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Trade Adjustment Assistance for Firms

Abstract

The Trade Adjustment Assistance (TAA) programs were first authorized by Congress in the Trade Expansion Act of 1962, as amended, to help workers and firms adjust to import competition and dislocation caused by trade liberalization. Although overall economic welfare can be increased by trade liberalization, TAA has long been justified on grounds that the government has an obligation to help the “losers” of policy-driven trade openings that may cause adjustment problems for firms and workers adversely affected by import competition. TAA programs that cover workers, firms, and farmers aim to “facilitate efforts by the domestic industry to make a positive adjustment to import competition and provide greater economic and social benefits than costs.” Congress continues to monitor TAA program performance and to periodically reauthorize and amend the governing legislation.

This report discusses the Trade Adjustment Assistance for Firms (TAAF) program, which is administered by the Economic Development Administration (EDA) of the Department of Commerce. The TAAF program assists eligible American companies that have been harmed by increasing imports; this harm is defined by lower domestic sales and employment because of increased imports of similar goods and services. Through the TAAF program, EDA provides technical assistance, on a cost-sharing basis, to help eligible businesses create and implement business recovery plans that may allow them to remain competitive in a dynamic international economy. The TAAF program provides technical assistance through a partnership with a national network of 11 EDA-funded Trade Adjustment Assistance Centers (TAACs).

Keywords

Trade Adjustment Assistance for Firms, TAA, businesses, firms

Comments

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Trade Adjustment Assistance for Firms

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Summary

As Congress considers possible legislation to implement the proposed Trans-Pacific Partnership agreement (TPP), the potential impact of TPP on U.S. workers and firms is part of the debate. The Trade Adjustment Assistance (TAA) programs were first authorized by Congress in the Trade Expansion Act of 1962 to help workers and firms adapt to import competition and dislocation caused by trade liberalization. While trade liberalization may increase the overall economic welfare of all the affected trade partners, it can also cause adjustment problems for firms and workers facing import competition, and adjustment assistance has long been justified on the grounds that it is the least disruptive option for offsetting policy-driven trade liberalization. The TAA programs for workers, firms, and farmers represent an alternative to policies that would restrict imports, providing assistance while bolstering freer trade and diminishing prospects for potentially costly tension (retaliation) among trade partners.

This report discusses the Trade Adjustment Assistance for Firms (TAAF) program, which is administered by the U.S. Department of Commerce Economic Development Administration (EDA), and related policy issues. Most recently, reauthorization of TAA was linked to renewal of Trade Promotion Authority (TPA). Both TPA (P.L. 114-26) and TAA (P.L. 114-27) were signed into law in June 2015. The renewed TAA not only extended TAAF but reinstated certain expanded provisions and authorized annual funding.

TAAF provides technical assistance to help trade-impacted firms make strategic adjustments to improve their global competitiveness. Under TAAF, a firm first submits a petition to demonstrate its eligibility, then works with TAAF professionals to develop and submit, and finally implement, a business recovery plan.

As required by the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA) (Title II of P.L. 111-5), EDA publishes annual reports on the performance of the TAAF program. The reports have generally shown that two years after completion of the program, on average, participating firms have increased sales, employment, and productivity. The high success rate for firms that “completed” the TAAF program represents only about half of all firms certified as eligible for assistance. The rest left the program without completing an adjustment plan and were no longer monitored. The Government Accountability Office (GAO) completed a comprehensive evaluation of the TAAF program in 2012 and found marked improvement in EDA’s administration and evaluation efforts and also confirmed EDA’s assessment that trade-impacted firms benefitted from the specialized attention provided by TAAF assistance. GAO also found a “small and statistically significant relationship between program participation and sales,” which was particularly relevant to smaller firms, albeit also highly correlated with firms operating in high-growth industries. Employment effects were not found to be statistically significant.

Since the 1990s, debates over trade liberalization have increasingly focused on the changing nature of trade in an era of globalization—especially the emergence of global value chains (GVCs) and the evolving digital economy. GVCs are organized and coordinated by multinational companies (MNCs) and now account for about 70% of global trade in goods and services and capital goods. GVCs offer the potential for small- and medium-size firms to become more integrated into international trade and produce higher-value-added products. One question is whether EDA, through the TAAF program, can help trade-impacted firms in developing stronger relationships with MNCs and GVCs. Another is how EDA can help small and medium enterprises take advantage of the digital economy to reach new markets, including those opened up by trade agreements. Congress may consider these questions as well as further reforms or amendments to TAAF as part of ongoing discussions on potential trade agreements.

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This report discusses the Trade Adjustment Assistance for Firms (TAAF) program, which is administered by the Economic Development Administration (EDA) of the Department of Commerce. The TAAF program assists eligible American companies that have been harmed by increasing imports; this harm is defined by lower domestic sales and employment because of increased imports of similar goods and services. Through the TAAF program, EDA provides technical assistance, on a cost-sharing basis, to help eligible businesses create and implement business recovery plans that may allow them to remain competitive in a dynamic international economy.⁴ The TAAF program provides technical assistance through a partnership with a national network of 11 EDA-funded Trade Adjustment Assistance Centers (TAACs).

The Trade Adjustment Assistance for Firms Program: Recent Legislative Background

Congress first authorized TAA in Title III of the Trade Expansion Act of 1962 (P.L. 87-794), but it was little used until it was updated and reauthorized under The Trade Act of 1974 (P.L. 93-618), enacted in January 1975. Congress has amended TAA programs many times over the half-century of its existence. TAA includes a firm and industry assistance program that is administered by the EDA.⁵

Trade and Globalization Adjustment Assistance Act (TGAAA)

In 2009, the 111th Congress expanded TAA through a bipartisan agreement to reauthorize the program. The Trade and Globalization Adjustment Assistance Act of the American Recovery and Reinvestment Act (ARRA) of 2009 (P.L. 111-5) expanded and extended the then-existing programs for workers, firms, and farmers, and added a fourth program for communities (later repealed). In terms of the TAAF program, the TGAAA:

¹ A list of acronyms is provided at the end of this report to assist readers.

