Worker retraining wrangle holds up US trade pacts

By James Politi in Washington
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The path to congressional approval of three US trade agreements is being complicated by budget-cutting fervour, after the Obama administration linked passage of the deals to the extension of a $1bn per year worker training and compensation programme that some Republicans oppose.

Last week, White House officials said the bilateral agreements with South Korea, Panama and Colombia, which were signed by George W. Bush when president but recently revised, could not advance unless a deal was reached to renew Trade Adjustment Assistance, a decades-old programme that is suddenly in the spotlight.

But some Senate Republicans, who are otherwise supportive of the trade deals, balk at approving them in conjunction with TAA. "It makes no sense to shut the door on increasing US exports by over $10bn [€7bn] in order to fund a costly programme," said Orrin Hatch, the top Republican on the Senate finance committee.

TAA allows workers judged to have been damaged by trade to retrain for new jobs while receiving an extension of their jobless cheques, a health insurance tax credit and wage insurance if they ultimately accept a lower salary.

The plan originally only covered some manufacturing workers but now also applies to the service sector and those who have suffered indirectly through the supply chain.

Gene Sperling, director of the National Economic Council, said last week that TAA was "a critical part of our social and economic compact".

"We believe there are significant economic gains in expanding trade and expanding exports but we also have a moral obligation to provide the re-employment assistance to those who bear the dislocation or cost associated with [trade]," he said.

But advocates of the programme, which applies to about 100,000 people, fear that the scheme could be significantly rolled back as Republicans scour the federal budget for opportunities to rein in the size of government.

Howard Rosen, of the Peterson Institute for International Economics, said it is "incredible" that TAA is potentially facing its first reduction since 1981.

"It's just amazing to me that as the economy is becoming more international, as trade and investment become more important, our country, our nation, is considering reducing the assistance to those who were hurt by it. It doesn't make any sense," Mr Rosen said.

Sallie James, of the libertarian Cato Institute, argues that TAA has not been effective, with people enrolled in it not having "much more of a chance" of finding a new job than those on other private sector job training schemes.

"People are really questioning the need for the programme and whether we should pick people out for special treatment," Ms James said. She cites figures showing that only a small fraction of US workers are jobless because of trade, compared with those hit by the economic downturn or changes in technology and consumer tastes.

TAA supporters counter that, while the benefits of trade are spread out, the damage is concentrated in a small group of people who are older and less educated than the general population – and therefore deserve some compensation.

Republicans have long been suspicious of TAA as a concession to unions pushed by Democrats to soften their opposition to trade liberalisation. But over the years, many conservatives have come to embrace the programme.

Dave Camp of Michigan, chairman of the House of Representatives ways and means committee, "supports" TAA and is "working to find a bipartisan path forward", a spokesman said.

Corporate America wants to overcome this sudden obstacle, pushing recalcitrant Republicans to accept TAA. Laura Lane, a Citigroup lobbyist in Washington, said: "The business community sees this as a natural package. . . We're hoping this uncertainty [is] cleared up soon."