

**TESTIMONY TO THE SENATE FINANCE COMMITTEE
U.S. CONGRESS**

Trade Adjustment Assistance

by Clayton Yeutter¹

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Mr. Chairman and Members of the Committee, it is a pleasure to appear before you this morning. This is a busy time for trade policymakers and it is most appropriate for you to place trade adjustment assistance (TAA) on that agenda.

The implementation of trade agreements will inevitably provide winners and losers, for every signatory country, not just the U.S. What makes this often traumatic process worthwhile is that winners will typically outnumber losers, usually by a very large margin. That has been the history of post-World War II negotiations, both multilateral and bilateral. We've experienced more than half a century of unprecedented economic growth, and trade agreements have been a huge contributor to that outcome. Their track record is outstanding, far better than most people realize. Literally millions of people in the world owe their jobs today to the economic progress emanating from trade agreements negotiated since World War II. Those agreements have been a locomotive for economic growth and job creation, and the U.S. has been the greatest beneficiary of all.

Nevertheless, we must always remember that this reflects a net gain in jobs, meaning gross job increases minus job losses. It is the latter subject, *i.e.*, job losses, which merits our attention here.

Since trade agreements have traditionally provided a net economic benefit to society, it should be theoretically possible — and hopefully feasible — for society to compensate the losers. That, of course, has been the intent of our own trade adjustment assistance programs through the years. But this is not an easy task, for it asks governments to (1) identify the losers as trade agreements are implemented, and (2) quantify their economic losses. That calls for an intricate examination of cause and effect relationships, a formidable task indeed.

There are winners and losers in the American business sector every day of the week. That is the nature of our dynamic capitalist society. Some of those shifts in economic wellbeing are attributable to trade agreements, but most are not.

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They're simply the workings of our entrepreneurial economic system, and of the historic willingness of Americans to be risk takers in their quest for a better future for their families. We ask government to cover some of those risks, but only a fraction of them. Most are borne by individual members of American society, and by the institutions with which they are associated.

Consequently, one decision to be made by the Congress in dealing with trade agreements relates to the risks attached thereto. Who is to bear those risks? U.S. business firms and their employees? Or their government? Or is the risk somehow to be apportioned between them? In recent years we've asked our government to bear part of that risk, where we've been able to identify and quantify those who merit the additional protection.

Defining the Boundaries

Just what is a "trade agreement" in the context of adjustment assistance? Is it an agreement negotiated by the Office of the U.S. Trade Representative? Or any agreement negotiated by representatives of the U.S. government where trade is the principal subject (landing rights at airports, *e.g.*)? Or where trade is an "important" or "significant" element of such an agreement?

Could it be a "trade agreement" negotiated by and between other governments where the U.S. is adversely affected? Adversely affected "in a major way"? Could it be a trade dispute between the U.S. and one or more other nations, where American jobs are, or may be, at risk even though no "agreement" is involved? Should differences in antitrust laws, which may or will have an impact on American employment, trigger trade adjustment assistance? Will an altered interpretation of an existing trade agreement do so?

Questions of this nature merit continuing oversight by the Congress, for this is an ever-changing world. And our involvement in international commerce will unquestionably expand over time. With 96 percent of the people of the world living outside the boundaries of the U.S., we have no other choice. Those non-U.S. consumers will provide much of our demand growth in the future. We must, therefore, play on that field, which means we'll take some hits from time to time even if we're winning the trade battles. That's when adjustments must be made, and government help would be in order.

My caution is that we approach this issue with care and circumspection. We assuredly wish to be responsive and helpful to those who have been dislocated by trade agreements, however Congress defines that term now and in the future. But we should not create a costly entitlement program where a legitimate need has not been identified, documented, and persuasively presented to the Congress and the Executive Branch. We should not attempt to achieve, through trade adjustment

assistance, a risk-free society. By attempting to do too much for some, we run the great risk of doing too little for all. So let's use reason, common sense, and a lot of solid economic analysis in determining eligibility for adjustment assistance.

Designing the Program

Once we do determine that adjustment assistance is appropriate, the next challenge is one of designing a program or programs responsive to that need. As a nation, we haven't been particularly good at that. In my view, our track record for trade adjustment assistance has been much less auspicious than our track record for the agreements themselves. In disciplining the design of such programs, we've often made them complex, difficult to understand, inordinately bureaucratic, and frustrating to potential recipients. We ought to be able to do better, without generating abuses of the spirit of those programs.

Aside from the administrative challenges of adjustment assistance, and the financial commitments we make to such programs, we still have major issues relating to "adjustment." Just what is it that we expect to do for those who have lost their jobs from adversity relating to international commerce? Are we just to help financially, or will we try to prepare those folks for the rewarding tasks of the economy of the future? The latter is the obvious choice, but there is still plenty of subjectivity involved in determining what those "rewarding tasks" may be. We must simply apply our best judgment at a given point in time, hoping that we'll be proven correct in our assessment of the future.

The good news is that this country has lots of fine vocational training and other such institutions which can provide guidance to adjustment assistance recipients on an individual case basis. Even in a high-tech world we need not push everyone into college degree programs. There are loads of excellent jobs on the horizon where a college degree is not required, though those jobs assuredly may be different from the ones abandoned in situations such as this.

Trade Promotion Authority

Is trade adjustment assistance of any relevance or importance to the negotiating strategy of the Office of the U.S. Trade Representative? Of course. Will it foster, within Congress, the effort to grant Trade Promotion Authority (TPA) to our negotiators? Let's hope so.

The presence of an adjustment assistance program provides comfort, not only to those individuals and families who might need it, but also to our trading partners. It demonstrates that we, as a nation, are serious about negotiating mutually beneficial trade agreements with others. If we're willing to commit significant financial resources to those who may lose jobs, we're obviously also

willing to engage in negotiations that will provide job gains and greater income opportunities for even more American families. Hence, adjustment assistance sends a good signal, and provides positive vibes, everywhere — to the American work force, which might otherwise feel insecure as trade negotiations commence, and to other countries, who know that with a combination of TPA and TAA we're engaged.

Conclusion

Most Americans handle job dislocations on their own. Whatever the reason for the dislocation, they simply find another job. Sometimes it may even be a better job than the one they've lost; in many cases, it may not be.

Why haven't they taken greater advantage of government "safety nets" such as trade adjustment assistance? There are many reasons — embarrassment, not knowing of the program's existence, paperwork intimidation, a bad experience with those who administer the program, disinterest in further education/training activities, and many others.

We'll never get every eligible person into TAA or any other safety net program. But that does not suggest we should abandon such programs. Our objective should be to improve them — to make them more effective and efficient. Adjustment assistance has been an integral part of our U.S. trade negotiating strategy in the past, and should be in the future. If we can design TAA better, and administer it more skillfully, American workers will feel a lot more secure as we move forward with trade agreements. Those workers and their families all aspire to higher incomes and an improved quality of life over time, and many of those opportunities will arise from trade. So, let's be compassionate and helpful to those who lose jobs in our society, while also making sure we follow policies and take actions that create new jobs, improve incomes, and boost our nation's economic growth.

I will be pleased to answer any questions the Committee may have.