² P.L. 93-618, Sec. 201. (a).

³ For a broader discussion on the policy debate over TAA, see CRS Report R41922, *Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy*, by J. F. Hornbeck. See also CRS Report R42012, *Trade Adjustment Assistance for Workers*, by Benjamin Collins; CRS Report R40206, *Trade Adjustment Assistance for Farmers*, by Mark A. McMinimy; and CRS Report R42661, *Trade Adjustment Assistance Community College and Career Training Grants*, by Benjamin Collins.

⁴ The Trade Adjustment Assistance for Firms (TAAF) program is authorized by Chapters 3 and 5 of Title II of the Trade Act of 1974, as amended (19 U.S.C. §2341 et seq.).

⁵ The TAAF program was originally administered jointly by the Tariff Commission (predecessor to the USITC) and the U.S. Department of Commerce.

- expanded eligibility to include firms in the services sector to reflect the larger role of services in the U.S. economy;⁶
- provided greater flexibility for a firm to demonstrate eligibility for assistance through an “extended look-back period,” giving firms longer timeframes for calculating sales or production declines due to import competition;
- increased annual authorized funding levels from \$16 million to \$50 million;
- established new oversight and evaluation criteria;
- created a new position of Director of Adjustment Assistance for Firms; and
- required that EDA submit a detailed annual report to Congress.

When the TAA programs were set to expire on January 1, 2011, the House and Senate passed, and the President signed, the Omnibus Trade Act of 2011 (P.L. 111-344) in late December 2010. While the act extended TAA programs for six weeks through mid-February, it eliminated some of the expanded provisions of the TGAAA, including eligibility for services firms and the expanded look-back periods for qualifying firms to meet eligibility requirements. The debate over passage of the proposed free trade agreements (FTAs) with Colombia, Panama, and South Korea offered the 112th Congress another opportunity to revisit TAA reauthorization as part of the implementing legislation approval process.

Trade Adjustment Assistance Extension Act (TAAEA)

In October 2011, Congress passed, and the President signed into law, the Trade Adjustment Assistance Extension Act of 2011 (TAAEA) (Title II, P.L. 112-40; H.R. 2832). The TAAEA authorized the TAAF program through December 31, 2014. The prior 2011 expiration of the expanded provisions of the TAAF program limited the number of firms entering the program (as services firms were no longer eligible to participate), and eliminated the extended look-back period. These factors, combined with an improving economy, made it more difficult for firms to demonstrate their eligibility to participate. The TAAEA retroactively extended the enhanced provisions (inclusion of services firms and the extended “look-back” period) contained in the TGAAA through December 31, 2013. On January 1, 2014, the TAAF again reverted back to the more limited program that had been in effect as of February 13, 2011.

Though the TAAF authorization expired on January 1, 2015, the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), extended TAAF appropriations through September 30, 2015, allowing Trade Adjustment Assistance Centers administering the program to continue to serve existing firms and certify new firms.

Trade Adjustment Assistance Reauthorization Act (TAARA)

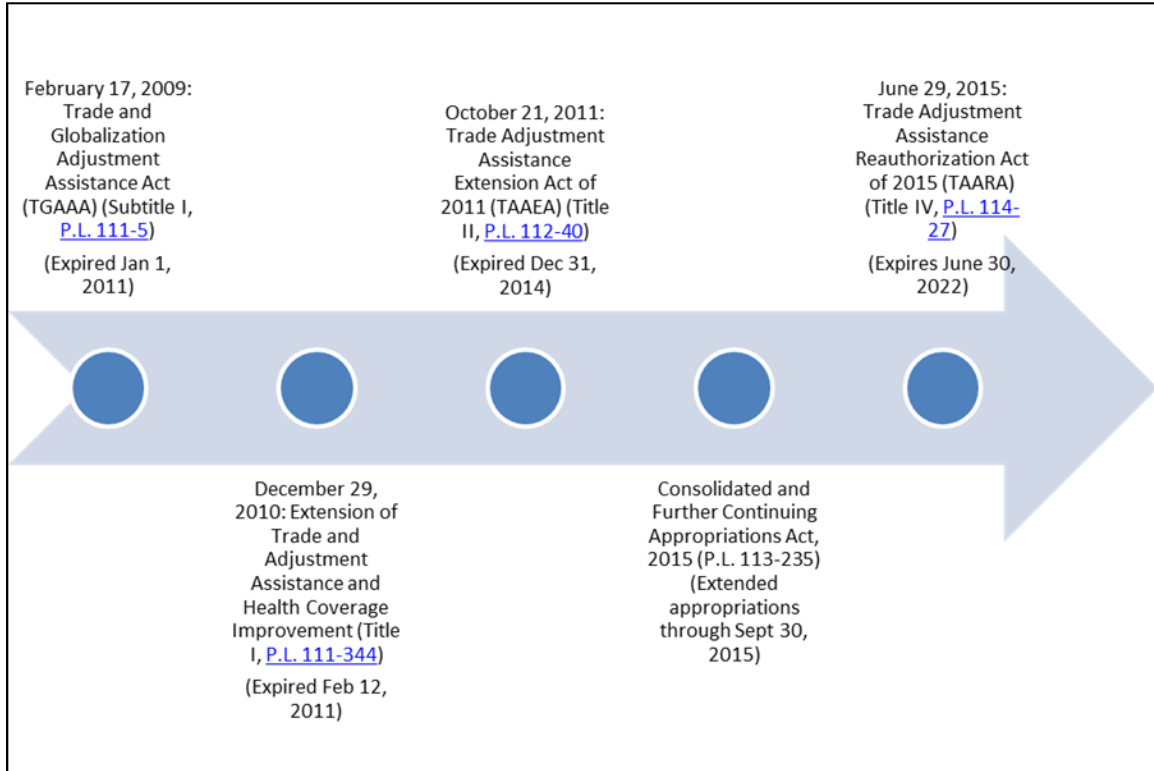
Six months after the TAAF authorization ended in January 2015, Congress passed, and the President signed, the Trade Preferences Extension Act of 2015 (P.L. 114-27), which included Title IV, the Trade Adjustment Assistance Reauthorization Act (TAARA) of 2015. The TAARA reauthorized the TAAF program through June 30, 2021, and added back the enhanced provisions of the TAAEA, effective retroactively to January 1, 2014. TAARA also restored annual

⁶ According to the United States Trade Representative and U.S. Department of Labor, services account for 68% of U.S. gross domestic product (GDP) and 80% of U.S. civilian employment. For more information on U.S. trade in services, please see CRS Report R43291, *U.S. Trade in Services: Trends and Policy Issues*, by Rachel F. Fefer.

authorization levels to \$16 million. Appropriations were \$12.5 million in FY2015 and \$13 million in FY2016. (See **Table 1**.)

If Congress does not reauthorize the program, on July 1, 2021, the TAAF program will revert to the more limited program as in 2011, and the entire program will expire on June 30, 2022. (See **Figure 1**.)

Figure 1. Legislative History of TAAF since 2009



Source: CRS.

If the President submits an implementing bill for the proposed Trans-Pacific Partnership (TPP) agreement, the subsequent legislative debate and package may provide Congress an opportunity to further amend TAARA, whether reforming the TAA programs, changing the management structure or requirements, or adjusting the current funding level or timelines.⁷

Overview of the TAAF Program⁸

The TAAF provides technical assistance to help trade-impacted firms make strategic adjustments that may allow them to remain competitive in a global economy. Originally, TAAF also included loans and loan guarantees, but Congress eliminated all direct financial assistance in 1986 because

⁷ Inside U.S. Trade, “Reichert Says TAA Changes Could Be Part Of TPP Package, Sidesteps Timing Questions,” *World Trade Online*, May 17, 2016. For more information on the TPP, please see CRS In Focus IF10000, *TPP: An Overview*, by Brock R. Williams and Ian F. Fergusson.

⁸ Based on 2012 13 C.F.R. §315, which provides details for applying for TAAF assistance, and EDA, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program*, for various fiscal years.

of federal budgetary cutbacks and concern over the program's high default rates and limited effectiveness.

TAAF authorizations and appropriations for FY2005-FY2016 appear in **Table 1**.

Table 1. Firm TAA Authorizations and Appropriations, FY2005-FY2016

(\$ millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Authorizations	16.0	16.0	16.0	16.0	50.0	50.0	18.3	16.0	16.0	16.0	16.0	16.0
Appropriations	11.0	12.8	12.8	14.2	13.9	15.8	15.8	15.8	15.8	15.0	12.5	13.0

Data Source: U.S. Department of Commerce, Economic Development Administration (EDA).

Notes: * P.L. 111-5 (TGAAA) authorized \$12.5 million for October 1, 2010-December 31, 2010; P.L. 111-344 authorized \$5.8 million for January 1, 2011-February 12, 2011.

In March 2016, a bipartisan group of 40 Members sent a letter to the House Appropriations Committee leadership supporting “at least sustained funding for the program for FY17.”⁹ FY2016 funding was appropriated at \$13 million.

Multiple FY17 appropriations bills have been put forward for consideration with differing levels of support for the TAAF program and grants.¹⁰

The TAAF Program: How It Operates

Administered by the Department of Commerce Economic Development Agency (EDA), the TAAF program provides technical assistance to firms through 11 regional Trade Adjustment Assistance Centers (TAACs).¹¹ TAACS, which operate under cooperative agreements with EDA, are available to assist firms in the 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. The following entities may apply to operate a TAAC: (1) universities or affiliated organizations; (2) states or local governments; or (3) nonprofit organizations.¹² They provide or contract for technical assistance to firms from the initial certification process through adjustment proposal (AP) implementation. TAACs are staffed by professionals with broad business expertise who can help firms develop recovery strategies and also identify financial resources. These professionals function as consultants who specialize in business turnaround strategies specifically designed to meet the needs of individual firms that may face adjustments in competing with lower-priced imports.¹³ TAACs apply for EDA grants to operate their programs. All appropriated funds are used to support the TAAC process; *no funds or direct financial assistance* may be provided to firms.

Eligibility, Certification, and Implementation

There are three phases to successful completion of a trade adjustment assistance project (see **Figure 2**).

⁹ See <http://www.nemw.org/wp-content/uploads/2016/03/2016-CJS-TAAF-FY17.pdf>.

¹⁰ See H.R. 5393 and S. 2837.

¹¹ See <http://www.taacenters.org/locations.html>.

¹² 13 Code of Federal Regulations (CFR), Ch. III §315.4, January 1, 2014, p. 774.

¹³ P.L. 93-618, Section 253, as amended, and U.S. Department of Commerce, Economic Development Administration, <http://www.taacenters.org>.

In **phase one**, a firm must demonstrate that it is eligible to apply for assistance. The firm submits a *petition for certification* documenting that it is a “trade-impacted firm” by having met three conditions:¹⁴

1. “A significant number or proportion of workers”¹⁵ in the firm have become or are threatened to become totally or partially separated;
2. Sales, or production, or both decreased absolutely, or sales, or production, or both of any article that accounted for not less than 25% of total sales or production of the firm during the 12, 24, or 36 months preceding the most recent 12 months for which data are available have decreased absolutely (the “look-back” period); and
3. Increased imports of articles like or directly competitive with articles produced by the firm have “contributed importantly”¹⁶ to both layoffs and the decline in sales and/or production.

Certification specialists are available in the TAACs to work with firms (at no cost to the firm) to complete and submit a petition to EDA to be certified as a trade impacted firm. EDA is statutorily required to make a final determination on a petition within 40 days of accepting it. This time period has declined from an average of 45 days in FY 2009 to 16 days in FY2015.¹⁷

In **phase two**, a firm certified as eligible has two years to develop and submit a business recovery plan or *adjustment proposal (AP)*. Approval of the AP is contingent on EDA’s finding that the AP (1) is reasonably calculated “to materially contribute” to the economic adjustment of the firm; (2) gives adequate consideration to the interests of the firm’s workers; and (3) demonstrates that the firm will use its own resources for adjustment.

The TAACs also provide detailed assistance for the adjustment proposal, which seeks to identify business planning and practices that can be enhanced to improve firm competitiveness. EDA has another 60 days to accept or reject the adjustment proposal. In FY2015, the average processing time for APs was 12 days. Because technical assistance is provided in the preparation of the petition and adjustment proposal, there is a high formal acceptance rate. TAAC assistance ensures that submissions are completed correctly and that poor candidates are weeded out early in the process. The firm must pay at least 25% of the cost to prepare the adjustment proposal. In FY2015, 128 firms received assistance in developing APs.¹⁸

TAAF Snapshot

- Provides technical assistance to help trade-impacted firms make strategic adjustments;
- Manufacturing, Production, Agriculture, Mining, and Service sector firms are eligible for assistance;
- Petitioning firms may use a 12, 24, or 36-month “look-back” period;
- EDA must make a determination on eligibility within 40 days.

¹⁴ 13 C.F.R. §315.7 and U.S. Department of Commerce, Economic Development Administration, EDA, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program, Fiscal Year 2015*, p. 11, <https://www.eda.gov/pdf/annual-reports/taaf/FY15-TAAF-Annual-Report-to-Congress.pdf>.

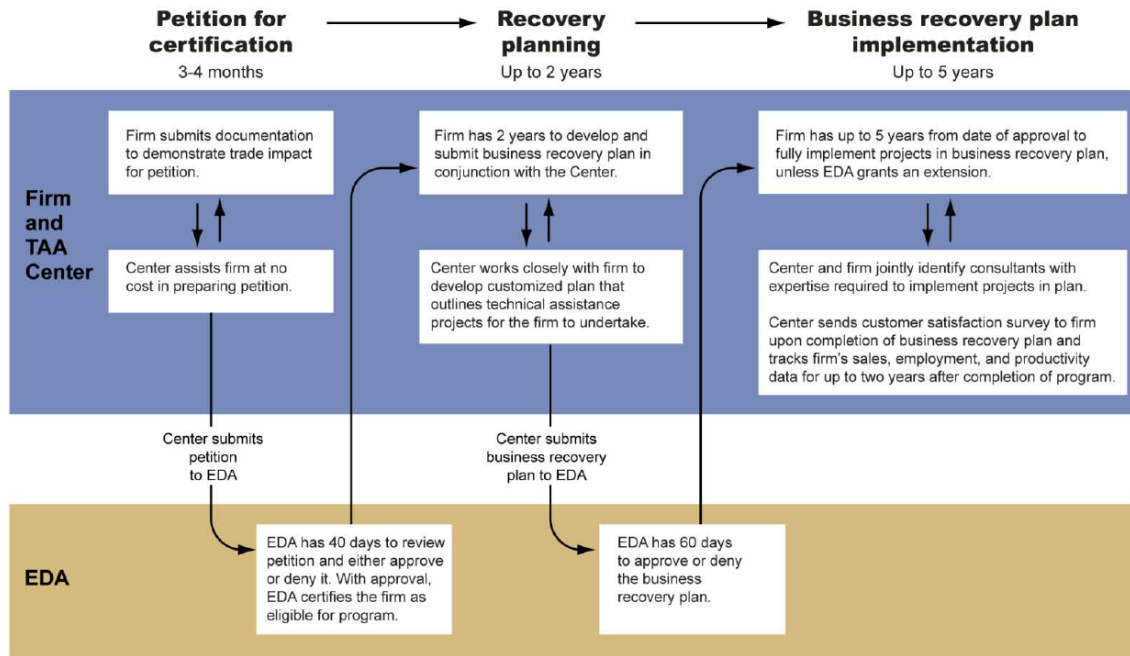
¹⁵ Five percent of a firm’s work force or 50 workers, whichever is less, with EDA discretion to set other parameters in special cases. 13 C.F.R. §315.2

¹⁶ In this case, the contributing cause must be important, but not necessarily more important than any other cause. A firm must provide a list of four important customers, of which the TAAC must interview two, to help evaluate whether the firm has been “trade-impacted.” 13 C.F.R. §315.2.

¹⁷ EDA, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program, Fiscal Year 2015*, <https://www.eda.gov/pdf/annual-reports/taaf/FY15-TAAF-Annual-Report-to-Congress.pdf>.

¹⁸ EDA, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program, Fiscal Year 2015*, (continued...)

Figure 2. Three Stages of TAAF: Process and Interaction among Firms, TAACs, and EDA



Source: Government Accountability Office, *Trade Adjustment Assistance: Commerce Program Has Helped Manufacturing and Services Firms, but Measures, Data, and Funding Formula Could Improve*, GAO-12-930, Washington, DC, September 2012, p. 7.

Notes: Diagram based on GAO analysis of EDA documents. Under TAARA, EDA is statutorily required to make a final determination on a petition for certification within 40 days of accepting it.

In **phase three**, firms have five years to complete *project implementation* based on an approved AP. EDA may provide financial assistance for project implementation, but firms must pay at least a 25% match where an AP total implementation cost is less than \$30,000. For project assistance exceeding \$30,000, a firm must cover at least 50% of the total cost, with the federal share capped at \$75,000.¹⁹

Adjustment proposals may involve strategic restructuring of various aspects of business operations. Consultants with specific expertise are selected jointly between TAACs and the firm to help with implementation. Because firms must be experiencing falling sales or declining production to be eligible, TAACs often focus first on marketing or sales strategies to identify new markets, new products, promotional initiatives, and export opportunities. The core objective is to increase revenue. Second, production inefficiencies are often targeted to reduce firm costs and improve price competitiveness. Third, TAACs can develop debt restructuring strategies and act as intermediaries in finding new sources of business financing.

In FY2015, 729 firms received AP assistance in implementing projects.²⁰ TAAC assistance to firms to prepare petitions and to develop and implement business recovery plans (APs) amounted

(...continued)

<https://www.eda.gov/pdf/annual-reports/taaf/FY15-TAAF-Annual-Report-to-Congress.pdf>, and 13 CFR 315.6 (c) (2) , and information provided to CRS by EDA.

¹⁹ Ibid.

²⁰ Ibid, p. 24.

to \$9.5 million in FY2015 and the financial contribution of firms participating in the program amounted to \$5.8 million.²¹ In 2015, 39% of adjustment assistance focused on improving marketing-sales, 26% on production, 21% on enhancing management and support systems, and 4% on financial systems (see **Table 2**).²²

Table 2. Characteristics of Technical Assistance in Adjustment Proposals: FY2015

Project Classification	Sample Types of Projects	Number of AP Projects	APs by Project Classification	AP Project Costs ^a
Financial	Accounting systems upgrade Cost control tracking system Automatic Data Processing development	17	4%	\$195,000
Management	Strategic business planning Succession management Management development	43	10%	\$564,500
Marketing/Sales	Sales process training Market expansion and feasibility Web site design and upgrade	167	39%	\$4,825,198
Production	Lean manufacturing and certification New product development Production and warehouse automation	111	26%	\$3,770,700
Support Systems	Enterprise resource planning Management information systems upgrades Computer aided design software Supply chain management software	90	21%	\$2,773,500

Source: EDA, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program, Fiscal Year 2015*, p. 37, <https://www.eda.gov/pdf/annual-reports/taaf/fy15-TAAF-Annual-Report-to-Congress.pdf>.

a. AP Project Costs reflect the cost of technical assistance provided by the TAACs and the financial contributions made by participating firms to develop and implement business recovery plans.

Table 3 summarizes select firm trade adjustment data for FY2005-FY2015. The TAAF program targets small- and medium-sized enterprises (SMEs), which is borne out in the firm data. Firms averaged fewer than 100 employees since 2010 with average sales of over \$15 million. In 2015, the federal government provided 52% of adjustment costs, for an average \$52.8 thousand per firm. In FY2015, 100% of certified firms were in manufacturing.²³

²¹ Ibid, p. 36.

²² Ibid, p. 37.

²³ Ibid, p. 14.

Table 3. TAAF Select Program Indicators for FY2005-FY2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of Firms Assisted ^a	132	137	126	143	172	264	183	102	114	107	120
Avg. Firm Sales (millions)	\$8.4	\$10.6	\$11.2	\$13.1	\$10.3	\$19.1	\$19.6	\$19.2	\$15.2	\$15.1	\$13.8
Avg. Firm Employees	64	91	68	82	79	138	91	81	86	84	79
Gov't. Share (millions)	\$5.9	\$6.7	\$7.1	\$8.2	\$10.4	\$16.5	\$16.1	\$5.4	\$6.2	\$5.4	\$6.3
Firm Share (millions)	\$5.4	\$6.0	\$5.9	\$7.7	\$9.9	\$15.7	\$10.6	\$5.0	\$5.8	\$5.0	\$5.8
Total Cost (millions)	\$11.3	\$12.7	\$13.0	\$15.9	\$20.3	\$32.2	\$21.7	\$10.4	\$12.0	\$10.3	\$12.1
Avg. TAA Per Firm (thousands) ^b	\$44.7	\$48.9	\$56.5	\$57.4	\$60.4	\$62.3	\$60.5	\$53.3	\$54.3	\$50.0	\$52.8

Data Source: EDA, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program, Fiscal Year 2015*, <https://www.eda.gov/pdf/annual-reports/taaf/fy15-TAAF-Annual-Report-to-Congress.pdf>.

- a. Number of adjustment proposals approved. Participating firms may have up to five projects in an approved AP. Firms can remain in an approved AP for up to five years, with firms remaining in the program for differing lengths of time.
- b. Government share of TAA Firm program divided by the number of accepted adjustment proposals.

Program Evaluation

Historically, TAAF program evaluation was limited, with EDA lacking a formal evaluation process. Early efforts to analyze the program included comprehensive outside studies by the Urban Institute in 1998 and Government Accountability Office (GAO) in 2000 that addressed two critical issues: program administration and effectiveness.²⁴ The 2000 GAO report was not able to conclusively assess the impact of the program on firms because of a lack of systematic data. Both reports identified specific deficiencies with the TAAF program, such as a cumbersome certification process, long approval times, and little oversight and evaluation of projects. As a small program with limited resources, the TAAF had not received the managerial input required to adequately evaluate its efforts. Congress addressed this issue in the 2009 TGAAA, which required the creation of a new Director of Adjustment Assistance for Firms, along with additional support staff. The act also required an annual report to Congress and included specific performance measures to be collected and analyzed. Congress also mandated EDA to certify petitions for assistance and adjustment proposals within specific time frames.

GAO 2012 Evaluation

As required by Congress, the GAO conducted a comprehensive review of the TAAF program, released in September 2012.²⁵ It noted important progress in the administrative capabilities of EDA and documents the positive impact of the TAAF program on trade-affected businesses. The

²⁴ EDA, *Effective Aid to Trade-Impacted Manufacturers: An Evaluation of the Trade Adjustment Assistance Program*, prepared by the Urban Institute, Washington, DC, November 1998; GAO, *Trade Adjustment Assistance: Impact of Federal Assistance to Firms Is Unclear*. Report GAO-01-12, Washington, DC, December 2000.

²⁵ GAO, *Trade Adjustment Assistance: Commerce Program Has Helped Manufacturing and Services Firms, but Measures, Data, and Funding Formula Could Improve*, Report GAO-12-930. Washington, DC, September 2012.

GAO report also discussed the positive contribution of the changes initially made by the TGAAA and reinstated by the TAAEA.

GAO found that EDA's administration of the TAAF program had improved markedly as a result of changes resulting from the 2009 legislation. EDA reduced processing times, provided new performance reporting measures, and increased firm participation. GAO noted that TGAAA modifications to the TAAF program led to improvements in (1) management and staffing, (2) annual reporting, (3) eligibility for participation of services firms, and (4) expansion of the "look-back" period that permitted more firms to meet certification criteria.²⁶

The report also pointed to continuing challenges in centralized data management, evaluation reporting, and assessment of the effectiveness of TAAF.²⁷ One weakness identified by GAO was EDA's funding allocation formula for TAACs to ensure that the distribution of funds across TAACs provide "equivalent benefits" adequate to meet the varying needs of the 11 TAACs.

The second area of concern raised by GAO was EDA's analysis of performance measures. The most recent TAAF annual reports (FY2011 through FY2014) emphasize *output* measures (the type or level of program activities conducted or the direct products or services delivered by a program: number of firms assisted, petitions accepted, processing times) rather than *outcome* measures (defined as goals and performance measures that assess the results of a program, compared with its intended purpose). In part, this appears to be a result of the measures and indicators that Congress required EDA to collect and analyze. Of the 16 performance indicators, GAO reported that 13 emphasize outputs, or measures, of the goods and services provided by the program.

The TAAF annual reports have compared the performance of TAAF participants, which are, by definition, trade-impacted, troubled firms to the average performance of the U.S. manufacturing sector as a whole (using Bureau of Labor Statistics (BLS) data). GAO expressed concerns with EDA's methodology and recommended that "using program evaluation methods to rule out plausible alternative explanations for outcomes that may be influenced by a variety of external factors, such as changes in the economy, can help strengthen evaluations."²⁸ GAO conducted its own analysis to evaluate the policy impact of the TAAF on firms participating in the program.

The GAO report discussed the difficulties inherent in attempting to assess the "apples-to-oranges" effect of comparing TAAF-participating companies with a group of nonparticipating firms (as EDA has done). Even if a control group with characteristics similar to TAAF-participating firms could be identified, GAO noted that such an analysis would also have weaknesses. Given these limitations, GAO analyzed the performance of TAAF-participating firms, but explicitly recognized that such an approach could not determine whether TAAF firms' performance would have improved in the absence of the program.²⁹

²⁶ Ibid, pp. 12-13.

²⁷ GAO, *Trade Adjustment Assistance: Commerce Program Has Helped Manufacturing and Service Firms, but Measures, Data, and Funding Formula Could Be Enhanced*, GAO-12-930, September 2012, <http://www.gao.gov/products/GAO-13-166T>.

²⁸ Ibid, p. 18. The recommendations are contained in GAO, *Program Evaluation: A Variety of Rigorous Methods Can Help Identify Effective Interventions*, GAO-10-30, November 23, 2009, Washington, DC.

²⁹ GAO, *Trade Adjustment Assistance: Commerce Program Has Helped Manufacturing and Services Firms, but Measures, Data, and Funding Formula Could Improve, Appendix III: Economic Analysis of the Effect of Trade Adjustment Assistance Policy on Firm Market Performance*, Report GAO-12-930, Washington, DC, September 2012, p. 50.

Using its own methodology, GAO found a “small and statistically significant relationship between program participation and sales.”³⁰ GAO estimated that TAAF assistance, on average, resulted in a 5% to 6% increase in sales, which was particularly relevant to smaller firms, and a 4% increase in productivity, albeit also highly correlated with firms operating in industries that were experiencing growth. Employment effects were not found to be statistically significant. GAO also confirmed EDA’s assessment that both manufacturing and services firms faced import competition that directly affected their sales, and that these firms, by and large, benefitted from specialized attention provided by TAACs. In addition, GAO conducted a survey of firms participating in the TAAF program. The survey found that 90% of respondent firms reported that they were “very” or “generally” satisfied with the services that they received from the TAACs. The GAO report provided some of the strongest evidence to date of the benefits of the now-lapsed 2009 legislative changes, as well as EDA’s much-improved administration and evaluation of the TAAF program compared to years past.

EDA Annual Reports

Most of the public debate on trade and TAA does not distinguish between the various programs that EDA administers, including the TAAF. Some observers believe that TAA should be eliminated while others say that reform and changes are needed to the programs.³¹ Whether changes are needed to TAA programs may depend on their effectiveness in assisting workers, or firms in the case of TAAF, survive and grow despite trade liberalization.

For the TAAF program, EDA is required by Congress to submit an annual report that provides findings and specified results (or performance measures).³² EDA has released six annual reports (FY2010 through FY2015) that identify numerous administrative and operational improvements. In addition, TAACs are now allocated funds in part based on performance measures (number of firm certifications and adjustment proposals generated) and quality measures.

As part of the TAAF annual report, EDA is required to provide a comparison of sales, employment, and productivity for each firm at the time it was certified and both one and two years after the recovery plan was completed. EDA does not estimate the specific number of “jobs retained” or “jobs created.” In its FY2014 report, EDA notes that, from FY2012 to FY2013, average firm sales had increased by 13.6%, average employment increased by 3.5%, and average productivity increased by 9.7%.³³ EDA also notes that all firms completing the adjustment program were still in operation—suggesting an impressive “survival rate”—particularly given that all these firms have the additional burden of adjusting to import competition.³⁴

In analyzing earlier EDA reports (FY2010 to FY2012), GAO concluded that these trends provide only a limited understanding of program effectiveness. The data on employment and productivity are derived from annual surveys conducted by the 11 TAACs. The data are then aggregated and

³⁰ Ibid, pp. 22-24.

³¹ Sallie James, *Trade Adjustment Assistance*, Cato Institute, May 2011, <http://www.downsizinggovernment.org/sites/downsizinggovernment.org/files/pdf/labor-trade-adjustment-assistance.pdf>. Also see Cathleen Cimino-Isaacs and Gary Clyde Hufbauer, *The Fate of Trade Adjustment Assistance: The Basics*, Peterson Institute for International Economics, June 11, 2015, <http://blogs.piie.com/trade/?p=312>.

³² Section 255A of Chapter 3 of Title II of the Trade Act of 1974, as amended.

³³ Productivity is defined as sales per worker, a simple measure that can be used across industries, but which may have limitations for evaluative purposes. See Annual Report 2015, p. 28.

³⁴ EDA, *Annual Report to Congress on the Trade Adjustment Assistance for Firms Program, Fiscal Year 2015*, p.31, <https://www.eda.gov/pdf/annual-reports/taaf/FY15-TAAF-Annual-Report-to-Congress.pdf>.

presented as part of the congressionally required annual report. Employment effects are referred to as number of “jobs impacted,” or number of jobs retained or generated at firms completing at least one technical assistance project.

Declines in employment do not necessarily reflect TAAC performance. Employment can fall dramatically for firms that are hit by a surge of foreign import competition or by market disruptions that are not trade-related. In the two reporting years following firms’ completion of business recovery programs, firms may continue to experience increased import competition or other negative effects (for instance, a slow economic recovery from the 2008 recession).

Under these circumstances, the fact that employment losses continue after an adjustment proposal has been completed is not necessarily an unexpected or negative outcome in terms of trade adjustment assistance effectiveness. Whether the current one and two-year post-TAAF-exit reporting periods provide enough time and data to assess the effectiveness of recovery programs, it is possible that a number of successful TAAF-participants will continue to face increased competition that results in some program participants operating at levels of output or employment that existed prior to TAAC assistance.

As noted in the previous section, caution is warranted when drawing conclusions on the basis of limited trend data. EDA figures reflect employment trends that could be attributable to the TAAF program. A more rigorous analysis would be needed to estimate and isolate the effects of the TAAF program from other factors that affect employment trends in TAAF-participating firms. To more accurately assess the effectiveness of the TAAF program in terms of helping firms or “saving jobs,” it would be necessary to use more sophisticated methodologies and analyses (such as those employed and recommended by GAO) than Congress currently requires for the TAAF annual report.

With respect to the reported high “survival rate” for firms that completed the TAAF program, they represent only about half of all firms that had their adjustment proposals approved for assistance. In FY2015, of the 176 firms that exited the TAAF program, 153 firms (87%) successfully exited the program, and another 107 (61%) completed an achievable number of projects within the five-year limit. The remaining 23 (13%) did not complete the program for various reasons, including that the firm was acquired or sold, went out of business, failed to submit the AP within two years after TAA certification or failed to implement the AP, or suffered bankruptcy.³⁵ Given that TAAF focuses primarily on small- and medium-size firms that face multiple challenges, it is not entirely surprising that many firms that receive TAAF certifications are unable to complete the program.

It is difficult to compare firms because they enter and exit the TAAF program in different years, and some firms participate in more than one TAAF adjustment program at the same time. Yet, reporting indicates that the TAAF program is successful in assisting a significant percentage of firms through a recovery process that can last from two to seven years, which can lead to the conclusion that the limited amount of funds available to trade-impacted firms through the TAAF program may amount to a relatively efficient policy tool.

In a final section, the FY2012 through FY2015 TAAF annual reports offer anecdotes collected from the TAACs that provide success stories about participating firms from all parts of the country and in various industries that used TAAF assistance. Although these examples may identify TAAC-provided assistance to select firms, they do not demonstrate the extent to which TAAF or the TAACs provided the assistance that may have been critical to the success of any one

³⁵ Ibid, p. 38.

particular firm to succeed where others do not. Whether some firms might have been able to adjust on their own cannot be determined.³⁶

Rationale and Economics of Trade Adjustment

Economists tend to agree that in defining the rules of exchange among countries, freer trade is preferable to protectionism. Insights from trade theory point to the mutual gains for countries trading on their differences, producing those goods at which they are relatively more efficient, while trading for those at which they are relatively less so. Additional gains are realized from intra-industry trade based on efficiencies from segmented and specialized production.³⁷ Firm-level evidence supports this theory. Trade appears to “enable efficient producers within an industry, and efficient industries within an economy, to expand,” leading to a reallocation of resources that increases a country’s productivity, output, and income.³⁸ Consumers (both firms and households) also gain from a wider variety of goods and lower prices.

However, increased competition from trade liberalization also creates “winners and losers,” presenting adjustment problems for all countries. Some firms may grow as they expand into new overseas markets; while others may contract, merge, or fail when faced with greater foreign competition. While the adjustment process may be healthy from a macroeconomic perspective, much like market-driven adjustments that occur for reasons other than trade (e.g., technological changes, weather-related disasters), the transition can be hard on some firms and their workers.³⁹

Critics of free trade agreements often highlight the adjustment costs of reducing trade barriers. To avoid business closures and layoffs, firms likely to be affected by increased trade may seek to weaken, if not defeat, trade liberalizing legislation. This makes economic sense from the perspective of the affected industries, firms, and workers, but economists argue that in the long run it can be more costly for the country as a whole. The costs of protection arise because competition is suppressed, reducing pressure on firms to innovate, operate more efficiently, and become lower-cost producers. The brunt of these costs falls to consumers, both individuals and businesses, who must pay higher prices, but the national economy is also denied forgone productivity gains.

One way to balance the large and broad-based gains from freer trade with the smaller and more highly concentrated costs is to address the needs of firms negatively affected, such as through the TAA programs, including the one for firms.⁴⁰ Supporters justify TAA policy on grounds that (1) it helps those who are hurt by trade liberalization; (2) the economic costs are lower than protectionism and can be borne by society as a whole; and (3) given rigidities in the adjustment process, it may help redeploy economic resources more quickly, thereby reducing productivity

³⁶ Ibid, p. 43-48.

³⁷ For an accessible and authoritative summary of these effects, see Paul Krugman, “The Increasing Returns Revolution in Trade and Geography,” *American Economic Review*, vol. 99, no. 3 (June 2009), pp. 561-571.

³⁸ On how trade affects total factor productivity based on U.S. manufacturing firm and plant level data, see Andrew B. Bernard and J. Bradford Jensen, “Exporting and Productivity in the USA,” *Oxford Review of Economic Policy*, vol. 20, no. 3 (2004), pp. 343-344, 350, 352, and 356.

³⁹ Both the benefits and costs of trade derive from resources moving from less to more productive plants (intra-industry) and firms (inter-industry). Employment dislocation is the most noticeable cost, giving rise to congressional interest in TAA programs. Ibid, pp. 345 and 356. See also CRS Report RL33944, *U.S. Trade Concepts, Performance, and Policy: Frequently Asked Questions*, by Wayne M. Morrison et al.

⁴⁰ Howard F. Rosen, *Strengthening Trade Adjustment Assistance*, Peterson Institute for International Economics, Policy Brief PB08-2, Washington, DC, January 2008, pp. 1-2.

losses and related public sector costs (e.g., unemployment compensation). Others dispute these claims and have raised concerns over the effectiveness and costs of the program, arguing that it should be limited or discontinued.⁴¹

Global Value Chains and the Digital Economy

In debates over trade liberalization, some observers may not appreciate the full impact that globalization and digitization trends are having on trade. While trade liberalization may present greater import competition for SMEs domestically, globalization and digitization also present opportunities for growth. The emergence of global value chains (GVCs) and the Internet revolution provide possible growth opportunities for firms as foreign markets are opened through trade liberalization. TAAF programs offer one way to help SMEs to gain the knowledge and skills needed to take advantage of these global shifts. The programs can help SMEs to improve their position by integrating into a GVC or using digital platforms to reach new markets, thus offsetting losses that may occur as a result of trade liberalization.

GVCs are mainly organized and coordinated by large multinational companies (MNCs) and account for more than 70% of global trade in goods and services and in capital goods.⁴² A large share of global trade takes place within GVCs in the form of imports and exports of intermediate (or unfinished) goods and services that move within, between, and among countries. According to one study, in many countries, a domestically manufactured good contains over 20% of foreign value added, and that may rise to over 50% in some countries and industries.⁴³ This system of production depends on the willingness of many countries to import in order to export. The WTO's "Made in the World" initiative finds that the increased use of GVCs has led industries globally to demand greater trade liberalization and lower protectionism as these firms depend on other links in the value chain, both domestic and foreign.⁴⁴

At the domestic level, the U.S. small- and medium-sized domestic producers that sell goods and services to multinational exporters are not counted as exporters—even though they may contribute a substantial amount of the value added in U.S. exports. The statistical data needed to measure the contribution of domestic and foreign value added at each stage of GVC production are under development, and a complete picture of the impact of GVCs may not be possible until such data becomes available.

In one study, the Organization for Economic Cooperation and Development (OECD) states that the participation of smaller firms in GVCs is often underestimated. Smaller firms "often supply intermediates to exporting firms in their country and are as such relatively more integrated in the domestic value chains."⁴⁵ Unlike most other major industrialized, emerging, and developing economies, the United States is less dependent on imports of foreign intermediate goods for its

⁴¹ A discussion of both sides of the argument may be found in CRS Report R41922, *Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy*, by J. F. Hornbeck.

⁴² OECD/World Trade Organization (WTO)/The World Bank, *Global Value Chains: Challenges, Opportunities, And Implications For Policy*, Report prepared for submission to the G20 Trade Ministers Meeting, Sydney, Australia, July 19, 2014, p. 7.

⁴³ Emily J. Blanchard, Chad P. Bown, and Robert C. