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Heat Rises on Hill Around Trade Program Extension

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Congressional negotiators closed in last week on a deal to cushion U.S. workers from the economic vagaries of free trade, highlighting a once-obscure program that for decades has served to ease lawmakers' concerns about the adverse impact of market-opening agreements with foreign governments.

At issue is the Trade Adjustment Assistance (TAA) program, which for nearly half a century has served as a relatively noncontroversial political lubricant for easing politically contentious pacts, such as the North American Free Trade Agreement, through Congress.

Despite its relatively modest annual price tag of about \$1.3 billion, TAA has become a political target, in large part due to last November's elections, which brought an aggressive class of Republican budget cutters to the House. With organized labor and sympathetic Democrats mobilizing to defend it, the program has become a volatile issue as a Ways and Means subcommittee prepares an informal markup this week on legislation to implement free-trade agreements with South Korea, Colombia and Panama.

Talks involving the administration, Democrat Max Baucus of Montana, chairman of the Senate Finance Committee, and his House Republican counterpart on the Ways and Means Committee, Dave Camp of Michigan, center on finding a compromise to extend the trade-assistance program and improve legislative prospects for the stalled trade pacts.

Enacted in 1962, TAA now deploys a variety of income support, job search, retraining, health insurance and relocation benefits to soften organized labor's complaints that American workers pay a heavy economic price for trade agreements that lower barriers to cheap imports. Congress and the George W. Bush administration expanded the program in 2002 to include a wage subsidy for displaced workers over age 50 and a refundable health care tax credit covering 65 percent of the cost of a premium.

The current struggle over TAA centers on updates included in the 2009 stimulus law that increased the health care tax credit to 80 percent, extended TAA eligibility to service and public sector employees, and covered workers harmed whenever production is outsourced to another country. It also added 26 weeks of cash benefits for workers in training.

No Permanent Policy

The stimulus law's expiration last winter set the stage for the current donnybrook. Until last week, at least, the key players found themselves at an impasse. Republicans took the position that the 2009 provisions, along with the rest of the stimulus bill, were intended to give a temporary boost to a wounded economy. On the other hand, the administration, along with Democratic allies on Capitol Hill, are insisting that the expansions be incorporated into the basic TAA law as a prerequisite for action on the three trade deals.

"Stimulus was meant to stimulate and be done in a two-year period of time," said Charles E. Grassley of Iowa, a top Republican on the Senate Finance Committee. "It wasn't meant to make permanent policy," he added in an interview.

Taking an equally firm position, Sander M. Levin of Michigan, the senior Democrat on the House Ways and Means Committee, said in an interview, "In a period of high unemployment it is inexcusable, intolerable and unacceptable that the 2009 TAA provisions have not been extended."

At a news conference last week, Thomas J. Donohue, president of the U.S. Chamber of Commerce, declared that a TAA deal was "right on the doorstep and ready to go."

The details remained unclear, although sources following the negotiations said several of the lapsed provisions, such as the health care credit, could be presented as split-the-difference compromises.

Whatever emerges from the talks will have to be sold by House Speaker John A. Boehner to a skeptical GOP rank and file, and particularly to Republican freshmen such as Rep. Dennis A. Ross of Florida. Ross is preparing legislation to eliminate TAA, which he assails as "a federal wealth redistribution program that has no business existing in a free society."

TAA's emergence as a pawn in the struggle on the Hill over trade policy has driven a wedge into the ranks of a free-trade lobby that usually tilts toward the GOP.

"I'm baffled. It has kind of blown up into this big deal," says William A. Reinsch, president of the National Foreign Trade Council. "It historically hasn't been a big deal. There have always been people at both ends of the spectrum cranky about it. But the center has generally held on this. This time it hasn't. I don't quite get it."

Grassley does not seem to be confused on this point. Citing the "strong message that was sent on spending" by the voters last November, Grassley said, "I think you have to take into consideration that elections are supposed to have consequences. . . . It's a whole new ballgame around here."

Selective Help

Grassley's misgivings align him with conservative, free-market advocacy groups such as the Heritage Foundation, the **Cato Institute** and the Club for Growth. A common complaint focuses on what they regard as the program's discriminatory aspect: Among all the other causes for American job loss, TAA compensates only for the adverse impact of trade agreements on the U.S. labor market.

"It is pretty hard to justify helping workers who lose their jobs because of import competition versus a Blockbuster employee who loses a job basically because Netflix comes along and has found a much better way to get movies into people's hands," says James Sherk, an expert on labor economics at Heritage.

A Heritage study says TAA is a failure when it comes to boosting the earnings of its participants and asserts: "Congress would be wise to add the program to the dustbin of history."

Along with the Chamber of Commerce and foreign trade council, traditional business associations such as the American Farm Bureau Federation, the Business Roundtable and the National Association of Manufacturers could not disagree more. In a letter early last month to President Obama and congressional leaders of both parties, those and other groups voiced their support of TAA "as a central part of America's overall trade agenda."

Reinsch said, "A policy that was struck a long time ago, to take care of the needs of people, is something we don't think it would be right to abandon at this point. We are prepared to go forward with it in its present form."

Meanwhile, it is far from clear how many congressional Democrats might be persuaded to vote for the pending trade deals even if the package were to revive a robust TAA.

Thea Lee, deputy chief of staff of the AFL-CIO, described TAA as "absolutely essential" but then suggested that the program is no longer adequate to offset the damage American workers suffer from free trade.

"What has changed is that trade liberalization and trade displacement have grown pretty dramatically," Lee said. "And the TAA program, while an important assistance to workers who lose their jobs, really doesn't seem to be an adequate compensation . . . and therefore we're not willing to take another one-on-one trade-off."

In a statement last month, Michael H. Michaud, a Maine Democrat who chairs the House Trade Working Group, urged that the 2009 version of TAA be immediately reauthorized for five years. However, an email last week from his press secretary underscored Michaud's opposition to "NAFTA-style" trade agreements and indicated that he would oppose them regardless of a TAA extension.

In the Senate, attitudes of key Republican senators appear to have hardened in opposition to TAA. Two years ago, Orrin G. Hatch of Utah was one of 10 senators along with Grassley to sign a letter praising the 2009 legislation as providing "the most comprehensive reform and expansion of [TAA] in a generation."

Hatch, the senior Republican on the Finance Committee, is now choosing to emphasize his longstanding concerns with expanding the health care tax credit. "In many respects, some of it is just a boondoggle to the unions," Hatch said in an interview last month with CQ Today.

Particularly inflammatory is the White House's suggestion that TAA's renewal be part of a legislative package along with the free-trade deals. "That is kind of a nuclear weapon," Reinsch says. That's because the trade deals would be considered under so-called fast-track parliamentary procedures, meaning that TAA would be bulletproof against both amendments and a Senate filibuster.

"It is a non-starter," said Republican Kevin Brady of Texas, chairman of the House Trade Subcommittee. "Fast track is for trade agreements; the regular legislative process is for TAA, in my view."

The biggest hurdle for TAA is its cost, which key Republicans say is unaffordable given the size of the federal deficit.

"We have a new Congress that rightly is questioning every federal program, as to its need, to its cost and to its efficiency," Brady said. "There are new members, and they rightly don't feel bound by agreements, real or perceived. It is not singling out TAA. Our members, including returning members who are fighting this deficit, are questioning many programs in the same way."

"When you say \$1 billion is too much, it might be too much relative to zero, but it is not too much relative to the \$1 trillion that trade contributes to the economy," responds Howard Rosen, a visiting fellow at the Peterson Institute for International Economics and a former congressional aide who helped draft the 2002 expansion.

Among other things, that law created a tax credit for laid-off workers equal to 65 percent of their health insurance costs -- boosted to 80 percent in 2009 -- and extended benefits to secondary workers, such as employees of companies that supplied firms whose plants had relocated overseas.

"Nobody has any fault with the original and improved concepts up to and including 2002," Grassley said. "I'm not saying there can't be any compromise beyond 2002, but it can't be much."

FOR FURTHER READING: *Trade divisions, CQ Weekly, p. 904; 2009 stimulus (PL 111-5), 2009*

Almanac, p. 7-3; 2002 expansion (PL 107-210), 2002 Almanac, p. 18-3.