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**Remarks Before the Peterson Institute for International Economics
By Senator Max Baucus (D-Mont.)
Regarding Trade Adjustment Assistance**

The Promise of Opportunity

A hundred years ago, opportunity called homesteader families to Montana. Endless horizons of open land promised rich harvests. The Homestead Act promised a deed to the land.

But every homesteading family knew that no matter who or what promised success, only their diligent work could realize it. Leaving one job unfinished could jeopardize a year's work, and with it, any promise of opportunity.

Like those pioneering families, many in America are today lured by the promise of opportunity on a global scale. Vast economic horizons beckon, from Latin America to Southeast Asia. We see opportunity from the expanding middle classes of developing China and India, to the resurgent developed economies in Europe.

Yet today, as 100 years ago, the promise of opportunity means little, if we don't work to realize it. Success tolerates no skipped steps or half measures. That was true on Montana's frontier. And that is true in our nation's economic agenda.

A Task Unfinished

Today, a crucial task remains unfinished on the trade agenda. It is a task that will reinforce the hard work that we have done in the past. And it is a task that will sow the seeds for future successes. Done thoroughly and thoughtfully, it will help us to realize the opportunities we seek and those we have promised American workers, farmers, and ranchers.

This task is the passage and implementation of a robust reform of the Trade Adjustment Assistance program.

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We have the opportunity today to make sure that Trade Adjustment Assistance matches the ambition and flexibility of our workers. We have the chance to reform the Trade Adjustment Assistance program in a way that recognizes our workers' potential and anticipates their needs. We have the obligation to reform TAA to enhance what works and to change what doesn't.

Our task is to adopt and implement a Trade Adjustment Assistance program that reflects the 21st century global economy.

Let me be very clear. This task, and no other, must be our nation's trade policy priority. Until we accomplish it, other issues on today's trade agenda must take the back seat. That includes congressional consideration of pending free trade agreements with Colombia, Korea, and Panama. I simply cannot support, or consider moving these agreements in the Senate, until we realize the goal of expanded and reauthorized Trade Adjustment Assistance.

Global Opportunities

Americans recognize the opportunities of the global economy. And they want to seize them.

Americans know that 95 percent of the world's consumers live outside our borders, including growing consumer classes in Asia and Europe.

They see that international trade is a growing part of our economy. They see that our exports to major global markets grew by more than 20 percent last year. And they see that export growth has been a rare bright spot in our economic picture.

They understand that trade can enhance our comparative advantage and lower prices of consumer goods. Looking to the future, 40 per cent of today's entrepreneurs expect a quarter of their customers to come from abroad.

In Montana, two out of every three bushels of wheat harvested are exported to Asia. Exports of Montana beef are critical to keeping ranches profitable.

The promise of these global economic opportunities is undeniable. We must work to realize them. Yet to succeed, we can skip no task. And we must use every tool. Success will come when every task is properly done, at the proper time, with all of our energy and creativity.

For too long, this administration has used scarce resources in a singular pursuit of free trade agreements, casting aside other trade policy tools. Too often, these agreements had little commercial gains. But they had a high political price.

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Robust policies abroad, like free trade agreements, must go hand in hand with vigorous and innovative economic policies at home. Trade policy is not just about economics. It is as much about the workers that drive our economy.

Support for globalization and international trade is at a low. One survey revealed that nearly half of Americans believe that free trade agreements hurt the United States, and 40 percent believe the global economy hurts their communities. Polls show that nearly 60 percent of Americans think that an increasingly global economy is bad for American jobs. Nearly two-thirds think trade hurts American workers.

We can rebuild American support for trade only if we turn our trade policy away from this singular focus on trade agreements. We must concentrate not only on closing trade deals, but also on closing the gap between globalization's haves and have-nots.

We must labor toward a trade policy that lowers trade barriers overseas. But we must also forge a policy that builds a broad trade consensus at home.

We must seek certainty and fairness for our companies operating in foreign markets. But we must also pursue certainty and fairness for workers at home in America.

The Next Step: TAA

This is why, as Chairman of the Senate Finance Committee, I believe that the first task before us this year must be comprehensive reform of Trade Adjustment Assistance.

For four decades, TAA has helped American workers caught up in the tides and crosscurrents of globalization. As the wave of globalization gathers strength, Trade Adjustment Assistance must have equal vigor. Four major reforms are indispensable.

First, we must expand TAA to benefit service workers. Services comprise 80 percent of our economy. Our global services exports are second to none. But TAA is stuck in the manufacturing age.

Trade Adjustment Assistance doesn't reflect today's economic realities. And that isn't just an anachronism. It's an embarrassment.

Second, we must make it perfectly clear that TAA covers workers whose firms have offshored production to countries that are not free trade agreement partners. This ambiguity in current law is another remnant of the past. It makes little sense.

Last year, some of our fastest-growing export markets were India, Brazil, and Germany. We have free trade agreements with none of these countries. America's trade is not confined to a small group of FTA partner countries. So the benefits to workers under TAA should not be confined that way, either.

Third, we must expand the health care tax credit. Six years ago, when I was last Chairman of the Finance Committee, I worked hard to include a health care tax credit in the TAA program. That credit currently pays for 65 percent of a healthcare premium.

That was a good start. But six years of experience tells us that we have to do more.

The current health care tax credit requires unemployed workers to pay an even bigger share of their health insurance premium than when they had a job. It's clear why unemployed, TAA-eligible workers have not made use of the tax credit. They cannot afford it. Current law requires these unemployed workers to pay more for their health insurance than they did when they had a job.

TAA must help workers to mitigate their health care costs. It should ease their transition to their next job. That's why we must expand the existing health care tax credit from 65 to 85 percent. It's not just good policy. It's the right thing to do.

Fourth, we must increase the training funds available to workers. Current law caps this amount at \$220 million per year. As a result, several states have run out of training funds mid-year. That shuts out TAA workers eligible for long-term training.

We need to double the current cap and reset it at \$440 million. The best way to honor our workers' abilities is to offer them the opportunity to retool, retrain, and get back to work. Displaced workers don't want charity. But they do want a chance at a fresh start. Expanding retraining funds is the best way to invest in America's competitive workforce and give them that chance.

Finally, we can make other improvements to the TAA program. We can allow trade-affected communities to benefit from targeted assistance. We can also make the TAA for Firms and TAA for Farmers and Fishermen programs more accessible and adaptable to today's market realities. And we can make wage insurance and training benefits complement each other — rather than crowd out each other.

Last summer, I introduced legislation with these important TAA reforms. I plan to mark up this bill in the coming weeks.

Conclusion

I propose these reforms and emphasize their preeminence not to slow our economic agenda, but to advance it. I was pleased to hear the President's willingness to work on Trade Adjustment Assistance this year as part of the agenda he set out in his State of the Union address. With a reformed TAA in place, we can then move on to other important issues on the trade agenda.

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Before Congress are three pending free trade agreements. We also have an important opportunity to modernize our customs programs to ensure that our borders are safe from tainted or pirated goods. And, with many of our preference programs expiring this year, we have a unique opportunity to examine their operation and propose a new path forward.

When Congress passed the Homestead Act, they promised an opportunity that rewarded hard work. After Montana homesteaders toiled to cultivate the land and yield rich harvests, the Homestead Act granted them the deed to the land.

The reward for their work in hand, these families expanded their farms and ranches, cultivating the next plot over the new horizon. They moved on to another success.

I am confident that once we finish our work for comprehensive Trade Adjustment Assistance reform, we too will be able to look to the next step, the new horizon, and another success. I hope that you will join me in this work today, and help realize greater success tomorrow.

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