designed to help workers adversely affected by government trade decisions is outrageous and we hope this subcommittee will oppose termination of this important program.

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Chicago, IL 60606
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Fax: (312) 368-9043
Applied Strategies International, Ltd.

The Midwest Trade Adjustment Assistance Center — Providing Consulting Services to Manufacturers

June 26, 1995

The Honorable Philip M. Crane
The United States House of Representatives
233 Cannon House Office Building
Washington, D. C. 20515

Dear Congressman Crane.

In response to your request, submitted herewith are our comments in support of the **Trade Adjustment Assistance Program for Firms.**

The Trade Adjustment Assistance program for Firms has a proven track record which is remarkable when you consider the significant Firm successes as compared to the modest Federal investment in the Program.

Nationally, during the past five years, 488 firms completed at least one cost-shared project through the Trade Adjustment Assistance program for Firms. Prior to entering the TAA program, these firms, as a group, had declines in employment from 67,322 to 56,875, or 15.5%; similarly, sales declined from $5,316 billion to $4,685 billion, a drop of 11.9%. The Trade Adjustment Assistance program for Firms was instrumental in reversing these declines. After participating in the TAA program, **employment at these firms increased by 5,475 jobs to 62,350, or, 9.6%; sales increased by $1,150 billion to $5,835 billion, or, 24.5%.**

The total investment by the government for the last five years was $58,373,000, or, only $936.21 per job for the 62,350 jobs impacted. **Nationally, this program returned to the government over seven times its investment, or a 775% Return on Investment for the government,** as shown on the attached Return On Investment Analysis.

Regionally, the results at the Midwest Trade Adjustment Assistance Center (TAAC) are even more impressive. The total government investment for the last five years in the Midwest TAAC's region was only $6,064,000, **or, $539.07 per job for the 11,249 jobs impacted... less than three weeks of unemployment compensation that would be paid if the firms were forced to discontinue operations. Regionally, therefore, this program returned over fourteen times its investment to the government, or a 1,410% Return on Investment.**

We understand that the current budget presented to Congress contains no provision for Trade Adjustment Assistance for Firms, although the program was authorized through 1998, and was funded in the amount of $10 million last year.

Currently, the Midwest TAAC is working with 62 firms in the region, with aggregate sales of $1,176 billion, and just under 12,000 total employees. **Of these, 32 firms with sales of over $375 million and almost 3,700 employees, are located in Illinois.** Each of these firms are in the process of implementing their respective Adjustment Plan and accordingly each firm has committed significant financial and human resources toward that end.

Should the TAA program not be funded, the government's cost-share would be discontinued which may jeopardize completion of the firms' Adjustment Plan implementations. This could challenge their ability to compete in a global economy thereby causing significant hardship to a number of domestic manufacturers and their employees.

On the other hand, with continued funding of this worthwhile program, it is reasonable to expect the same positive results that manufacturers cited above have achieved through the Trade Adjustment Assistance program. Your support for the Trade Adjustment Assistance Program for Firms is urgently needed and will be greatly appreciated by the attached participating Illinois firms.

Sincerely,

Howard Yefsky
Executive Director/President

ILLINOIS FIRMS
CURRENTLY PARTICIPATING
TRADE ADJUSTMENT ASSISTANCE

ELECTRO PHYSICS	WAUKEGAN, ILLINOIS
EAGLE GRINDING COMPANY	CHICAGO, ILLINOIS
GUARDIAN ELECTRIC	WOODSTOCK, ILLINOIS
SIMPSON ELECTRIC	ELGIN, ILLINOIS
CHAMPION TECHNOLOGIES	FRANKLIN PARK, ILLINOIS
ZENITH ELECTRIC	CHICAGO, ILLINOIS
CHICAGO DIAL INDICATOR	CHICAGO, ILLINOIS
SAFETY SOCKET SCREW	CHICAGO, ILLINOIS
CHAPTER ONE, INC.	VERNON HILLS, ILLINOIS
HALLCREST PRODUCTS	GLENVIEW, ILLINOIS
ONSRUD MACHINE CORP.	WHEELING, ILLINOIS
ALL AMERICAN PRODUCTS	GURNEE, ILLINOIS
J. S. GEAR CORPORATION	CHICAGO, ILLINOIS
ATLAS ELECTRIC DEVICES	CHICAGO, ILLINOIS
MACTRON	ALSIP, ILLINOIS
BESLEY PRODUCTS	SOUTH BELOIT, ILLINOIS
FLAVORS OF NORTH AMERICA	CAROL STREAM, ILLINOIS
ACKERMAN JOHNSON	ADDISON, ILLINOIS
OLIET EQUIPMENT	JOLIET, ILLINOIS
MAHONEY FOUNDRIES	VERMONT, ILLINOIS
&J TECHNOLOGIES	HILLSIDE, ILLINOIS
YESON CORP.	FRANKLIN PARK, ILLINOIS
STANDARD STEEL & WIRE	CHICAGO, ILLINOIS
NTERNATIONAL REFINING & MANUFACTURING	EVANSTON, ILLINOIS
NEVIN LABS	CHICAGO, ILLINOIS
COLEMAN CABLE SYSTEMS	NORTH CHICAGO, ILLINOIS
PEACOCK COLORS	ADDISON, ILLINOIS
CHICAGO WEAVING	CHICAGO, ILLINOIS
COMSTOCK CASTLE	QUINCY, ILLINOIS
PAYHAULER	BATAVIA, ILLINOIS
PROGRESSIVE RECOVERY	DUPO, ILLINOIS
VOGEL TOOL & DIE CORP.	STONE PARK, ILLINOIS

RETURN ON INVESTMENT

TRADE ADJUSTMENT ASSISTANCE CENTERS

	MIDWEST TAAC	NATIONWIDE	
Investment Per Job			
Funding, Federal Fiscal Years: 1990, 1991, 1992, 1993, 1994, 1995	$ 6,064,000	$ 58,373,000	(1)
Total Jobs Impacted	11,249	62,350	(2)
Investment Per Job	$ 539.07	$ 936.21	
Economic Impact Per Job			
Average Manufacturing Job Income	$ 25,000	$ 25,000	
Federal, State Revenue Per Manufacturing Job @ 22%	$ 5,500	$ 5,500	
Multiplier Job Income	$ 8,000	$ 8,000	(3)
Federal, State Revenue Per Multiplier Job	$ 1,760	$ 1,760	
Total Annual Federal and State Revenue Per Manufacturing Job	$ 7,260	$ 7,260	
Return On Investment	**1,410.00%**	**775.00%**	

(1) Funding covers 60 months of federal fiscal years 1990-1994, and also includes $3.7 million in defense conversion pilot program funding.

(2) Jobs impacted are those jobs retained and/or generated at firms completing at least one assistance project by September 30, 1994.

(3) Multiplier jobs are those generated to provide the goods and services required by employed manufacturing workers. Although often estimated at 2 to 2.5, for purposes of this analysis a very conservative multiplier of 0.5 was used. Service job revenue is calculated at an average hourly rate of $8; annual income of $16,000; multiplier income per manufacturing job is $16,000 x 0.5, or $8,000.

ERIC A. RODRIGUEZ, ESQ.
BRIDGE OF YOUNG CUBAN PROFESSIONALS

Chairman Crane and members of the Sub-Committee on Trade of the Committee on Ways and Means of the House of Representatives of the United States, good afternoon. My name is Eric A. Rodríguez. I am an attorney in Miami, Florida and a member of the Board of Directors of Puente de Jóvenes Profesionales Cubanos, Inc. (Bridge of Young Cuban Professionals) (hereafter "Puente"). I sincerely appreciate the opportunity to address you today on behalf of Puente regarding the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1995.

Let me tell you a little bit about our organization. Puente is an organization comprised of second generation Cuban-American professionals living in the United States. Our objectives are to hasten the collapse of the Castro totalitarian regime and participate in the establishment of democracy in Cuba, free of Castro's oppression and tyranny. To that end, our organization is active in communicating with dissident groups on the island, particularly young Cubans eager for freedom in their homeland. Puente has consistently spoken out against Castro's tyranny in print and the airwaves, including Radio Martí, and will continue to do so. Puente ultimately envisions the establishment of a democracy in Cuba that is invigorated by respect for: human rights, free expression, free enterprise, private property, and civil society governed by the rule of law.

Puente believes that the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1995 is a very effective vehicle for supporting the Cuban people in their struggle to bring an end to the totalitarian dictatorship, while facilitating a post-Castro transition to prosperity bolstered by the respect for democracy, human rights, free expression, free markets, and private property rights.

Puente does not accept the disinformation campaign emanating from Havana, which is echoed by some opponents of LIBERTAD here in the United States and abroad, that the Cuban people are overwhelmingly opposed to this promising legislation. All of our communications with Cubans, either inside the island or those who have recently arrived in the U.S. or elsewhere demonstrate that the opposite is in fact true. Indeed, on three separate occasions during the last few weeks, Puente has transmitted its radio programs on local Miami stations WCMQ and WQBA, respectively, during which opposition leaders inside of Cuba have been contacted by telephone (capitalizing on the new direct telecommunications links with the island) and put on the air to publicly and explicitly endorse (in great detail and at the risk of brutal repression) various specific provisions of LIBERTAD. These courageous individuals, each of which openly gave his actual name and organization, are: (i) Elizardo Sampedro Marín (President of the Partido Solidaridad Democrática in Havana); (ii) Adolfo Fernández Saínz (President of the Central Sindical Cristiano in Havana); and (iii) Aurelio Sánchez Salazar (President of the Partido Social Cristiano in Camagüey). Each of these organizations is part of a nationwide coalition of like minded opposition groups called the Unión Opositora Cubana, which is active throughout Cuba's fourteen new provinces.

The establishment of democracy, human rights, free expression, free markets and the restoration of respect for private property rights in Cuba must be preceded by the sweeping of the Castro brothers and their inner circle from power on the island. LIBERTAD, introduced by Senator Jesse Helms (Chairman of the Senate Foreign Relations Committee) and Rep. Dan Burton (Chairman of the House Western Hemisphere Affairs Sub-Committee) with extensive bipartisan support in both chambers of the U.S. Congress, includes various international embargo-tightening provisions and post-Castro assistance incentives designed to support the Cuban people in accelerating this desperately needed dramatic change.

In particular, Puente supports Section 202 of LIBERTAD as vital to Cuba's post-Castro economic recovery, with its provisions for financing, guarantees, assistance and favorable trade arrangements to be offered by the U.S. to a future democratically elected government in Cuba. This will be of great importance to the newly emerging post-Castro Cuban economy, which will be counted upon to lead Cuba out of its current economic deprivation and socialist mismanagement.

Puente also supports LIBERTAD because it would codify the internationally well-established legal proscription and sanctions against trafficking in stolen goods with knowledge of their illicit origin, thereby deterring foreign investment in Castro's Cuba by criminalizing this activity. Puente believes that the U.S. can seize the moral high ground by making clear that it will weigh in during the post-Castro property debate in Cuba in favor of the proposition that foreigners, who helped extend Castro's brutal reign with their investments, should have their properties auctioned off without any compensation. This would constitute an unmistakably powerful signal that will keep many foreign nationals from straying from the right side of history by investing in Cuba today. Accordingly, Puente believes Section 302 of LIBERTAD is vital because it establishes a new federal statutory cause-of-action whereby legitimate owners, whether they became U.S. citizens before or after Castro's confiscation of their properties back in Cuba, can seek to block these ongoing sales or leases of confiscated goods by seeking damages (after due notice, even treble damages) and attaching the U.S. assets of these purchasers in bad faith of such stolen property.

Puente also supports Section 301 of LIBERTAD which would deny entry visas into the United States to all executives of foreign companies (plus their employees, relatives and affiliates) which are benefitting from stolen property in Cuba, thereby creating an additional disincentive for foreign investment to prop up the faltering Castro regime. Those that indignantly moralize about the supposed extraterritoriality of LIBERTAD, simply misplace their focus. LIBERTAD does not purport to dictate to any foreign government or company what it should or should not do in Cuba. Rather, LIBERTAD seeks to hold these foreign entities accountable for the consequences of their opportunistic investments in Cuba, when they then seek to continue doing business within the national territory of the United States, where jurisdiction over these matters by the U.S. Congress and federal courts is incontrovertible. LIBERTAD will clarify the choices confronting foreigners, when they are deciding where to invest and transact business.

The U.S. should employ its unique prestige and influence intelligently in leading the rest of the world in a concerted effort to help the Cuban people liberate themselves from one of the last totalitarian remnants of the Cold War. Similarly, and without timidity about appearing heavy-handed internationally, America should utilize its considerable trade and aid leverage to justifiedly advocate for a sound foundation for Cuba's future by standing tall for democracy, human rights, free markets and constitutional liberties for all Cubans.

Puente is heartened that even the threat that LIBERTAD will become law is already having its intended effect. The Miami Herald reported on June 23, 1995, that "[f]oreign investments in Cuba are slowing because of concerns over [the Helms-Burton bill]." The Herald also reported that a Canadian firm and an Australian mining concern have called off plans to invest in Cuba, citing the imminence of the enactment of LIBERTAD as a principal reason. This turn of events is already proving that LIBERTAD will be an effective catalyst for positive change in Cuba. Therefore, Puente strongly urges this Sub-Committee and the full Congress to pass a strong version of LIBERTAD and set the wheels of Cuba's freedom in motion.

Mr. Phillip D. Moseley, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

RE: Written statement of John P. Sheen in response to Chairman Crane's Advisory, TR-11, of June 12, 1995, concerning Trade Adjustment Assistance for Firms.

Mr. Chairman and Members of the Committee:

I am sending this written statement in support of the Trade Adjustment Assistance program for firms.

My company, of which I am President, is a contract printed circuit board fabricator. We sell printed circuit boards to other manufacturers that put our product into the item they produce which is sold to the ultimate consumer. We employ about 90 people.

Our customers are always looking for ways to cut their costs. This has led several to get their boards overseas. Several former customers are now getting their printed circuit boards from South Korea, Taiwan, Japan and Brazil. This motivated us to contact the regional office administering the Trade Adjustment Assistance program for firms in the northwest.

With the help of the Northwest Trade Adjustment Assistance Center we were certified for Trade Adjustment Assistance. Working together we analyzed our problem. Our customers were turning more and more to foreign sources for their printed circuit boards mainly because they were cheaper.

We looked at our production costs and made cuts where possible. We realized that our costs were never going to be as low as our foreign competition so we focused on our quality and delivery time.

The strategy the TAA program helped us come up with was based on emphasizing our quality. A rapidly increasing trend with our customers was for them to want their suppliers to become certified to the International Standards Organization's 9000 series. This verifies the quality procedures of a manufacturer and assures the quality procedures are all documented.

Once this strategy was approved the staff of Northwest Trade Adjustment Assistance Center helped us to find the appropriate consultants to help us prepare for the certification and ultimately to pass our audit and receive our ISO 9002 certification. This has proven very timely because several of our customers have announced all their suppliers will be required to be ISO certified within 18 months.

Without the help the TAA program gave us in getting us to think about a strategy instead of merely reacting to the foreign competition we would probably still be losing sales and employees. But they did not abandon us there. This program then went the next step and actually assisted us to implement our strategy. Our final certification assessment is scheduled for March, 1996. The follow-through this program provides practically guaranties success.

Respectfully submitted,

John P. Sheen
President
Circuit Services, Inc
13000 Bel-Red Road #105
Bellevue, Washington 98005

STATEMENT OF DIANNE E. REED, PRESIDENT
MID-ATLANTIC EMPLOYER'S ASSOCIATION ON BEHALF OF
THE COUNCIL OF TAAC SPONSORS

Thank you, Mr. Chairman, for the opportunity to present written comment to the Subcommittee on Trade regarding the Trade Adjustment Assistance program for firms. I deeply appreciate your willingness to learn more about the success of this valuable program.

My name is Dianne Reed. I am the President of the Mid-Atlantic Employer's Association (MEA) located in Valley Forge, Pennsylvania. MEA is a full service regional association that represents over 1,200 manufacturing and service firms located in four states employing over 284,000 people.

MEA is the sponsoring agency for the Mid-Atlantic Trade Adjustment Assistance Center (MATAAC). The MATAAC is required to implement the Trade Adjustment Assistance program for manufacturing firms on behalf of the United States Department of Commerce in the five state region of Delaware, Maryland, Pennsylvania, Virginia, West Virginia and the District of Columbia.

I am providing this written statement as a designated representative of the twelve organizations that sponsor Trade Adjustment Assistance centers around the nation (see Exhibit #1). On behalf of the TAA sponsors, I extend gratitude and thanks to you and the members of this committee who have so steadfastly supported TAA in the past, including your decision in 1993 to re-authorize this program through September 30, 1998.

I am pleased to be able to report to you today that your support of the TAA program continues to be benchmark for measuring the success of public/private relationships that foster economic improvement, create jobs, and assist companies impacted by yet unresolved trade imbalances. Thanks to your support we continue to address the insatiable demand of the small to medium-sized manufacturers in this country who increasingly look to TAA for assistance when other private funding sources and government programs simply do not address their needs.

I would like to refer you to Exhibit #2 which accompanies this statement. This document, the Effectiveness Report of the program, is designed to demonstrate statistical comparison of the level of employment and company sales generated by companies which have completed participation in TAA.

Since FY '90, TAA has assisted 488 manufacturers nationwide. The results of using federal funds and company funds in combination to provide technical and management assistance to these firms have been tremendous. These companies had experienced employment losses of over sixteen percent (16%) because of the impact of foreign competition. Losses in sales were over $713 million or about twelve percent (12%).

With TAA, those same firms have retained and created over 62,000 jobs and increased company sales by millions of dollars. The companies have remained in operation in their communities, they have hired and employed more people, and they have significantly increased direct and indirect contributions into their local economies. In fact, conservative estimates suggest that, over the five year period between 1990 and 1994, federal dollars appropriated to TAA have translated into an investment of only $978 per job, while the resulting annual federal and state tax revenues alone from each of those jobs is $7,260. This means that for each federal dollar invested in TAA, the federal and state return is 742% on investment (see Exhibit #3). By funding TAA, Congress has created more federal and state revenue by generating corporate and personal taxes, while saving money through the reduction of need for federal unemployment compensation, job retraining, and the like. TAA HAS ACTUALLY MADE A NET CONTRIBUTION TO REDUCING THE FEDERAL DEFICIT, NOT INCREASING IT.

It is important to recognize that TAA for firms is one of the only federal programs that exists as a modal of a true public/private partnership. The private sector is, for all intents and purposes, responsible for implementation of the program. The TAAC's are independent non-profit organizations separate from the government bureaucracy of the Department of Commerce.

The consultants who assist companies in adjustment plans are technical experts and businessmen and women with practical experience in aspects of business as diverse as financing, marketing, distribution, systems analysis, production, computer integration and automation, and manufacturing processes.

Most importantly, there exists a misconception that TAA for firms is a small government sponsored program. While the government expenditures are modest, they act as a catalyst for greater investment by the participating firms. Generally, firms participating in TAA are contributing anywhere from 50% to 75% of the direct cost associated with adjustment plan implementation, while the federal government contributes the remainder. In some instances, firms have ultimately funded over 80% of the total project cost required to adjust.

In real terms, your funding decisions have assisted countless workers, their families, and their communities. For instance, in Washington state, a small manufacturer of weight measurement and volume measurement systems with seventy-five (75) employees was suffering employee and sales losses primarily due to Canadian imports. TAA has assisted the company in designing an improved ultrasonic bulk processing device to be marketed over seas. The federal government has invested less than $13,000 in this project cost. But because of TAA technical assistance in identifying the company's needs, and in implementing this adjustment project, the firm expects to nearly double its export of these products into foreign markets in 1995. Future projects include developing a marketing strategy with exports as a key component, and obtaining company compliance with European Union mandated standards of quality.

With nominal federal investment, technical assistance, and leveraged private sector funding, this firm is recovering, competing with Canada, increasing employment, and most notably, increasing its exporting. TAA has made a huge difference to this company and the economy of surrounding King County, Washington.

Presently, a manufacturer of bicycle accessories in Gurnee, Illinois has become involved in TAA due to losses of jobs and sales to "Pacific Rim" based competition. The company is funding fifty percent (50%) of an ambitious adjustment plan that addresses expedited product design of bicycle helmets and other non-helmet bicycle components. A marketing plan is being implemented to increase brand recognition, and to broaden appeal to mass retailers and end users. The results are beginning to be demonstrated by the company's ability to save 132 jobs, increase revenues, and contemplate the addition of new manufacaturing jobs.

These successes assure that the economy of these communities will survive. The closure of these employers due to foreign competition based on unequal trade practices and imbalances would have been devastating were it not for the assistance provided by TAA. Additionally, these jobs are manufacturing jobs, rather than service or retail jobs, thus providing a greater multiplier effect on the economy in these communities.

TAA provides a remarkable return on your investment, and this underscores the federal government's recognition that if we assist companies to survive and compete with some modest investment, we will save and create jobs. We also avoid the more costly approaches of providing unemployment compensation, dislocated worker retraining and benefits, and other types of welfare programming that can be debilitating to the individual workers. The community as a whole also benefits, thus reducing the need for community economic development funding. In a confusing and complicated world, your decision to pursue such a policy to save a company before jobs are lost, rather than spending millions to repair the damage once jobs have been eliminated, makes reasonable, practical and simple sense.

This is an important point, because it is a fundamental philosophical distinction that separates the TAA program for firms with its larger and more expensive cousin, TAA for dislocated workers which is administered at the Department of Labor. TAA for dislocated workers addresses, in a band-aid approach, the need to correct damage that is done. It invests much larger amounts of federal money in training individuals to possess skills which may not necessarily be in demand in the marketplace.

TAA for firms, on the other hand, invests modest federal dollars, leveraged by private company investment, to protect, save, and even create a job at an existing company. Once the adjustment creates or saves the job, then individual workers are spared the impact of unemployment. In many cases, new jobs require the company, at its expense, to train newly-hired workers for tasks that need to be accomplished as part of the job. The training is specific to the needs of the existing and available job, whereas training under the dislocated workers program may be speculative to job skills that are not in demand. What good is federally funded job training if there are not viable businesses and firms operating to offer employment to the worker?

Exhibit #4 includes a sample to the individual success stories of companies that have participated in TAA for firms. Also enclosed are demonstrations of congressional support for TAA by those that recognize the value of this program. In short, this evidence clearly indicates that the program works wonders!

It is important to recognize that TAA is a unique program and is not duplicated by, nor does it overlap with, any other existing federal program. TAA for firms helps trade-impacted small and medium sized manufacturing firms. It provides in-depth management and technical assistance to the people who run these firms, providing a company-wide diagnostic, developing turnaround strategies, and implementing adjustment plans. Exhibit #5 attached to this Statement demonstrates the vast differences between TAA and other programs which are regularly compared to TAA as duplicative.

In fact, foreign countries, and other government agencies have looked at TAA as a modal for providing service because of the program's flexibility, strong technical expertise, and successful results.

Finally, there continue to be clear signs that TAA is necessary in our manufacturing sector now more than ever. First, a serious backlog in providing implementation assistance exists because of funding constraints. Over 180 firms that are certified to receive TAA still await funding to implement the changes necessary to compete in a global economy. With this backlog of close to $10 million, we are concerned that some firms may not have the opportunity to compete successfully in the international marketplace.

Secondly, increasingly larger firms are seeking TAA. The average employment of firms in the program in FY '95 is over 60% higher than for those firms that were in the program in FY '91. The complexity of these larger firms requires higher levels of assistance which creates greater funding demands.

Of course, demand for TAA has increased significantly, thus requiring stricter criterion for firm eligibility. Companies are learning more about TAA's remarkable success, and are seeking our limited resources in larger numbers. As a result, available TAA resources are being conservatively, but effectively, allocated. Because TAA assists import impacted industries, and given the implications of the devaluation of the peso, increased Mexican imports and the recent implementation of NAFTA and GATT, manufacturers are realilzing the value of TAA. Most importantly, it provides this relief without, in any way, restraining trade or interfering with free market trade. In fact, a significant number of companies have learned the ability and value of exporting, and have thus found TAA to be a valuable tool for beginning or expanding exports into foreign markets. To abandon TAA now would only help to precipitate the prophecies of disaster originally predicted by the anti-NAFTA doomsayers.

In closing, the intent of Congress was clear when you reauthorized TAA through September, 1998 recognizing that TAA can provide meaningful assistance that saves jobs and re-establishes competitive American manufacturers in the international marketplace. Most importantly, TAA does this with a majority of investment from the private sector that results in a net gain to the federal budget. This is not your typical government program in that its results assure a reinvestment in our employees, our companies, our communities and our country. Thank you.

[Exhibits retained in Committee files.]

CTS CORPORATION

CONGRESSIONAL BRIEFING: FEBRUARY 9, 1995

RE: GREAT LAKES TRADE ADJUSTMENT ASSISTANCE CENTER (TAAC)

Good morning, my name is Joe Walker and I represent the CTS Corporation. CTS is located in the north central area of Indiana and has the general characteristics of a typical Midwest manufacturer. We employ approximately 4,000 people worldwide and 2,300 in the United States of which 1,600 employees reside and work in Indiana. We pay an above average electronic industry wage and provide a competitive benefits program to our workers. Due to the nature of our products, we demand a highly skilled and well educated work force. To this end, we actively invest in and provide in-house education and training programs for our employees. We also share the cost of outside educational opportunities our employees pursue while working for us. The Trade Adjustment Assistance program represents a powerful resource which has assisted us in our pursuit of organizational excellence. This fundamental assistance, in focusing our project management activities, has directly and favorably impacted our ability to retain and increase employment throughout the State of Indiana and other U.S. locations.

We are a manufacturer of electronic components and have experienced a significant negative impact from foreign competition. All of our product lines are exposed to severe threats by internationally based competitors. Without a doubt, our company and our industry is one that is vitally important to our national economy, and it is urgent that we nurture and develop the electronics industry so that we remain a leader in the explosive growth of technology throughout the world.

The cornerstone of our pursuit of organizational excellence is the education of all levels of our work force. Educational processes and programs include a range from basic skills and supervisory training to functional training programs relating to specific areas of the business; they are quality, manufacturing, sales and marketing, engineering, human resources and finance. To enable us to undertake such a broad based training and educational process, we have utilized a number of outside sources. The Trade Adjustment Assistance program is one of those outside resources we have employed. Their performance over the last two years in assisting us in our pursuit of excellence has been superior.

The Trade Adjustment Assistance program delivers a comprehensive approach to problem-solving in the private sector. The program is organized to provide customized solutions to specific issues existing within a business. There is no attempt by those involved in the program to provide broad based solutions to generic issues. On the contrary, the team visiting a selected participating company evaluates the need identified by the participant's management, analyzes a potential solution and determines the probability of success and the potential impact on employment.

Our exposure to this program is through the Great Lakes Trade Adjustment Assistance Center (TAAC). Approximately two years ago, we committed to a quality certification process referred to as ISO 9000 (International Standards Organization). In our search to identify resources outside our corporation, we were introduced to TAAC. We were visited

by a team of professionals who were skilled in analytical processes and implementation techniques. It was clear that the TAAC professionals were experienced in industry practices and the significant issues represented by competitive threats. They are adept at organization, planning and project management.

After the initial evaluation, CTS was selected as a participant. The TAAC staff assisted us in developing a methodology to implement an ISO 9000 quality system through a broad based educational process. Based on the initial model and TAAC's approach and direct involvement, we now have six (6) ISO certified locations.

The principal benefit to CTS of our relationship with TAAC, is that we have identified a strong resource which provides us with an invaluable outside perspective on the issues we face and a very efficient and effective group of professionals who can provide us ongoing project management. The results we have achieved are increased productivity, a more motivated work force, a higher quality product, increasing sales, and a more stable and secure work force.

Based on our experience with TAAC, we believe that the program is effective and productive in nurturing a more competitive industrial base in the United States. We would strongly urge continued support of the program.

Joseph P. Walker
February 9, 1995

MARIAN J. KRZYZOWSKI
DIRECTOR

THE UNIVERSITY OF MICHIGAN

BUSINESS AND INDUSTRIAL ASSISTANCE DIVISION

SCHOOL OF BUSINESS ADMINISTRATION 326 EAST LIBERTY STREET
ANN ARBOR, MICHIGAN 48104-2210 313 998-6201 FAX 313 998-6202
TRADE ADJUSTMENT ASSISTANCE CENTER 313 998-6213
EDA CENTER FOR ECONOMIC DIVERSIFICATION 313 998-6214

June 27, 1995

Mr. Phillip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515-6348

Dear Mr. Moseley:

I thought you might be interested in the testimonial of a Trade Adjustment Assistance for Firms (TAA) participant. Mr. Joseph Walker is Chairman, President and CEO of CTS Corporation which is headquartered in Elkhart, Indiana. Mr. Walker traveled to Washington at his own expense to convey in person his experiences with the TAA program at a February 9, 1995 congressional briefing. Six copies of his written comments are enclosed.

Participating firms across the nation have been notifying their congressional representatives about their positive experiences with the TAA for Firms program. Over the past five years alone, the program has been instrumental in retaining and creating over 60,000 jobs and generating nearly $6 billion in annual sales, resulting in a solid return for the taxpayers' dollars.

We urge continued support for the Trade Adjustment Assistance Program for Firms. If you have any questions, please feel free to call me.

Sincerely,

Marian Krzyzowski

Enclosures

Statement by Rep. Phil English on eliminating Trade Adjustment Assistance:

Earlier this month, I sponsored a letter signed by eleven of my colleagues from Pennsylvania expressing our support for the Trade Adjustment Assistance (TAA) program. This letter was sent to Appropriations Subcommittee Chairman Rogers in response to the House Budget Committee's recommendation that the TAA program be eliminated. I welcome this additional opportunity to reiterate my support for this program through this statement as the Ways and Means Subcommittee on trade considers this issue.

Over 23,000 manufacturing firms in Pennsylvania depend on the management assistance provided by the TAA program. The number of jobs and amount of company sales saved and created by TAA is an impressive amount, particularly in proportion to the amount of federal investment. In Pennsylvania, this private/public partnership has resulted in the salvation and creation of approximately 6,000 jobs and $485 million in company sales. Moreover, nationwide TAA has resulted in the reinvestment of $742 into the economy (including federal tax revenues) for every federal dollar appropriated for the program.

I urge the Trade Subcommittee's assistance in protecting our companies by continuing TAA funding. Continuing this program will allow our companies to compete with imports, and expand into the global marketplace. The recent passage of GATT and NAFTA present challenges to our manufacturing base, and TAA has, in many cases, provided the crucial resources for those companies to be successful in that competition. Again, I urge the Trade Subcommittee to favorably consider maintaining TAA.

ILLINOIS AFL CIO

ILLINOIS STATE FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

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Joseph Lovich ..... BAC
Thomas H. Reece ..... IFT
Terrence M. Healy ..... IUNA
Robert Jid ..... CBC
Joel Valendon ..... USWA

June 30, 1995

Mr. Phillip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Moseley:

Pursuant to Chairman Crane's request for written comments on the proposals to terminate Trade Adjustment Assistance (TAA) Programs for workers and firms dated June 12, 1995, I am forwarding some letters from workers who have benefitted from this program. As you can see from the enclosed letters this proposal to eliminate the program has generated considerable concern. These letters do not however reflect the full extent of concern as we eliminated some letters we received due to the extremely harsh and bitter language they contained.

We have worked closely with the State of Illinois over the past several years helping workers and companies to utilize TAA programs. We have worked with nearly 100,000 dislocated workers over the past six years. A great many of these people benefitted from TAA. More than two thirds of these people live and worked in the collar counties around Chicago. I hope the committee will reverse this horrible recommendation to terminate TAA.

If you have any questions about this submission please contact me.

Sincerely,

Daniel Cosgrove

Daniel Cosgrove
Education & Research Director

05/1

6/28/95

Dear Congress Person,

With Trade Act & NAFTA at least I have a chance to re-enter the job market as a newly trained, viable working person. Without out these programs had no hope of finding any work that would get me past the Poverty line. As a black, & divorced, and home owner there would be no way to start over without losing all of what I accomplished in the last 23 years I devoted to the "Fortune 500" Company. The same company that took away our jobs and took them to Mexico. I served as a peer-outreach Counselor for our group of 301 people and over 80 of those affected have found it necessary to use the re-training programs. If these programs are cut it not only take away the jobs but any self respect left after many years of working and losing all benefits. In my case only 9 days of reaching my retirement insurance and in a snap of a moment it was all gone. Save our Country by saving our jobs and training programs.

Dennis M. Alford

Dear Congressman,

My name is Katrina Ellis at 204 Marengo #3E Forest Park, IL 60130. I was a former Employee at Xerox CRC in Oakbrook IL. and now I am a dislocated worker. I am attending ITT Technical Institute in Hoffman Estates under the Nafta Trade Act. This program have really help me. I really don't know what I would have done without it. When my Company close down, I really didn't have or see a future. This program has helped my self-esteem and the ability to better my skills and further my education. My salary was 30,000 and above each year. The minimum wage jobs that are currently open would not benefit me the way this program would help in the near future. I currently have perfect attendance and a 3.9 grade point average. I hope that this program continues so it can benefits others like myself. My phone number is (708) 771-6407.

Sincerly,
Katrina Ellis

Dear Congressman

I remember a few years ago hearing all this bull shit about this NAFTA that was going to help the US jobs. Guess what! It did!" Me, that is right out of a job!" After 7 years of working my ass off for a Company (xerox) that I thought I had a career with the rest of my life - wrong -! We (xerox CRC - Oakbrook Illinois) was the first Nafta / Trade Act In Illinois Well since then I decided to for go school & looking for a job to become a Peer Outreach Counsler because I felt that someone needed to be their to help my fellow employees to pick up their lives and go on. It has been really exciting helping them get school programs together to go to school or even giving them job leads & listening to their problems. After my time here us up I have decided to go to school myself for Machine tool at Dover! Thanks to the Nafta / Trade Act I can hold my head up and look at a future. And you all over paid - underworked people in Washington DC are always worried about one thing - Screwing the overworked & underpaid poor man for more money for your fat assed pockets. Signed Don't Act Don't tell!

Jimmy Greenwalt

JPTA - Wheaton Office
ATT: from Greenwalt

Dear Congress Man,
I think it surprise for the government to stop NAFTA and the tradeact. It gave me a chance to go to school and be retrained in computers, so I can get a job after my training is done.

Viola Gordon
25W 351 Plank Rd.
Naperville, Il.
60563-3253

2100 White Avenue #2
Lyons, Illinois 60534
June 29 1995
Phone: (708) 442-6915

Dear Congressman,

It has come to my attention that Congress is considering cutting funds to the retraining grants provided in the N.A.F.T.A. Treaty and Trade Act.

I am a displaced worker currently attending school to retrain under a N.A.F.T.A. grant.

The work of going to school is not easy, but the program works.

I hope you will not vote for cutting the funding, not only for myself, but for other workers who find themselves unemployed through no fault of their own.

Sincerely,

Jim Daugherty

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
1125 Fifteenth Street, N.W.
Washington, DC 20005
(202) 833-7000

J. J. BARRY
International President

JACK F. MOORE
International Secretary

June 30, 1995

Honorable Philip M. Crane
Chairman of the Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Attention: Phillip D. Moseley, Chief of Staff

Dear Congressman Crane:

This letter is in response to your request for written comments on the proposal to terminate Trade Adjustment Assistance programs for workers and firms.

The International Brotherhood of Electrical Workers (IBEW) represents approximately 900,000 active and retired American workers. We want to go on record in opposition to the proposed elimination of Trade Adjustment Assistance to workers who lose their jobs to increased foreign imports.

A distinction should be made that job losses due to domestic competition are offset by American job gains in another part of our economy. Job losses to foreign countries based on macroeconomic decisions in Washington, D.C. are jobs lost forever.

Over 31,000 petitions for assistance in the TAA program have been submitted since its inception. This program was created to try to allay some of the fears our citizens experienced in accepting the early GATT agreements. NAFTA-TAA was likewise introduced to help sell the NAFTA agreement to the American public. Almost 500 petitions have been submitted during the short existence of this program.

IBEW represented workers in the television, personal electronics and related electrical products manufacturing industries have seen a steady erosion of good paying jobs to foreign competition and have relied on these two programs to help bridge the economic and personal hardships they have had to endure due to federal trade policies. Among our most recent experiences are three IBEW adjustment certifications for job losses in the electrical power generation industry initiated because of imported power from Canada.

Federal government granting of GSP recognition to countries such as Malaysia and MFN recognition to countries such as China, both of which have egregious human and labor rights records, are not policies which the IBEW believes are in the best interest of American workers. The anguish of our citizens who become unemployed due to trade with countries which operate with this type of business and political climate is barely dampened with the modest assistance provided by the TAA and NAFTA-TAA programs. Somewhere along the line our government needs to stand up and take responsibility for job losses due to their foreign trade policy.

The TAA and NAFTA-TAA programs appear in our estimate to be a minimal offset to these trade policies and need to be retained as distinct from other unemployment assistance. As such, the IBEW, and the workers and their families we represent, urge the House Ways and Means' Subcommittee on Trade to reject the proposal to eliminate or consolidate Trade Adjustment Assistance.

Sincerely yours,

J. J. Barry

J. J. Barry
International President

JJB:lwf

STATEMENT OF
WILLIAM H. BYWATER, PRESIDENT
INTERNATIONAL UNION OF ELECTRONIC, ELECTRICAL, SALARIED,
MACHINE AND FURNITURE WORKERS (IUE), AFL-CIO
ON PROPOSALS TO TERMINATE TRADE ADJUSTMENT ASSISTANCE
FOR WORKERS AND FIRMS

TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

JUNE 30, 1995

I am William H. Bywater, President of the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers (IUE), AFL-CIO. On behalf of the 140,000 working men and women represented by the IUE, I am pleased to offer our views on proposals to terminate or consolidate the Trade Adjustment Assistance (TAA) programs for workers and firms. The continuation of TAA, indeed its expansion, is essential to American manufacturing workers who may lose their jobs in the coming years as a result of industrial adjustments produced by shifts in international trade. The elimination of TAA benefits would constitute a violation of the covenant between the victims of international trade policies and their government. A public commitment to provide effective assistance in the form of cash benefits, re-training and education assistance, and job search and relocation allowances, was first established in 1962, and explicitly renewed by the U.S. Congress when it passed the North American Free Trade Agreement (NAFTA) in 1993.

At a time when the United States international trade deficit is again growing rapidly--exceeding $ 151 billion in 1994, a 30 percent increase from the 1993 level--an effective trade adjustment assistance program is needed now more than ever. Millions of Americans are suffering layoffs and lost job opportunities from imports. Central to America's trade problem is the imbalance in manufacturing goods. Twelve years ago, the U.S. enjoyed a trade surplus in this vital sector, while 1994 saw this deficit grow to more than $156 billion.

Our nation's trade balance has continued to deteriorate further in 1995. Through the first four months of this year, our overall trade deficit in goods amounted to $61.6 billion, a 23 percent increase over the corresponding period in 1994. In April 1995 alone, exports of goods produced in the United States decreased to $46.9 billion, while imports increased to $63.4 billion--producing a one-month trade short-fall of $16.5 billion.

The international trade picture in IUE-related industries is no brighter. In 1994, the U.S. *exported* $111 billion worth of manufactured electrical goods, but *imported* $162 billion worth of such commodities from foreign countries. The flood of electrical imports included $58 billion worth of electrical machinery, and $20 billion worth of power generating equipment. Through the first four months of this year, the nation's trade deficit in electrical machinery has expanded by more than more than 83 percent over 1994. Thus, IUE members have experienced first-hand the devastating impact of the fall of the United States from its former position as a preeminent manufacturing power and large scale exporter, to a country that is likely to experience a manufacturing trade deficit of $200 billion in 1995.

For more than a century, business economists have argued that trade among nations primarily occurs because respective countries enjoy different *comparative advantages* in producing goods as a result of geographic location, abundance of natural resources, climate, etc. This parable goes on to assert that all countries are better off when each produces and trades those goods which it can produce and trade most efficiently. This was never an accurate description of the world trading system, and it is certainly not applicable to the reality of today's global economy, where giant corporations search the world over in search of low-wage, union-free labor markets.

Even the most staunch supporters of "free-trade" acknowledge that particular groups of workers are often harmed by international trade policies designed to benefit the average domestic consumer. The Trade Adjustment Assistance Program was established precisely out of this public concern with the humane and fair treatment of workers who bear the full cost of the alleged benefits accruing to the other members of our society as a result of relatively inexpensive imports. When the adverse effects of trade policy decisions fall on a concentrated group of people in our society, it is incumbent upon the federal government to maintain those programs created to mitigate that economic burden.

Over the past decade, IUE has joined with the AFL-CIO in arguing that major improvements were needed in all three Trade Adjustment Assistance program areas: eligibility, benefits and funding. Specifically, we have advocated that more dislocated workers be eligible for substantially improved benefits payable under TAA, including the (1) restoration of the 1974 wage replacement formula, (2) lengthened duration of benefits and benefit entitlement, (3) continuation of medical insurance, (4) bridge benefits for workers near to retirement, and (5) an emphasis on targeted job creation. In short, all American workers whose jobs are, in effect, exported through the relocation of production outside of the United States, should be eligible to receive expanded TAA benefits. Congress has the additional obligation to appropriate the necessary funds to maintain the TAA program. Outlays for TAA have fallen drastically since the early 1980's. For most workers injured by international trade over the past decade, inadequate funding has rendered TAA an empty promise.

Despite the glaring short-comings in the existing TAA programs, thousands of IUE members have received desperately needed assistance over the years. In the twenty year period from April 1975 through May 1995, the federal government certified one hundred TAA petitions filed by IUE Local Unions, covering more than 25,000 workers. Two more recently certified IUE cases illustrate the importance of TAA to American workers injured by the implementation of the North American Free Trade Agreement: the first involves former workers at the Frididaire Company, Athens Range Products, in Athens, Tennessee; and the second, former workers at the Standard Products Company, Campbell Plastic Division, in Schenectady, New York.

On March 21, 1994, the U.S. Department of Labor (Employment and Training Administration) initiated an investigation into the NAFTA-TAA petition filed by IUE Local Union 676, on behalf of the Frigidaire workers in Athens, Tennessee, who were engaged in fabricated parts production and assembly operations. On May 2, 1995, the Labor Department (DOL) determined, "that because a substantial proportion of the subject's plant's parts production was for the company's assembly of ranges at a Canadian facility," and that, "[t]his fabricated parts production is now being shifted from the subject plant to the Frigidaire facility in L'Assuomption, Quebec, Canada," our members who were engaged in parts production were eligible to apply for NAFTA-TAA.

On March 30, 1994, the Employment and Training Administration initiated a second investigation into the NAFTA-TAA petition filed by IUE Local Union 318, on behalf of the Campbell Plastics workers in Schenectady, NY, who were employed producing automotive body side moldings. The DOL investigation revealed that our members had been laid-off as a direct result of Campbell Plastics having lost a series of contracts to Canadian firms.

Imports of these auto products from Canada were found to have increased in 1993, as compared to 1992. The Labor Department concluded: "that increases of imports of articles like or directly competitive with automotive body side molding contributed importantly to the declines in sales or production and to the total or partial separation of workers at Standard Products Company." As a result, all of the workers at this location were certified as eligible to apply for NAFTA-TAA.

In just these two IUE-related NAFTA-TAA cases, hundreds of IUE members received benefits under this federal international trade program. For many of our members, these benefits made the difference between seeking further education and re-training, and ending up on the street without sufficient income to support themselves and their families.

Unfortunately, however, in several other situations in which we firmly believe that workers have lost their jobs because of NAFTA-related international trade, the federal government has denied IUE members benefits under the NAFTA-Transitional Adjustment Assistance program. Our former members who worked for Allied Signal in New Jersey, North American Philips Lighting in West Virginia, and for General Electric in Indiana, have all found themselves without jobs and without TAA benefits because of overly restrictive certification requirements written into the NAFTA-TAA program.

Nationally, through March of this year, the U.S. Labor Department had received NAFTA-TAA filings from over 50,000 workers at 3,762 firms, located in 42 states. The future demand for NAFTA-TAA benefits will only increase as the U.S. trade imbalance with Mexico deteriorates. The United States recorded a $1.4 billion trade deficit with Mexico in March. For the first four months of 1995, the U.S. has experienced a $5.3 billion deficit with Mexico. For the first four months of 1994, the U.S. enjoyed a surplus of $537 million. By any formula, this deficit translates into the further loss of thousands of well-paying American jobs in the year ahead. When Congress imposed NAFTA on the American people, it renewed its long-recognized obligation to compensate these workers for the loss of their jobs.

Ultimately, the real issue is jobs that can be created for those Americans who are unemployed by the consequences of governmental trade policies and expanded world trade. The employment problems faced by our members are not due to individual shortcomings, but are the result of shortcomings of the overall economy which produces trade deficits in excess of $150 billion. This serious macroeconomic problem will not be solved through deficit deduction and cuts in federal programs which benefit American workers. The problem will only be solved through a comprehensive trade policy which includes an extensive trade adjustment assistance program. We urge Congress to reject all proposals to terminate or consolidate the trade adjustment assistance programs for workers and firms.

Thank you for your serious consideration of the views of American working men and women.

STATEMENT OF THE
INTERNATIONAL UNION, UAW
SUPPORTING THE CONTINUATION OF THE
TRADE ADJUSTMENT ASSISTANCE PROGRAM FOR WORKERS

SUBMITTED TO THE
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

June 30, 1995

Mr. Chairman, the International Union, United Automobile, Aerospace, and Agricultural Workers of America (UAW), represents 1.4 million active and retired members across the United States. We would like to take this opportunity to submit a statement opposing the proposed elimination of the Trade Adjustment Assistance for workers and NAFTA Transitional Adjustment Assistance programs.

No other single union has had more experience with the costs of so-called "free" trade than the UAW. Hundreds of thousands of UAW members have lost good jobs due to the impact of foreign competition over the last 25 years, and since 1975, some of those workers have been assisted with training and income support provided under the Trade Adjustment Assistance (TAA) program.

Many UAW members have used TAA to regain productive and gainful employment over these years. The record should be clear, however, that TAA has by no means been a "gravy train" for trade-impacted workers. Indeed, the UAW has had to fight to gain TAA certifications and TRA benefits for its members throughout the twenty year life of the program. The UAW has played an active role in coordinating the filing of TAA petitions, cases seeking judicial review of denials of TAA petitions, and lawsuits challenging restrictive U.S. Department of Labor interpretations of the TAA law. We have also worked with state employment security agencies, employers, and training providers to ensure that affected workers obtained the full benefits to which they were entitled under the TAA program.

Based upon our two decades of experience with TAA, the UAW without reservation supports the continuation of TAA and opposes the inclusion of TAA in any consolidation or block granting of dislocated worker training programs. We have found that TAA, despite needed improvements, still furnishes certified workers superior assistance to nearly all other existing dislocated worker retraining programs. In the absence of a single, comprehensive, and fully-funded dislocated worker adjustment assistance scheme in the United States, the UAW urges the Subcommittee to reject the elimination of TAA and NAFTA TAA.

In the Trade Act of 1974, Congress embraced free trade policies while recognizing that there would be firms and workers victimized by those policies. Just as there is no such thing as a free lunch, there is no such thing as "free" trade. If Congress and the Adminstration pursue open trade policies for their perceived overall benefits to society, workers who suffer as a direct result of those policies have a special claim on their government for assistance in dealing with the economic damages visited upon their families. If Congress eliminates TAA, then it turns its back on this special covenant with the victims of government open trade policies. While critics question the justification for a trade specific dislocated worker program, in general, other dislocated workers are not unemployed as a direct result of specific federal policy. For this reason, trade-impacted workers need and deserve TAA.

Similarly, consolidating TAA with other dislocated worker programs, especially when coupled with funding reductions, represents a substantial abandonment of our commitment to trade-impacted workers. The overwhelming majority of funding for

dislocated worker training is discretionary spending and will be subject to future budgetary pressures. In contrast, TAA training is a capped entitlement and Trade Readjustment Assistance (TRA) is an entitlement. This gives trade-impacted workers a better level of protection from end of program year funding cutoffs and competition with other dislocated workers for scarce resources. At a minimum, TAA provides a measure of assurance to trade-impacted workers that their readjustment needs will be addressed.

In addition, TAA is one of the few, if not the only, dislocated worker training program with an adequate income support mechanism. The UAW has found that TAA has provided workers affected by foreign imports with an opportunity to complete meaningful training over a duration adequate to acquire real skills and knowledge. In too many cases, workers in JTPA and other dislocated worker programs are forced to accept short-duration, quick fix training due to the nearly universal absence of income support. TRA benefits give workers a real chance to complete good retraining programs and preserve their living standards.

The NAFTA TAA program partially addresses two of the major loopholes in the TAA program. First, since only import-impacted workers are protected under TAA, Congress and the Administration provided for protection for workers whose jobs are lost due to shifts in production to Canada or Mexico. In addition, the NAFTA TAA program was designed to assist so-called "secondary workers" harmed by expanded free trade with Canada and Mexico. For the same reasons that TAA provides superior protection to import-impacted workers, NAFTA TAA is an important supplement for workers hurt by open trade with Canada and Mexico. While the secondary worker provisions of NAFTA TAA have not yet been fully implemented by the U.S. Department of Labor, the NAFTA TAA program remains an important protection for workers harmed as a result of NAFTA and it deserves the continued support of Congress.

Perhaps some examples of past UAW experiences with TAA can illustrate the variety of situations in which TAA has served UAW members in the past several years.

Under a current TAA certification, approximately 350 temporary General Motors employees at a Danville, Illinois foundry are eligible for retraining. The area has a scarcity of higher wage jobs for industrial workers, and the temporary employees are not eligible for transfer to other GM facilities outside the area. Without TAA, these workers would not have had access to meaningful retraining programs with income support. Working cooperatively with the Illinois agency and General Motors, the UAW has provided guidance to the affected workers to ensure that they can take full advantage of the TAA certification.

Workers at U.S. Radiator in Oakland County, Michigan lost their jobs due to a relocation of their plant to Mexico in the early 1990s. The largely Spanish-speaking workforce had a low literacy rate and lacked formal education. Following the closing of their plant, a TAA petition was favorably certified. The UAW set up a meeting with the entire workforce and representatives of the local employment service office. Because of the TAA certification, large numbers of the dislocated workers enrolled in basic educational training as well as skills training. As a result, these workers were better qualified to seek work at adequate wages and to support their families.

McDonald-Douglas workers in Melbourne, Arkansas obtained one of the first TAA certifications in the aerospace industry in 1993. At that time, some layoffs took place because of the foreign sourcing of some of the work performed at the plant. Using the TAA training available, and working with the UAW and McDonald-Douglas, certified workers completed training in aircraft fabrication. As a result of this training, the employer has recently brought new jobs into this plant to take advantage of the newly trained fabrication workers. Prior to the training program, there was a shortage of these workers in the area. As a result of the TAA certification, both the employer and the workers have realized a benefit from an otherwise unfortunate development.

The UAW believes that these concrete examples of the benefits available from the TAA program furnish good illustrations of the need for the continuation of TAA. We believe that future workers unemployed as a result of United States' open trade policies deserve to have TAA and NAFTA TAA available to them.

Mr. Chairman, the UAW appeciates the opportunity to submit a statement on this important subject and wishes to thank you for considering our views.

BW:mgb
opeiu494
m95

Mr. Phillip D. Moseley, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

RE: Chairman Crane's Advisory, TR-11, dated June 12, 1995, Concerning Trade Adjustment Assistance for Firms.

Mr. Chairman and Members of the Subcommittee on Trade:

I submit this statement in support of maintaining Trade Adjustment Assistance for Firms.

My company manufactures bulk material weight and volume measurement systems. It employs about 75 individuals. Several years ago Canadian imports began to impact my sales here in the U.S. marketplace.

I contacted the Northwest Trade Adjustment Assistance Center to see if they could help my company. The Center's staff did most of the work to get my company qualified for the program. Once certified the staff helped to develop a recovery strategy to position my company to better compete with the imports that were impacting my market.

The strategy we developed was to increase both domestic and international sales. To accomplish this, several projects were identified as being key to implement this strategy.

The first project was to design an improved ultrasonic bulk measurement system. This has created a new unit that will increase sensitivity over existing systems by a factor of from ten to one hundred times, depending on the application. The improvement will significantly improve final measurement accuracy in all applications of both solid and liquid bulk products.

In order to expand export sales of products produced by my company, the Trade Adjustment Assistance program will help my company receive ISO 9001 Quality Standard Certification. This standard is recognized internationally as the measure of assurance that a manufacturer has the necessary quality management system in place. This in turn assures that all products produced by the company meet stated specifications. The ISO 9001 certification is particularly important for sales to the European Union.

The completion of these projects are of the utmost importance to my company. The staff of the Northwest Trade Adjustment Assistance Center did not just give me money to "fix" my problems. They helped me to think through my problems and to be a significant part in reaching the solution. Once the direction was identified we had to pay 56 percent of the cost. There were no "hand- outs" anywhere in the process. As a result my staff and I have "bought" into our own recovery both literally and figuratively. This assures us of success.
Lay-offs have stopped and employment has stabilized. As sales increase we will have to bring on more employees We will offer laid off employees jobs first before looking to the general labor market. All employees whose jobs were saved or re-hired are that many fewer workers that have to be retrained for other employment. Saving a job in the first place is much more cost effective than retraining that worker to work somewhere else.

Respectfully Submitted,

Seshadri Velamoor
President
Kistler-Morse, Inc.
10201 Willows Road NE
Redmond, Washington 98052

Ray Larson
714 - 596-4191

Larson Associates
CONSULTING FOR MANAGEMENT
P.O. Box 9005 • Brea, CA 92621

April 18, 1995

Honorable Ed Royce
1404 Longworth House
Office Building
Washington, D. C. 20515

Dear Representative:

This is regarding the Trade Adjustment Assistance for Firms programs. This is a popular program for businesses in our area. It is also a very profitable program for all of us.

We are concerned because it is not in the President's Budget for 1996. We would like your support to include this current program in the new Budget for 1996.

The effectiveness of the TAA program is well documented. Since 1990 firms participating in the program have been successful in reversing employment and sales declines. Nationally 488 companies with employment levels of 56,875 at certification saw these levels increase 9.6% to 62,350, an increase of 5,475 new jobs. Sales levels have increased 24.5% from $4.7 billion to $5.8 billion, an increase of $1.1 billion.

The program has proven to be not only effective, but cost efficient. Total federal funds for the TAA program for this 60 month period resulted in a direct investment of $978 per job either retained or created. Each of these jobs yields $5,500 in direct taxes and an additional $1,760 in taxes considering the multiplier effect of manufacturing employment. The result is a many-fold return on the program's federal fund investment.

Your support for this program will be much appreciated and I believe very popular. Thank you for your consideration of this important issue.

Sincerely,

Ray Larson

RL:gs

JAN MEYERS
3D DISTRICT, KANSAS

SMALL BUSINESS COMMITTEE
CHAIRMAN

INTERNATIONAL RELATIONS COMMITTEE

ECONOMIC AND EDUCATIONAL OPPORTUNITIES COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515–1603

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June 27, 1995

Honorable Philip M. Crane
Chairman
Subcommittee on Trade
Committee on Ways and Means
House of Representatives
Washington, D.C. 20037

Dear Mr. Chairman:

In response to your recent request for comments on the proposal to terminate the Trade Adjustment Assistance Program for Firms, I am enclosing a copy of a letter I recently addressed to Congressmen Chrysler and Brownback, who were working on the plan to eliminate the Department of Commerce.

This program has been quite successful in my area of the country, and although I fully support downsizing the bureaucracy and cutting federal spending, I also believe we must be selective in eliminating programs. It would be counterproductive to dismantle the few programs which provide a substantial return on our investment.

Thank you for your consideration, and if I can provide you with more information, please feel free to call on me.

With kindest personal regards, I am

Sincerely,

Jan

Jan Meyers
Member of Congress

Enclosure

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JAN MEYERS
3D DISTRICT, KANSAS

SMALL BUSINESS COMMITTEE
CHAIRMAN

INTERNATIONAL RELATIONS COMMITTEE

ECONOMIC AND EDUCATIONAL OPPORTUNITIES COMMITTEE

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May 25, 1995

Honorable Dick Chrysler
Honorable Sam Brownback
House of Representatives
Washington, D.C. 20510

Dear Dick and Sam:

First, I want to congratulate you and other members of the Freshman Coalition for taking the lead in advocating the elimination of departments and agencies in our effort to downsize the federal bureaucracy and balance the federal budget.

I note that your plan calls for the termination of the Economic Development Administration (EDA), which has been suggested for elimination in the past, but has always managed to survive.

In carrying out agency terminations or consolidations, I hope we will look closely at programs which have bolstered our economy and provided a good return on our investment. I believe one such program, administered by EDA, is the Trade Adjustment Assistance Program for Firms. The program was first authorized by the Trade Act of 1974 to strengthen U.S. manufacturing firms impacted by foreign imports.

The program does not directly provide funding to businesses. Rather, through technical assistance and consulting services, TAA has applied sound management principles and addressed specific targeted needs in small and medium sized domestic manfacturing firms. Using a network of twelve centers located at universities and other non-profit institutions, the program has addressed deficiencies in management, marketing, finance, and manfacturing processes. Because of the flexibility of the program, it has also assisted in improving firms by export promotion, new product development, investment financing, information systems integration, and production control, among others. Firms who qualify for assistance must share the costs of the program with the government.

The Mid-America Trade Adjustment Assistance Center, located at the University of Missouri-Columbia, serves Kansas, Missouri and Arkansas. Over the past four fiscal years, (1990-94), the

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program has retained and/or generated 2,927 jobs in the tri-state area. These jobs were retained and/or generated at firms completing at least one assistance project by September 30, 1994. These figures do not reflect the impact of assistance to firms entering the program since mid-1994.

I recently met with several small business people in my District whose businesses were saved by the TAA program. Because these companies were saved, jobs have been protected, in turn, contributing to continued economic growth. Enclosed is an analysis of the return on investment, pegged at 679%. I doubt that many federal programs could match that return.

Incidentally, the program was funded at $10 million in fiscal year 1995.

Because ninety percent of the companies served under this program are small businesses, I hope we can continue this program by transferring it to the Small Business Administration, or possibly the Office of the U.S. Trade Representative. I am not opposed to reducing the administrative requirements connected with the program, or even further reducing the small level of funding it currently receives. But based on everything I have learned about this program, it is worth saving.

Thank you for your consideration of this request. I would be happy to meet with you at any time to further discuss the possibility of continuing this program.

Sincerely,

Jan

Jan Meyers, M.C.

cc: Honorable Newt Gingrich
Honorable John Kasich
Honorable Bob Livingston
Honorable Hal Rogers

- Annual revenue per job disregards local income or property tax revenue. The average annual revenue is based on the incremental federal and state taxes generated per manufacturing job, and on service jobs created.

- The return on investment calculation reflects the government investment per job divided into the estimated average annual tax revenue generated by manufacturing jobs ($978.35 ÷ 7,260 nationwide and $683.92 ÷ 7,260 in New England). The return on investment calculation does not account for the benefits of reduced unemployment compensation costs, nor the social benefits of retaining and increasing higher-paying manufacturing jobs.

The above calculations show that the Trade Adjustment Assistance program has been able to successfully reverse the decline in employment and sales for its clientele, the manufacturing companies that have experienced losses of sales and employment due to increased foreign imports. Most important, the government's investment in these companies is returned several times over in the form of higher tax revenues and reduced unemployment compensation costs. Clearly, the program more than pays for itself and, therefore, results in fewer dollars required from taxpayers to support the federal budget.

lew Jersey Economic
levelopment Authority

Caren S. Franzini
Executive Director

June 29, 1995

Mr. Phillip Moseley, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Moseley:

Congressman Crane, Chairman of the Subcc. ..ittee on Trade of the Committee on Ways and Means has requested written comment on the proposals to terminate the Trade Adjustment Assistance Program for Workers and Firms.

As the sponsor for the New Jersey Trade Adjustment Assistance Center (NJTAAC), we enthusiastically and actively support the continuation of the Trade Adjustment Assistance Program for Firms.

The background information contained in the June 12, 1995 advisory from the Committee on Ways and Means, Subcommittee on Trade, gives detailed rationale for the elimination of the Trade Adjustment Assistance Program **for Workers**. The only rationale, however, for the elimination of the Trade Adjustment Assistance Program **for Firms** was that the President's fiscal budget proposed the termination of the program.

The Trade Adjustment Assistance Program **for Firms** is a revenue generation program. Empirical information developed by the NJTAAC indicates that their return on investment since 1989 is 1,500%. The 12 Trade Adjustment Assistance Centers nationwide have a return on investment of 742%. We are not aware of any other Federal program that can demonstrate such findings. Additionally, the program saves and creates employment. Since 1989, 56 New Jersey manufacturing firms assisted by the NJTAAC have saved 3,872 jobs and created an additional 200. This relates to a Federal investment of $706 per job.

We understand that free and open international trade is the overarching ultimate goal of U.S. trade policy calculated to gain increasingly less restrictive access to the markets of the world. This disposition is reflected by the creation of NAFTA, encouragement of the European Union, and all other regional free trade agreements such as APEC to which the U.S. is a party. Creation of the World Trade Organization arising from the successful completion of URGATT is but the most recent and compelling example of confirmation of this philosophy of free and open trade.

Free trade remains qualified by generally accepted recognition that, from time to time, unrestricted imports can cause injury to specific domestic industries and enterprises. It is for these reasons major international trade agreements as NAFTA and GATT include trade relief provisions. Assuming trade relief is a necessary fact of international trade, relief which allows the most unrestricted trade assistance is the relief that should be encouraged and promoted.

200 South Warren Street, CN 990, Trenton, New Jersey 08625 • Telephone (609) 292-1800

Of all the trade relief available to businesses and industries within the U.S., only Trade Adjustment Assistance Program for Firms does not restrict imports or interfere with the market. All other forms of trade relief (laws) that require Presidential action take the form of some type of import restriction that is inevitably confrontational and encourages retaliatory reaction.

Many countries already have a form of trade adjustment assistance. At the present, TAA does not appear to be within the jurisdiction of the WTO's powers of review. This means TAA does not invite nor result in compensation to the exporting country, as other trade remedies require.

Trade Adjustment Assistance Program for Firms participants pay nearly one half of the cost of their own assistance. The program more than pays for itself as evidenced by the return on investment which was previously discussed.

Assistance rendered through the Trade Adjustment Assistance Program for Firms does not purchase hard assets by grant or government insured loan. Technical assistance by way of diagnostic advice and counsel (knowledge) is the only trade adjustment assistance rendered. Armed with diagnosis and technical adjustment assistance knowledge, good, promising manufacturers are helped to better compete domestically with imports and within the world market on more even terms.

The Trade Adjustment Assistance Program for Firms is authorized through 1998. Recognition of TAA efficacy has been demonstrated. The test of survival of this important tool of trade policy remains the matter of funding. It is imperative that the Trade Adjustment Assistance Program for Firms receive a $13.7 million appropriation in order to continue as the preferred method of dealing with the temporary adverse impact of foreign trade competition having the advantage of the least interference with international markets, reducing direct Government interaction to the minimum and effectively encouraging free flow of goods and services to which U.S. policy is so clearly dedicated.

I urge that the Subcommittee on Trade recommend the $13.7 million appropriation for the Trade Adjustment Assistance Program for Firms in the 1996 fiscal budget.

Sincerely,

Caren S. Franzini
Executive Director

bbh
cc: Commissioner Gualberto Medina
Marguerite H. Sullivan
New Jersey Delegation

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EDWARD J. CLEARY
President

PAUL F. COLE
Secretary-Treasurer

June 27, 1995

Rep. Philip Crane, Chair
Subcommittee on Trade
Committee on Ways and Means
House of Representatives
Washington DC 20515

Dear Representative Crane:

The New York State AFL-CIO is the largest state labor federation, and it represents 2.5 million union members in 3,300 local unions. The State AFL-CIO is also the organized labor partner to the State Dislocated Worker Program.

The Trade Adjustment Assistance (TAA) program is an important program that has helped thousands of New York State workers re-enter the workforce.

Currently, the New York State AFL-CIO and the New York State Department of Labor administer the Dislocated Workers Assistance Center in Utica, New York. The Utica Center was opened in 1989 with state dollars to serve the needs of dislocated workers. We believe the Dislocated Worker Assistance Center in Utica will make an excellent example of a One-Stop Center. Though it covers a small region, it has produced the largest number of TAA-NAFTA/TAA petitions in the state.

We have had much experience with TAA. On the basis of that experience, we would like to make the following comments:

* When jobs leave the U.S. or are lost due to foreign competition, these jobs are permanently lost to this country.

* Foreign competitors in many areas of the world have no or very low standards for safety & health, environment, and wages. In the United States we worked hard to establish standards for safety & health, environment, and wages, and now we are suffering because of these standards.

* Governments in other countries subsidize their manufacturing companies; the U.S. does not.

* Many areas in our state use the most-in-need criteria to serve dislocated workers. If the TAA program becomes part of an amorphous block grant, there will be no guarantee that these workers will be served. If TAA is no longer an entitlement, individuals who have worked hard and played by the rules for years will see program dollars diverted to other less deserving purposes.

The New York State AFL-CIO, therefore, wishes to go on record in opposition to the termination of TAA or TAA's inclusion in the employment and training block grants.

If you have any questions regarding this matter, please call me.

Sincerely,

Edward J. Cleary
President

EJC:cag
opeiu/153

cc: John E. Sweeney
Sheldon Friedman
Ralph W. Catroppa

Mr. Phillip D. Moseley, Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Re: Written statement of Gary G. Kuhar in support of continuation of Trade Adjustment Assistance for Firms

Mr. Chairman and Members of the Committee:

In response to your request of June 12, 1995, I make this written statement in support of maintaining the Trade Adjustment Assistance program for firms and do so on my behalf only. The opinions expressed in this statement are mine and of my co-author of the paper that makes up the bulk of my presentation.

Trade Adjustment Assistance (TAA) for firms has been a misunderstood program. It has been considered a business assistance program and is also often confused with the labor program. TAA for firms is in fact a member of the trade relief family of laws available to U.S. manufacturers. As such it is an effective and highly efficient trade remedy. The product of this program is helping a U.S. manufacturer to better compete with imports of like or similar products through the development and implementation of a recovery strategy. As such, it is the only trade remedy available in the U.S. that does not restrict the imports in any way...the goal of our recent trade agreements. To demonstrate this the following was prepared.

TRADE ADJUSTMENT ASSISTANCE
FOR FIRMS:
The Most Consistently Effective Trade Remedy Tool
Available In The United States

Prepared by James Munn, Esq.
Chairman, Trade Task Group
and
Gary Kuhar, Esq.
Executive Director, Northwest Trade Adjustment Assistance Center

PROLOGUE

International trade among peoples and nation states is traditionally subject to government intervention, the object of which is to relieve perceived disruptions and distortions to commerce. The instruments employed have customarily been extensions of domestic and international law to relieve, address and redress circumstances perceived to be disadvantageous to domestic economic activity and exporting capacities.

Throughout history, government intervention has been through duties, by way of imposts or customs, including all manner of taxes and charges by government imposition. In the main, these duties and customs have taken the form of a catalog of tariffs imposed upon the importation of products as a systematic imposition of duties (taxes) attaching to foreign produced merchandise.

Companion to duties are quotas unilaterally imposed by the importing nation or negotiated between bilateral and multilateral trading partners restricting the volume of merchandise that may be imported freely or as subject to certain associated duties. The quota is the more direct restriction on the free and open flow of international trade, while the tariff has the indirect effect of decreasing the perceived economic advantage of the foreign produced product in competition with the same or similar domestically produced product.

A more draconian measure may be employed where the free flow of commerce is perceived to compromise the fundamental national interests of the injured nation which measures take the form of embargoes in its varying forms. The embargo traditionally is associated by a state in time of war or when threatened with hostilities prohibiting the shipment of goods from the producing state deemed threatened. The term has been applied more loosely to control exporting of products deemed critical to the producing nation's needs.

The foregoing instruments, tariffs, quotas and embargoes, are all active measures available to the injured nation to redress and restore the so-called "level playing field" to commerce and to secure national interest. The least confrontational and more pacific of the measures are the tariffs and quotas. The more directly confrontational are those associated with reprisals and responses to hostile actions by the offending party. Whatever the character and degree of response, the response in the form of tariff extending through embargo, in one way or another, are active measures confrontational in nature.

There is one additional instrument available to the injured state and its business and industry that is non-confrontational, and in the main, pacific in nature and available to the injured state irrespective of the conduct and activities of the offending state. This is what has become known as Trade Adjustment Assistance, now codified within the texts of the several bilateral and multilateral trade treaties to which the United States is a party.

Trade Adjustment Assistance can take diverse forms of assistance to injured and displaced business, industry and the affected work force. The assistance rendered to firms injured by foreign trade competition takes the form of diagnostic support and counseling in aid of firms adjusting to the temporary dislocations resulting from imports.

It is the intent of this paper to describe the various more significant treaty arrangements and institutional instruments with accompanying jurisdictions addressing the matter of free and open trade between nation states and peoples. It is the thesis of the authors that Trade Adjustment Assistance is the preferred method of dealing with temporary adverse impact of foreign trade competition having the advantage of the least interference with international markets reducing direct government intervention to the minimum and effectively encouraging free flow of goods and services to which U.S. policy is so clearly dedicated.

I. Introduction

Among major changes taking place in the world today has to be those developments within the field of international trade. Market access is inevitably linked to the politics of changes. Trade among peoples and nation states functions amid various arrangements unilateral, bilateral and multilateral in nature.

Nation states focus on international trade has produced a multiplicity of agreements entered upon at diverse levels of national and international interest. Agreements are global, such as the recently concluded Uruguay Round of the General Agreement on Tariffs and Trade (URGATT), regional, as the creation of the European Union (EU) and North American Free Trade Agreement (NAFTA), bilateral, as the Multifiber Agreement (MFA) or unilateral, as the Caribbean Basin Economic Recovery Act (CBERA).

Article I, section 8 of the U.S. Constitution grants power to the U.S. government to regulate international commerce, vesting in Congress the power to enact laws for trade governance. In 1934, Congress enacted the Reciprocal Trade Agreements Act (RTAA) which delegated to the President authority to negotiate international trade agreements for reduction of tariffs.

Since 1934, this delegation of authority has varied in scope and degree reflecting congressional concern for maintaining control of international trade policy. In 1967, RTAA trade agreement negotiating authority granted to the President expired and was not renewed until the Trade Act of 1974 (TA '74)

Since 1974, the President, through the United States Trade Representative (USTR), has negotiated successful completion of successive GATT Rounds resulting in creation of the new World Trade Organization (WTO) and several free trade agreements. These free trade agreements are with Israel[1], Canada[2] and Canada and Mexico (NAFTA)[3].

In addition to the USTR there are seven additional executive branch agencies involved in international trade administration. These are the Departments of Agriculture; Commerce; Labor; State; Treasury; U.S. Customs service; and U.S. International Trade Commission. These departments, branches and agencies administer 25 major statutes, each treating and dealing with aspects of trade matters.

II. U.S. Trade Objectives

The prevailing trade policy objective is free and open trade among peoples and nations. The central objective of NAFTA is the elimination of import barriers on goods originating within North America (U.S., Canada and Mexico). The central goal of URGATT is to provide market access to all GATT members by all GATT members The central objectives typically are accomplished through removal of tariff and non-tariff trade barriers.

The International Trade Commission's (ITC) staff has evaluated likely effects of NAFTA on regional production and employment in selected U.S. industrial, energy, agriculture and service sectors using qualitative and quantitative criteria. ITC staff contend regional effects can be identified, with 17 regions likely to have some production and employment gains with 11 likely to have losses as a long-term result of NAFTA.[4]

ITC also studied the likely impact of Uruguay Round Agreements (URA) of GATT on U.S. economic regions. Generally accepted economic theory suggests the multilateral trade liberalizations under URA likely will lead to increased exports by more productive U.S. industries and increased imports where the U.S. does not have a comparative productive advantage.

The overall consequence is forecasted to be increased U.S. disposable income, and improved U.S. economic growth. Increased exports, likely to stimulate increased production and employment in exporting industries, should be accompanied by rising consumer prices, while increased imports incline toward consumer price decreases. Increasingly, imports will logically be accompanied by diminished product and employment opportunities.[5]

It is generally accepted, free or more free trade between nations will benefit the U.S. economy as well as that of our trading partners. Offsetting benefits to our nation's economy will be paid for by those businesses in competition with and as are injured by imports. Trade barriers are now being removed on a scale as never before seen in the world. These trade barriers were originally put in place to protect (so-called infant or immature) industries. Individual businesses, reluctantly at times but nevertheless, now accept being injured by free trade imports.

As the U.S. moves from trade protection toward more liberal open trade, the compelling question is what should the U.S. do about domestic trading businesses now paying this heavy price for free trade? The more compelling answer appears to be for the United States to sustain and maintain its more effective trade relief laws while entering into new relationships without doing violence to the emerging free trade system.

III. Trade Relief

Trade relief (remedy) laws fall into two main categories:

(1) wrongful practice initiated by either party
(2) economic injury not the consequence of wrongful practice.

Currently, four major agencies are involved in administering trade remedy (relief) laws.

(1) United States International Trade Commission (USITC)
(2) United States Trade Representative (USTR)
(3) Department Of Commerce (DOC)
(4) Department Of Labor (DOL)

(see Appendix #2).

A. Wrongful Practice

Wrongful practice laws cover both imports and exports.

USTR has the responsibility to obtain access for U.S. goods and services into foreign countries. If a foreign government subsidizes export of its products into a third market and as a result U.S. exports are hurt in that third market, the USTR may petition the WTO by complaint.

If the subsidized export inflicts injury upon U.S. industry within the U.S. domestic economy, ITC may be petitioned by the injured party. If ITC finds allegations of injury to be true, a U.S. countervailing duty (CVD)[6] may be levied. CVD is designed to neutralize the effect of the foreign government's subsidy of the import in the U.S. market.

U.S. anti-dumping tariff[7] may be applied to imports where ITC and DOC find imported products are being sold in the U.S. at less than fair value (LFV) which equates to less than the cost to produce and market the product in the U.S. This dumping practice is sometimes referred to as buying U.S. market share. The anti-dumping tariff is calculated to increase the price of the import in the U.S. domestic market to more closely match the price the product would command under conditions were the product not dumped below cost.

A third wrongful practice occurs where the import infringes upon a U.S. patent.[8] In this case, the ITC can order U.S. Customs to bar the offending product from entering the U.S.

B. Economic Injury Without Fault

The second category is economic injury due to imports without allegation of wrongdoing. These injuries fall into four major sub-categories:

(1) "escape clause" relief[9]
(2) market disruption[10]
(3) agricultural adjustment[11]
(4) trade adjustment assistance[12].

Relief is available in two basic ways where no wrongdoing is alleged:

(1) Presidential relief designed to temporarily protect domestic producers of same or similar foreign made (competitive) products (this is similar to the relief where wrongdoing is alleged), and/or
(2) direct government assistance to workers and firms economically displaced by import competition.

Adjustment to import competition is a longer term goal, designed to encourage competitive U.S. business and industries within U.S. and foreign markets.[13]

In prior negotiating rounds, GATT recognized occasions where particular domestic industries were faced with severe economic hardship due to imports. In relief, individual GATT members were authorized to take remedial action. Authority to take action to save a domestic industry from increasing imports was recognized by way of an "escape" from the international agreement otherwise dedicated to promotion of free and open trade.

Provisions, known as "escape clauses", were traditionally incorporated in most agreements. There is no requirement for an allegation of unfair (wrongful) practices. Escape clause proceedings can involve imports from anywhere in the world and are authorized by Section 201 of the Trade Act of 1974. Escape clause proceedings are typically found in bilateral trade agreements to which the United States is a party.

Market disruption proceedings concern imports from communist nations and are authorized by Section 406 of the 1974 Trade Act. Proceedings here are similar but not identical to escape clause proceedings.

Either escape clause or market disruption proceedings may result in the imposition of U.S. import restraints or presidential negotiations of export restraints from and by the source country.

Escape clause and market disruption proceedings are anticipated by Article XIX of the GATT. An Escape Clause Code emerged from the Uruguay Round.

Protective escape clause relief is difficult to obtain or sustain because most U.S. trading partners by treaty agreement are entitled to take compensatory action if the President decides to provide such relief. Compensatory action practice is authorized by GATT. This underlying rationale supports escape clause and market relief proceedings restraint because such do not concern unfair trade practice and invite retaliatory response.

In part this explains why the U.S. President traditionally decides it not to be in the U.S. national economic interest to impose this relief thereby encouraging compensatory reaction. These factors of potential reaction are less relevant to market disruption relief because so few communist countries are members of GATT.[14]

Adjustment to import competition instead of trade restrictive relief is provided by Amendment to the TA of 1974, adopted in 1988. This relief customarily is sought by encouraging submission of adjustment plans and commitments by petitioners for TA '74 Section 201 relief, and by expanding the range of remedies the President may take.

Standards for Presidential relief require a determination that such relief will facilitate and advance the domestic industry to make positive adjustment to meet import competition. This proceeds through DOC investigations of how individual businesses (firms) are taking advantage of firm Trade Adjustment Assistance to improve their circumstances.

Through 1998, Canada and U.S. limit escape clause relief in bilateral cases to tariff increases up to most-favored-nation (MFN) level or suspension of tariff reductions under the U.S./ Canada Free Trade Agreement (FTA). After 1998, no escape clause relief may be applied to Canadian-U.S. trade without consent of the other party. After 1998, escape clause relief will trigger a duty of compensation to the other country not seeking relief.

Bilateral provisions remain in place under NAFTA. Escape clause rules and procedures are generally applicable to United States-Mexico trade under Chapter 8 of the NAFTA. Similar provisions apply to escape clause relief between the U.S. and Mexico as between the U.S. and Canada.

The Agricultural Adjustment Act (AAA)[15] is a similar import relief law, not related to unfair practice. Under section 22-AAA, the President may take action to restrict imports that render ineffective or materially interfere with the operation of any U.S. Department of Agriculture

program. Presidential action, as taken, is usually based on an ITC report, but may be taken in emergency, pending receipt of the ITC report.

Section 22-AAA Presidential action takes the form of import restraints. Again, the action is the antithesis of free and open trade as contemplated by NAFTA and URGATT.

Trade Adjustment Assistance (TAA)[16] is the alternative primary import relief available. Like escape clause relief, this provision is found in TA of '74.

Trade Adjustment Assistance for firms seems to be the least understood and last considered of primary import relief laws. Despite some obvious disadvantages, there appears to be a growing trend in escape clause relief to provide assistance to companies impacted by import competition rather than seek protective relief through Presidential action. The Trade Act of 1974 facilitates such assistance either as an alternative to or in addition to protective Presidential relief under Sections 201 or 406 of the TA of '74.[17]

TAA qualifying criteria relates but is not identical to those considered by ITC in connection with escape clause proceedings. Access to TAA it is not necessary for ITC to determine import injury has occurred under Sections 201 or 406 criteria. Under (TAA) proceedings, the effect of imports on the industry as a whole is not at issue. Focus is on specific business enterprises (firms).

When the ITC commences a Section 201 investigation, the Secretary of Commerce is directed to conduct his own investigation as to how many individual members of the affected industry are the subject of escape clause relief investigation and are taking advantage of TAA for firms. The consequence is to expedite individual firms petitions for TAA.[18]

Technical assistance is the form of relief available to individual firms under the TAA program. Technical assistance, defined by statute[19], begins with expert consultation on developing a strategy to better compete with injurious imports and implementation of a recovery strategy. No form of Presidential action is taken and no form of protective import relief obtain. TAA is the only U.S. trade remedy available to firms (manufacturers) that does not restrict imports nor interfere with the market and trading process.

Each qualifying client firm pays not less than 25 percent of the cost of this technical assistance.[20] By a national average, this has approached 50 percent over the last three years. There is no free lunch.

The TAA program for firms assists manufacturers to adjust to imports and prepare for exporting. Forty-two percent of all firms helped by TAA in the northwest in the last 2-1/2 years have had projects to prepare for and obtain registration under the International Standards Organization (ISO) 9000 series. This relates to documentation of a company's quality (QT) procedures. ISO 9000 registration rapidly is becoming a critical factor to the exporting of U.S. made products to much of the world. ISO 9000 has particular application to exports to the European Union (EU).

This U.S. program (TAA for firms) is gaining worldwide recognition as the least offensive/confrontational import relief available to compensate for import injury.

Foreign governments have increasingly requested information on TAA program for firms. They are looking to this program as a potential model to be used because of growing recognition of the relief this TAA program delivers without import restriction or market disruption. TAA for firms is fully consistent with emerging pattern toward encouraging free and open world trade because TAA is a consistent companion to free and open trade.

IV. Conclusion

Free and open international trade is the overarching ultimate goal of U.S. trade policy calculated to gain increasingly less restricted access to the markets of the world. This disposition is reflected by creation of NAFTA, encouragement of the European Union, and all other regional free trade agreements such as APEC to which the U.S. is a party. Creation of the World Trade

Organization arising from the successful completion of URGATT is but the most recent and compelling example of confirmation of this philosophy of free and open trade.

Free trade remains qualified by generally accepted recognition that, from time to time, unrestricted imports can cause injury to specific domestic industries and enterprises. It is for these reasons major international trade agreements as NAFTA and GATT include trade relief provisions. Remedies remain available because parties to these agreements, including the U.S., realize benefits derived from free and open trade impose burdens on specific firms adversely affected.

However, there exists a substantial body of opinion all trade relief laws should be abolished and markets allowed to operate without restraint. Under such conditions industries would freely operate to achieve natural comparative and competitive advantage. In this wholly free market world, no government assistance would be given to any enterprise. All would be left to compete and specialization of resource (capital and labor) would reign supreme.

The potential for substantial human cost is suggested by an apparent fallacy where businesses and industries enjoy but a temporary comparative advantage. Despite this temporary dislocation within the worldwide marketplace, competition tends to flow toward those industries without or with less competition. Business and industry without competition today encourage and invite competition tomorrow. Nonconfrontational Trade Adjustment Assistance is designed to relieve this human cost without disrupting the market as economies of labor and resource adjust.

The ability to provide transient relief from import disruption is an essential companion to the smooth operation of a demanding competitive economic cycle. Business firms that must compete, reflecting dislocation or disruption, cannot be presumed obsolete. Firms that qualify for adjustment assistance are generally subject to temporary dislocation from which they will readily adjust and recover.

Assuming trade relief is a necessary fact of international trade, relief which allows the most unrestrictive trade assistance is the relief that should be encouraged and promoted. Of all trade relief available to business and industry within the U. S., only Trade Adjustment Assistance for firms does <u>not</u> restrict imports or interfere with the market. All other forms of trade relief (laws) that require Presidential action take the form of some type of import restriction that is inevitably confrontational and encourages retaliatory reaction.

As the world searches for the better form of trade relief TAA for firms is the U.S. program progressively becoming the model for the nations of the world. Many countries already have a form of TAA. Other nations inevitably will follow this U.S. lead. At the present, TAA does not appear to be within the jurisdiction of the WTO's powers of review. This means TAA does not invite nor result in compensation to the exporting country, as other trade remedies require.

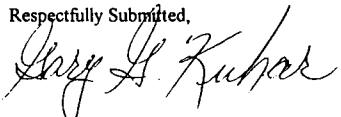
TAA for firms program participants pay nearly one half the cost of their own assistance. Income and social security taxes generated by each salvaged firm and its employees return more than seven times the cost of the program back to the U.S. treasury. TAA more than pays for itself.

Assistance rendered through TAA program for firms does not purchase hard assets by grant or government insured loan. Technical assistance by way of diagnostic advice and counsel (knowledge) is the only TAA assistance rendered. Armed with diagnosis and technical adjustment assistance knowledge, good, promising manufacturers are helped to better compete domestically with imports and within the world market on more even terms.

Insulated by tariffs and quotas from competition, a firm may gain a transient advantage but the consumers inevitably lose as each pays higher prices for poorer quality products. Helping U.S. manufacturers to better confront import competition favors the consumer as each has access to the better product at the lower price. Failure to help firms injured by imports would constitute abandonment of firms and give fulfillment to a mistaken prophecy promoted by interests opposed to free trade. The consequence could be descent into the morass of protectionism with all the disagreeable consequences this logic compels.

TAA program for firms is authorized through 1998.[21] Recognition of TAA efficacy is there. The test of survival of this important tool of trade policy remains the matter of funding. It is here Trade Adjustment Assistance can be caused to disappear through inadvertent neglect. It is imperative TAA not pass without careful consideration followed by deliberate determination.

Respectfully Submitted,



Gary G. Kuhar
Executive Director
Northwest Trade Adjustment Assistance Center
900 Fourth Avenue, Suite 2430
Seattle, Washington 98164
(206) 622-2730

APPENDIX #1

FOOTNOTES

1. P.L. 99-47, 1985

2. P.L. 100-449, 1988

3. P.L. 103-182, 1993

4. USITC Publication #2596; Potential Impact on the U.S. Economy and Selected Industries of the North American Free-Trade Agreement, January, 1993, p.2-5.

5. USITC Publication #2790; Potential Impact on the U.S. Economy and Industries of the GATT Uruguay Round Agreements, vol. I, June, 1994, p. xix.

6. 19 U.S.C. 1303, 1671

7. 19 U.S.C. 1673

8. 19 U.S.C. 1337

9. 19 U.S.C. 2251

10. 19 U.S.C. 2436

11. 7 U.S.C. 624

12. 19 U.S.C. 2341

13. International Business Transactions, vol. 1, by Ralph H. Folsom and Michael W. Gordon, West Publishing Company, 1995, p.310.

14. Ibid

15. 7 U.S.C. 624

16. There is a labor TAA program but not considered in this analysis.

17. International Business Transactions, vol. 1, By Ralph H. Folsom and Michael W. Gordon, West Publishing Company, 1995, p.327.

18. 19 U.S.C. 2354

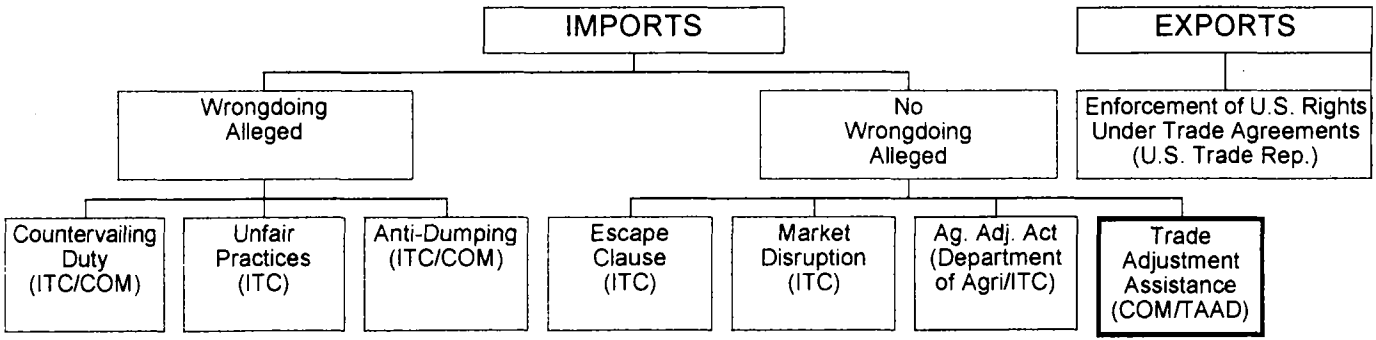
19. 19 U.S.C. 2343

20. Ibid

21. 19 U.S.C. 2346

APPENDIX #2

U.S. TRADE REMEDIES



COST/BENEFIT ANALYSIS

NORTHWEST TRADE ADJUSTMENT ASSISTANCE CENTER
TRADE TASK GROUP

March, 1995

Free trade in the long run creates jobs. The imports entering the U.S. also give the consumer a broader choice and a better price due to competition. The cost of free trade, however, is paid by individual manufacturing firms which are hurt by these imports. This in turn leads to job loses at these companies.

The mission of **Trade Adjustment Assistance (TAA) for firms** is to mitigate the negative impact imports cause on individual manufacturers. This is done not by restricting the imports but by strengthening the U.S. companies. Twelve regional centers have been created to act as a conduit for getting the assistance available from the federal government out to the individual manufacturing firms.

The Northwest Trade Adjustment Assistance Center (TAAC) is responsible for delivering TAA program assistance in the states of **Alaska, Idaho, Montana, Oregon and Washington**. From November 1, 1984 through December 31, 1994, **96** firms have received direct assistance in this region. Out of these **96** firms, **83** are still in operation. This represents an **86%** success rate.

These **83** firms have increased employment from **9,905** employees to **12,018** employees, or **2,113** net new jobs. Since entering the program gross annual sales have increased from **1.0** billion dollars to **1.68** billion dollars. This is an increase of over **670** million dollars annually. Employment in these firms has increased **21%** and sales have increased **66%** since 1984.

The increases in sales and employment have resulted in increases in federal tax revenue for personal income taxes paid by employees, corporate taxes paid by the firms and social security taxes paid by both. We estimate overall federal tax revenues increased by over **33** million dollars as a result of the **21%** increase in employment and **66%** increase in sales.

Focusing only on the increase in employment and sales ignores the over **9,000** jobs and **1.0** billion dollars in annual sales that were saved. The increases must be added to the jobs and sales that were saved in order to properly evaluate the actual cost/benefit of the program. Total estimated tax revenues from jobs created and saved as well as from sales created and saved is over **134.5** million dollars annually.

The total federal cost incurred to operate Northwest TAAC since November 1, 1984, is **$8,229,107**. This is an average annual cost of **$809,954**. Comparing the average annual cost to the annual federal tax revenue generated gives a ratio of cost to benefit of **1:166**. For every dollar spent, **166** dollars in federal tax revenue is generated by Northwest TAAC's clients and their employees. This represents **$685** per job saved or created.

This analysis has not considered the multiplier effect. Most economists agree that for every manufacturing job two or three other jobs are created. Also not considered was the state taxes generated or the cost of unemployment and/or welfare benefits that would have been paid if these **83** firms had not survived.

The attached appendix shows the actual calculations and assumptions made to perform this analysis.

Northwest TAAC

Program Statistics 1984-1994*

	Firms	Employees	Annual Sales
Before Adjustment	96	9,905	$1,011,458,000
After Adjustment	83	12,018	$1,683,043,000
Net Increase (Decrease)	(13)	2,113	$ 671,585,000
Percent Increase		21.3%	66.4%

Total Program Cost	$8,229,107
Average Annual Program Cost:	$ 809,951

* SEE APPENDIX FOR ALL BASIC ASSUMPTIONS.

Northwest TAAC

Estimated Annual Benefits and Cost 1984 - 1994
(Based on Total Employment)

Estimated Annual Revenues:

Personal Income Tax	$ 43,375,000
Corporate Income Tax	$ 36,054,000
Social Security Tax	$ 55,163,000
Total Estimated Annual Revenues	$134,592,000

Average Annual Program Cost for NWTAAC:	$ 809,951
Benefit:Cost Ratio	166:1

$685 spent per job saved.

APPENDIX

Annual Increase in Tax Revenues:

Assumptions; 1) Average corporate income tax rate of 34%

2) Average net income of 7.58% of gross sales

3) Average yield of 5% profit after tax

Before Assistance: $1,011,458,000 x 7.58% x 34% = $26,067,000

After Assistance: $1,683,043,000 x 7.58% x 34% = $43,375,000

Annual increase in corporate tax revenue: $17,308,000

Personal Income Tax Increase Generated by Employees:

Assumptions; 1) Effective tax rate is 10%

2) Average income is $30,000/yr.

Before Assistance: 9,905 employees x $30,000 x 10% = $29,715,000

After Assistance: 12,018 employees x $30,000 x 10% = $36,054,000

Annual Increase in personal income tax revenue: $ 6,339,000

Annual Social Security Tax Increase Generated:

Assumptions; 1) Effective tax rate is 15.3% of gross income

2) Average individual income is $30,000/yr.

Before assistance: 9,905 employees x $30,000 x 15.3% = $45,464,000

After Assistance: 12,018 employees x $30,000 x 15.3% = $55,163,000

Annual Increase in social Security Receipts: $ 9,699,000

Total Annual Revenue Increase from Firms Assisted by NWTAAC:

Corporate Tax Increase	= $17,308,000
Personal Tax Increase	= $ 6,339,000
Social Security Tax Increase	= $ 9,699,000
Total Annual Increase	= $33,346,000

II. Total Tax Revenues Generated:

Assumptions: Same as above

Before Assistance:		After Assistance:	
Corporate	= $ 26,067,000	Corporate	= $ 43,375,000
Personal	= $ 29,715,000	Personal	= $ 36,054,000
SSI	= $ 45,464,000	SSI	= $ 55,163,000
Total	= $101,246,000	Total	= $134,592,000

WHAT 100 MANUFACTURING JOBS MEAN TO A COMMUNITY

* Over $2,000,000 in Personal Income
* $1,660,000 in Retail Sales
* Seven Retail Establishments
* Sixty-Four Nonmanufacturing Jobs
* A Population of 202 People
* One Hundred and Two New Families
* Sixty-One School-Age Children

PENNSYLVANIA AFL-CIO

WILLIAM M. GEORGE
President

RICHARD W. BLOOMINGDALE
Secretary-Treasurer

June 23, 1995

TO ALL MEMBERS OF THE HOUSE WAYS AND MEANS COMMITTEE:

Dear Representative:

The Pennsylvania AFL-CIO thinks it would be a mistake to terminate the Trade Assistance Program. In Pennsylvania, we have had a great deal of success in retraining workers who have lost their jobs.

During federal fiscal year 1993, TRA received 144 petitions. TAA applications received 2,499, FFY 1994, TRA petitions received 151, TAA applications received 3,101, FFY 1995 TRA petitions received 26 and TAA received 595 applications.

To date, Pennsylvania has received $10,350,000 in FFY 1995 TAA training, job search and relocation funds. Pennsylvania has processed approximately 595 applications for training during this FFY. To date, Pennsylvania has received $1,197,883 in NAFTA/TAA training funds. There were 11,200 workers covered under FFY 1995 certifications.

Some of the companies that were involved were: CompTech, Woolrich, Coordinated Apparel, Leslie Fay, Alfred Angelo, Colonial Shoe, Scotty's Fashions and Industrial ceramic.

Therefore, the Pennsylvania AFL-CIO requests your support to continue the Trade Adjustment Assistance program.

Sincerely,

John "Jack" C. Frye, Director
Education and Community Services Activities

JCF/bg
UFCW-72

cc: Phillip D. Mosely, Chief of Staff
Committee on Ways and Means
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

230 STATE STREET, HARRISBURG, PENNSYLVANIA 17101-1138 • 717-238-9351 • FAX: 717-238-8541

PENNSYLVANIA JOINT BOARD
Amalgamated Clothing and Textile Workers Union, AFL-CIO
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Paul E. Filson
Manager

Rebecca Hess
Secretary-Treasurer

June 23, 1995

Congressman Phillip D. Moseley, Chief of Staff
Committee on Ways and Means
Congressman Philip M. Crane, Chairman, Subcommittee on Trade
U. S. House of Representatives
1102 Longworth Office Building
Washington, DC 20515

Dear Congressman Moseley, Congressman Crane and Members of the Subcommittee on Trade, Committee on Ways and Means:

I am writing to you on behalf of the 5,000 workers represented by the Pennsylvania Joint Board, Amalgamated Clothing & Textile Workers Union, AFL-CIO, in support of Trade Adjustment Assistance for firms.

As you know, the clothing industry has been particularly hard hit in the last decade. Those companies still in existence, while survivors, still face a number of challenges if they are to continue providing jobs in Pennsylvania. These are just the kind of manufacturing jobs providing benefits and enabling workers to enjoy a reasonable quality of life that are increasingly rare in this country today.

The Trade Adjustment Assistance program's mission is to revitalize and enhance the competitive position of U. S. manufacturers. As such, it is not an entitlement program; it is a program investing in American firms forced to compete in an international arena against manufacturers whose low labor costs and virtually non-existent environmental and safety regulations artificially reduce the cost of their product.

The continuing erosion of the U. S. manufacturing base not only weakens our economy, it makes the U. S. reliant on foreign countries for many of its most basic needs. Strengthening that manufacturing capability through support aimed at improving the long-term survival and competitive prospects of American companies has far reaching benefits for the present was well as the future.

The cost-effectiveness of the Trade Adjustment Assistance Program is outstanding in direct dollar terms: for every tax dollar invested, approximately $742 has been returned to the economy; over the past 5 years, the TAA program has retained and created 63,000 jobs and increased sales of its participating firms $1.2 billion.

A number of companies whose workers we represent have availed themselves of the TAA program through the years. They are among those in the clothing industry still standing. Most recently, Pawnee Pants of Olyphant, PA has reached the final stages of review, and is scheduled to receive assistance through the program which will, hopefully, allow it to survive, saving some 120 jobs.

I urge you to appropriate funding, equal at least to 1995 levels, in order to continue this valuable program into 1996. There is not other program which does so much, so effectively, to improve the competitive position of American manufacturers.

Sincerely,

Paul E. Filson

Paul E. Filson
Manager Pennsylvania Joint Board
Amalgamated Clothing & Textile Workers Union

PEF:ebw

SUBMITTED STATEMENT OF
THE RHODE ISLAND AFL-CIO DISLOCATED WORKERS PROGRAM
AND THE UNEMPLOYED LITERACY PROJECT
TO THE SUBCOMMITTEE ON TRADE
OF THE HOUSE COMMITTEE ON WAYS AND MEANS
ON THE PROPOSALS TO TERMINATE
TRADE ADJUSTMENT ASSISTANCE PROGRAMS
FOR WORKERS AND FIRMS

JUNE 27, 1995

The Rhode Island AFL-CIO Dislocated Workers Program is grateful for the chance to speak to the proposals to terminate the Trade Adjustment Assistance (TAA) program or consolidate it into an employment and training block grant. The house budget resolution which was passed on May 18, 1995 recommends termination of this program on the grounds that there is no justification for providing more assistance to workers whose unemployment results from foreign competition than to those whose unemployment results from domestic competition. We do not support this logic and offer our experience with which to challenge it.

The RI AFL-CIO Dislocated Workers Program provides basic readjustment services to workers who are laid off through no fault of their own. We have also offered adult education, through our Unemployed Literacy Project, to workers who need remediation to qualify for further retraining.

The vast majority of our clients were employed by manufacturing companies that produced a variety of goods such as electrical outlets, automotive parts, luggage and textiles. These companies have either closed down completely or moved their operations to another country, leaving workers displaced with little or no prospects for employment in their field. These workers, in many cases, were educated by a public school system that prepared them for working in blue collar industrial jobs, or they left school early to work. They have not lost their jobs in competition with immigrants or more highly skilled or better prepared workers. They have lost their jobs due to foreign trade policies which put them in unfair competition with poorly paid workers who endure working conditions which would be illegal in this country.

New England has been hard hit by this phenomenon; we have not just lost jobs but entire industries. The dislocated workers who are our clients are men and women who, in many cases, were encouraged to leave school early to go to work. Typically they have been employed by the same company since - often for decades - and expected to retire from there. Their work histories prove that their original choices were not foolish but practical. They took the promise of the American Dream literally. Needless to say, nothing in their experience has prepared them for economic dislocation, and they are devastated by the loss of their jobs.

The Trade Adjustment Assistance (TAA) Program offers eligible displaced workers the opportunity to receive training and other assistance, as necessary, so that they can return to a productive life in the workforce. Without the income maintenance feature that accompanies approved training, our clients would not be able to complete a program that extended beyond their initial unemployment benefit period. Furthermore, many workers, typically those who are laid off from manufacturing jobs, require academic remediation before they can qualify for most job training programs. Our Unemployed Literacy Project provided these workers with three levels of English-as-a-Second-Language, Pre-GED and GED classes. The majority of our workers could not have acquired the skills necessary to achieve a GED and complete a job training program during their initial benefit period.

Steven Corcelli, employed by Qualitex, Inc., a clothing manufacturer, for five years, became unemployed when the Johnston, Rhode Island plant closed. Upon receiving TAA approval, he became enrolled in an eighteen-month job training program for Heating, Refrigeration and Air Conditioning Technology with a local technical school. After completion, he started a new career as a Chief Mechanic for a wastewater treatment plant.

Mary Lou Fernandes had been employed for four years as a machine operator by Allied Signal Corporation in East Providence, Rhode Island, when she was laid off in July 1993. She enrolled in a multi-level ESL class offered by the Unemployed Literacy Project in January of 1994. After completing ESL, she began full-time GED study with the ULP in April of 1994. In March of 1995, Ms. Fernandes had developed the academic skills necessary to be accepted into the Rhode Island Directory of Nurses Certified Nursing Assistant Training Program. She received her state certificate in April 1995 and is now employed by Orchard View Manor Nursing Home with a full benefit package. She credits the adult education classes she attended with preparing her for classroom training. She has begun testing for the GED and plans to continue studying part-time in the fall.

Miriam Reyes was employed as an assembler by Allied Signal Corporation for fourteen years. She was laid off in August of 1993. She began an Administrative Medical Assistant training program in October of 1993. After eighteen months of nursing and secretarial training, she graduated from New England Institute of Technology in March of 1995 with an Associates Degree in science. She is currently employed as a medical secretaryreceptionist by the private practice of a Professor of Clinical Urology at Brown University.

These are only a few examples of the men and women who have benefited from the Trade Adjustment Assistance Program. Their stories illustrate that without the time allowed by the income maintenance feature of TAA they would not have been able to pursue a worthwhile program of retraining. They used their period of unemployment to learn new skills and begin new careers. With New England's manufacturing base steadily shrinking, hundreds of blue collar workers face the same situation. On their behalf, we ask that you rethink eliminating the TAA program. It offers one of the few real opportunities they have left to participate fully in our rapidly changing economy.

SOUTHEASTERN

TRADE
ADJUSTMENT
ASSISTANCE
CENTER

Trade Adjustment Assistance For Firms Program

Georgia Institute of Technology
Georgia Tech Research Institute
Economic Development Laboratory
Atlanta, Georgia 30332

History Of
TheTrade Adjustment Assistance Program
(For Firms)

Trade Adjustment Assistance (TAA) for firms began as a part of the Trade Act 1974, should not be confused with the the worker-training program portion of th now famous legislation. The TAA program was created to assist Americ manufacturers (businesses) who have experienced declines in sales a employment due to competition with imported products. It is a nationally fund program through the U.S. Department of Commerce (DOC) and is administen through 12 regional centers. Georgia Tech was first awarded its contract operate the Southeastern Trade Adjustment Assistance Center (SETAAC), 1978. SETAAC provides long-term, in-depth operational, financial, marketin and other technical management assistance to firms in Georgia, North & Sou Carolina, Tennessee, Kentucky, Alabama, Mississippi, and Florida.

SETAAC is funded annually by the DOC from a national budget of $10 milli (down from $13.7 million in recent years.) In late 1993, the TAA for fir program was reauthorized by Congress for another five (5) years (thru 1998).

Trade Adjustment Assistance For Firms

- Technical Assistance For Mfgr's Hurt By Imports.
- Small & Mid-Sized Companies.
- Administered Thru 12 Centers (TAACs).
- In-Depth & Long-Term Assistance.
- Company Cost Share Required.
- Authorized Thru 1998.
- Fy'96 Funding Requirement - $13.7 million.

Small to Mid-Sized U.S. Manufacturers

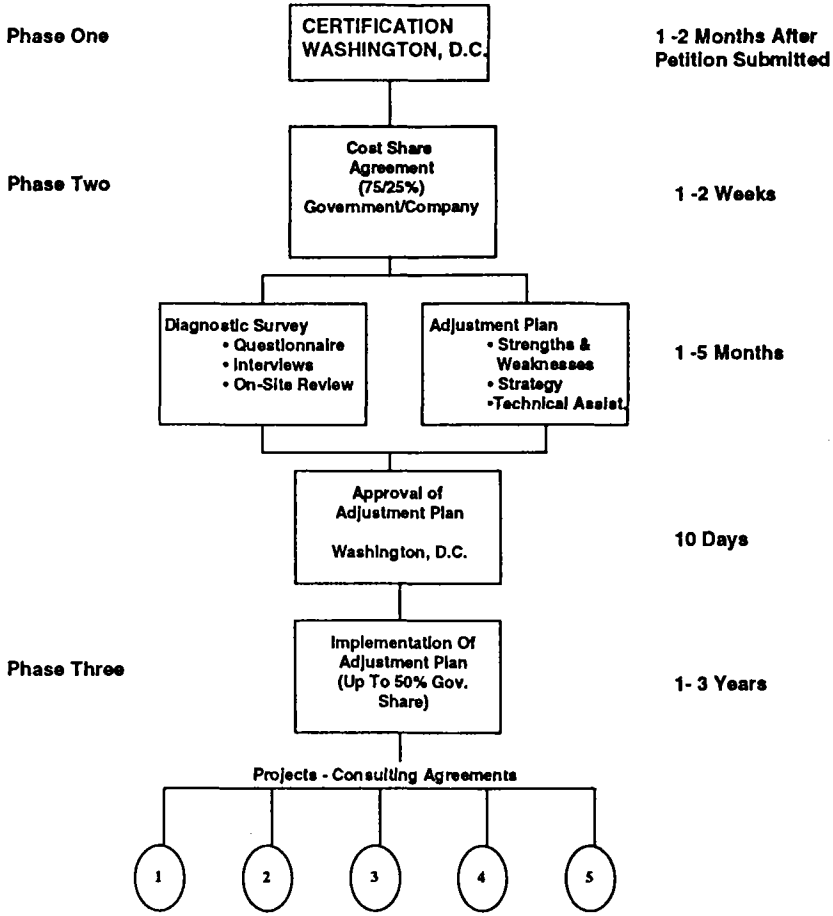
(The TAA Client)

- Small and Medium-Sized Mfg'rs Are Extremely Important To US Economy.
  - 98.7% of all mfg. establishments (381,000)
  - 64.9% of all mfg jobs (11.8 million)
  - 57.2% of mfg. payroll ($322 billion)

- Small Mfg'rs Create More Jobs (1967 - 1992)
  - Increase of 1.7 million jobs in firms with less than 500 employees.
  - Decline in employment of 2 million jobs in firms with 500+ emp.

- Small Mfg'rs Need More Help Than Large Firms. (1967 - 1987)
  - Small firms are less efficient. Productivity improvement 1.3%
  - Large firms have improved productivity at more than twice the rate. (2.9%)

Trade Adjustment Assistance Process Flow Chart



TAACs Impact Nationwide (1990 - 1994)

(Effectiveness Report Summary)

• Number of Clients	488
• Current Employment	62,350
• Change in Employment 2 Years Before Certification	(10,447)
• Change in Employment Since Certification	5,475
• Change in Sales 2 Years Before Certification	($630,781,472)
• Change in Sales Since Certification	$1,149,589,313

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS

SUMMARY PAGE FOR FLORIDA
As of 2/95

# of Firms Receiving Assistance	4
# of Employees Involved	280
Annual Aggregate Gross Sales	$24,430,014
# of Approved Projects	18
Dollar Value of Federal Share - Approved Projects	$161,462
Dollar Value of Firm's Share - Approved Projects	$98,973
# of New Firms Beginning Process	1
# of Employees At New Firms	155
Annual Aggregate Gross Sales - New Firms	$20,065,000
Estimated Federal Share of New Firm Projects (Not Yet Approved)	$501,625

TOTAL REGION SUMMARY FOR SOUTHEAST TAAC
(AL, FL, GA, KY, MS, NC, SC, TN)

# of Firms Receiving Assistance	34
# of Employees Involved	4452
Annual Aggregate Gross Sales	$219,755,936
# of Approved Projects	214
Dollar Value of Federal Share - Approved Projects	$1,588,926
Dollar Value of Firm's Share - Approved Projects	$976,265
# of New Firms Beginning Process	12
# of Employees At New Firms	1185
Annual Aggregate Gross Sales - New Firms	$62,620,233
Estimated Federal Share of New Firm Projects (Not Yet Approved)	$1,565,506

NATIONWIDE TAA PROGRAM FUNDING HISTORY

FY' 91 Trade Adjustment Assistance Program Funding	$13.8M
FY' 92 " " " " "	$14.9M
FY' 93 " " " " "	$13.7M
FY' 94 " " " " "	$10M*
FY' 95 " " " " "	$10M

* FY '94 had additional funding of $3.7 million for a defense downsizing test project.

N FIRMS REPRESENT COMPANIES WITHOUT A DEPT. OF COMMERCE APPROVED ADJUSTMENT PLAN THIS TIME. THESE FIRMS ARE EXPECTED TO GO INTO IMPLEMENTATION LATER THIS YEAR.

RECENT FIRMS CERTIFIED FOR TRADE ADJUSTMENT ASSISTANCE
(Southeastern Trade Adjustment Assistance Center)

Firm Name	State
Beta Handbags	FL
Carpenter Shoe	FL
Decor Lite	FL
Fantastic Plastics	FL
Florida Bolt & Nut	FL
Florida Medical	FL
Ft. Myers Yacht	FL
Gina Plastics	FL
• Inex Vision Systems	FL
Injection Footwear	FL
Jobbers Supply	FL
Joneil Designs	FL
Kenergy Corporation	FL
Key Largo Fan Company	FL
L.W. Wood Products	FL
Larco Products	FL
Lou Taylor	FL
MCE Semiconductor	FL
Parallax	FL
• Pat Higdon	FL
• Printed Circuits of America	FL
Sanabel, Inc.	FL
Schere	FL
Sol Sportswear	FL
Steinfeldt Thompson	FL
Sunstate Sportswear	FL
United Speaker	FL
Versa Tech	FL

TAA For Firms Still Required For Small U.S. Manufacturers

- Imports into U.S. continue to increase. Balance of payments still negative.
- NAFTA & GATT will increase import impact.
- Devaluation of the Peso mandates that Mexico increase its exports to pay its debt.
- Imports in some mfg. sectors important to Southeast have tripled in last 10 years. - Still on the increase.
- Defense downsizing will impact SE sectors over and above Imports.

TRADE ADJUSTMENT ASSISTANCE FOR FIRMS
ANNUAL EFFECTIVENESS AND RETURN ON INVESTMENT REPORT

Trade Adjustment Assistance Effectiveness Report

This is a report on the effectiveness of the Trade Adjustment Assistance program, which is funded by the U.S. Department of Commerce. It includes information on the 12 TAACs nationwide and the federal government's return on investment. **This report clearly demonstrates that increased federal and state taxes paid by manufacturers that have been through the program more than pays for the cost of the program.**

12 TAACs Nationwide

Every November the 12 Trade Adjustment Assistance centers survey their clients who have completed the Trade Adjustment program within the last five years. This is to determine what impact the Trade Adjustment program has had on each company's employment and sales levels, and its productivity. The legislation for the program requires that to qualify for assistance, manufacturers must have sales and employment loss due to imports increasing their share of the domestic market. The staff at each TAAC examines each company's sales and employment levels for the two years before the client entered the program, the levels when the client entered the program, and the current levels to determine two things: how TAA has helped the manufacturer, and what return the federal government has received for its investment. The following chart shows the results for the 12 Trade Adjustment Assistance centers.

	# of clients	# of employees two years before eligibility	employees at eligibility	current employees	sales two years before eligibility	sales at eligibility	current sales
all 12 TAACs	488	67,322	56,875	62,350	5,315,276,287	4,685,494,815	5,835,084,128

- Nationally 488 companies that employed 67,332 workers two years before entering the TAA program saw their employment drop to 56,875, a decline of 15.5%.

- Nationally sales levels for these companies two years before entering the program dropped from $5,316 billion to $4,685 billion, a decline of $630.7 million or 12%.

- With federal assistance the Trade Adjustment Assistance program has reversed these employment and sales declines. Employment levels have increased to 62, 350, an increase of 5,475 billion, an increase of 24.5%.

- Sales levels have increased by $1,150 billion from $4,685 billion to $5,835 billion, an increase of 24.5%.
- Most important, sales per employee, which is the basic measure of productivity, rose by 13% from $82,382 ($4,685 billion in sales/56,875 employees) at the beginning of the companies' entering the program to $93,585 ($5,835 billion in sales/62,352 employees).

The Government's Return on investment

The return on investment for every federal dollar spent on the Trade Adjustment Assistance program to protect and expand manufacturing jobs is quite significant. The investment per job, both nationwide and in New England, is as follows:

Investment Per Job

12 TAACs Nationwide	
total funding F 1990-1994 (1)	$61,000,000
total jobs impacted (2)	62,350
investment per job	$978.35

1. Federal Funding covers 60 months of federal fiscal years 1990-1994, and includes only federal government expenditures. It also includes $3.7 million in defense conversion pilot program funding.

2. Jobs impacted are jobs retained and generated at firms that completed their assistance by September 30, 1994. This does not include the impact of assistance at firms that entered the program since mid 1994.

Economic impact per job

	12 TAACs Nationwide
income per average mfg. job	$25,000
federal, state revenue on mfg. jobs @ 22% (3)	5,500
income multiplier jobs (4)	8,000
federal, state revenue on multiplier jobs @ 22%	1,760
annual federal, state revenue per mfg. job (5)	7,260
return on investment (6)	742.00%

3. It is estimated that federal and state taxes average 22% ($25,000 X .22 = $5,500). FICA taxes alone are 15%.

4. Multiplier jobs are those additional jobs generated to provide goods and services required by the employed manufacturing workers. Although often estimated at 2 or 2.5 for the purposes of this analysis, a very conservative multiplier of 0.5 was used. Service job revenue is calculated at an average hourly rate of $8, annual income of $16,000 multiplier income per manufacturing job is $16,000 X 0.5, or $8,000.

5. Annual revenue per job disregards local income or property tax revenue. The average annual revenue is based on the incremental federal and state taxes generated per manufacturing job, and on service jobs created.

6. The return on investment calculation reflects the government investment per job divided into the estimated average annual tax revenue generated by manufacturing jobs ($978.35 + 7,7,260 nationwide). The return on investment calculation does not account for the benefits of reduced unemployment compensation costs, nor the social benefits of retaining and increasing higher-paying manufacturing jobs.

The above calculations show that the Trade Adjustment Assistance program has been able to successfully reverse the decline in employment and sales for its clientele, the manufacturing companies that have experienced losses of sales and employment due to increased foreign imports. Most important, the government's investment in these companies is returned several times over in the form of higher tax revenues and reduced unemployment costs. Clearly the program more than pays for itself.

Effectiveness Report of TAAC Clients Responding to Survey - FY 90-94

TAAC	Number of Clients	Employment 2 Years before Certification	Employment at Certification	Current Employment	Sales 2 years before Certification	Sales at Certification	Current Sales	Change in Employment 2 years before Certification	Change in Employment since Certification	Change in Sales 2 years before Certification	Change in Sales Since Certification
New England	62	10,884	9,327	10,045	$789,419,237	$747,093,520	$924,968,000	(1,557)	718	($42,325,717)	$177,874,480
New Jersey	48	4,611	3,753	4,281	$368,329,000	$323,394,000	$487,726,000	(858)	528	($44,935,000)	$164,332,000
New York	49	4,765	4,435	4,602	$451,954,889	$424,891,258	$476,209,294	(330)	167	($27,063,631)	$51,318,036
Mid-Atlantic	29	5,576	4,681	5,937	$331,259,876	$256,738,070	$485,743,080	(895)	1,256	($74,521,806)	$229,005,010
Great Lakes	21	6,968	5,556	7,226	$602,530,989	$511,034,391	$677,594,407	(1,412)	1,670	($91,496,598)	$166,560,016
Mid-West	56	12,465	11,030	11,249	$1,163,923,331	$1,044,217,169	$1,069,379,249	(1,435)	219	($119,706,162)	$25,162,080
Southeast	34	5,304	4,467	4,146	$215,000,017	$175,565,750	$215,988,936	(837)	(321)	($39,434,267)	$40,423,186
Mid-America	25	3,055	2,738	2,927	$263,150,942	$257,917,424	$308,883,741	(317)	189	($5,233,518)	$50,966,317
Southwest	14	1,238	1,045	1,210	$62,510,000	$59,823,412	$80,823,412	(193)	165	($2,686,588)	$21,000,000
Rocky Mountain	44	1,060	960	1,470	$69,037,530	$60,652,568	$125,489,536	(100)	510	($8,384,962)	$64,836,968
Western	55	3,916	3,381	3,918	$312,122,286	$266,835,398	$348,949,173	(535)	537	($45,286,888)	$82,113,775
Northwest	51	7,480	5,502	5,339	$687,038,190	$557,331,855	$633,329,300	(1,978)	(163)	($129,706,335)	$75,997,445
TOTAL	**488**	**67,322**	**56,875**	**62,350**	**5,316,276,287**	**4,685,494,815**	**5,835,084,128**	**(10,447)**	**5,475**	**(630,781,472)**	**1,149,589,313**

TRADE TASK GROUP
900 Fourth Ave., Suite 2430
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Northwest TAAC
206-622-2730

June 23, 1995

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A NONPROFIT
ORGANIZATION

Mr. Phillip D. Moseley, Chief of Staff
Committee on Ways and Means
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Mr. Chairman and Members of the Committee:

The following comments are submitted to the Committee on Ways and Means, Subcommittee on Trade, in accordance with the request of Congressman Philip M. Crane (R-Illinois) for written comment, dated June 12, 1995, No. TR-11. These comments are submitted on behalf of Trade Task Group, a non-profit Washington State corporation, sponsor of Northwest Trade Adjustment Assistance Center.

Thank you for this opportunity to address my remarks urging continued support of Trade Adjustment Assistance (TAA) for firms.

Eleven years ago I was introduced to TAA for firms. At that time, I was asked by an Assistant Secretary of Commerce to consider formation of a not-for-profit corporation to take over sponsorship of the Northwest Trade Adjustment Assistance Center (Northwest TAAC).

The objective was to seek non-profit sponsorship such that substantially all funding through the Cooperative Agreement would be applied to assistance with little consumed by administrative overhead. The objective appealed to me and Trade Task Group (TTG) was formed.

This sponsoring organization drew upon diverse talents from all the Northwestern states served by Northwest TAAC. The Board of Directors included Lt. Governors, state senators and representatives, small business owners, men, women, democrats and republicans.

Under TTG direction, over the ten-year period 1984-1994, Northwest TAAC has expended $8,229,107. During this period 96 small business firms have received direct assistance of which 83 firms remain in business today. This is a ten-year success rate of 86%, with 9,905 jobs having been conserved and 2,113 new jobs added. The aggregate gross annual sales from assisted firms have increased by $670 million.

Calculating increased employment and gross sales only, federal tax revenue increased annually by $33 million. When these figures are factored for sales conserved and jobs saved, this federal tax revenue increase swells to $134 million. The cost/benefit ratio is an astonishing 166:1. Clearly this assistance to trading firms here in the Northwest, is an economic success which deserves consideration on these merits alone.

In our judgment, however, this is not the principal benefit of this program. It is the Trade Adjustment Assistance, as an instrument of trade policy, which is the program's main advantage. As a means of support for free and open trade, the TAA program exhibits its essential value, without which diverse other less cost-effective programs would be required as replacement.

Government sponsored TAA is now recognized as an accepted means of relieving those temporary dislocations, aggressive competitive trading practices encourage. Employment of this Trade Adjustment Assistance tool substitutes for those more confrontational instruments of remedial trade policy inherent in tariffs, quotas, regulatory intervention and embargoes, so disruptive to the market place.

So long as the assistance does not take the form of government subsidy support and remains confined to assistance defined by Trade Adjustment Assistance for firms, assistance conforms to prevailing law, and market intervention is insignificant compared to any other form of trade intervention.

It is a central characteristic of TAA for firms to mitigate the impact of imports without restricting import flow. The primary focus is to strengthen U. S. firms facilitating assisted firms capacity to compete. TAA lies squarely within the ambit of those trade developments progressing across the world as trade agreements sweep aside ancient tariff and non-tariff barriers.

Trade Adjustment Assistance is the principal and preferred alternative available to address temporary dislocations. While this form of relief is often the least understood, the advantages are becoming increasingly recognized among trading nations.

The national capacity to provide transient relief from market disruption, flowing from free and open trade, is the essential companion to the efficient operation of rational markets. Firms adversely affected by national policy should not be left to their own devises bereft of any mitigating support. Only TAA provides relief that neither restrict imports nor interferes with the market. All other forms of trade relief require some form of executive action that restricts trade, is confrontational and encourages retaliation.

Trade Adjustment Assistance is authorized through 1998. The test of survival of this important tool of trade policy remains a matter of funding. This program should not be allowed to inadvertently disappear through any misunderstanding of its essential purpose or through simple neglect. It is imperative TAA not pass into oblivion without first being given careful consideration and deliberate determination.

Toward reformation of the program, Northwest TAAC's sponsor TTG, suggests TAA administration be removed from its current subordination within the Department of Commerce, Economic Development Administration, and relocated within the United States International Trade Commission, or in the alternative, the Office of the United States Trade Representative.

While we recognize constraints on increased budgeting, we suggest the current budget be modestly increased to allow assistance support marginally above the current level. The current budget is short of funding resource to provide for those firms currently qualified and desiring of assistance but denied help because of funding exhaustion.

Under no circumstances should the TAA for firms program be considered for consolidation for inclusion in employment and training block grants. There should be no confusion between TAA for firms program with that of job training, work subsidies or other distributions designed to directly relieve employment displacement.

Accompanying these remarks are Cost/Benefit Analysis, Northwest Trade Adjustment Assistance Center [March 1995] and Trade Adjustment Assistance for Firms: The Most Consistently Effective Trade Remedy Tool Available in the United States, which I understand will be filed of record and will be available to the members of the Committee. These attachments amplify the comments here contained and emphasize Trade Task Group's interest in Trade Adjustment Assistance for firms.

Respectfully submitted,

James S. Mirin, Chairman
Trade Task Group
(Sponsor of Northwest Trade
Adjustment Assistance Center)
1201 Third Ave., Suite 1900
Seattle, WA 98101
(206) 623-3515

June 23, 1995

UNIVERSITY OF SOUTHERN CALIFORNIA
UNIVERSITY PARK
LOS ANGELES, CALIFORNIA 90089-0012

:E OF THE PRESIDENT

June 27, 1995

Mr. Phillip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth HOB
Washington D.C. 20515

Dear Mr. Moseley:

I am writing in response to Chairman Crane's request for comments regarding the elimination of the Trade Adjustment Assistance for Firms (TAA) program.

I was pleased the program was reauthorized through 1998 and I strongly urge its continuation. The University of Southern California has sponsored this program in the states of Arizona, California, Hawaii and Nevada for several years and we have seen first-hand the benefits derived. More than 400 firms have been assisted in improving their international competitiveness in our area during this period and over 40 manufacturing firms are currently active in various phases of the program. Since TAA is a heavily leveraged cost-share program, firms pay for a significant portion of their assistance, often exceeding 50%; the return of the federal dollar invested in this program is over 430%.

The program, while small in terms of total federal funding, is large in impact. During the last four years a nationwide total of 488 firms, employing over 62,000 workers, completed at least a portion of the program, resulting in an aggregate increase in permanent employment of nearly 10% and an increase of over one billion in sales.

This cost effective program has increased U.S. manufacturing competitiveness and appears consistent with the stated objectives of the Administration and the Congress to create real jobs in the manufacturing sector. Your support is critical in continuing this investment in the businesses of America.

Sincerely,

Steven B. Sample

Steven B. Sample
President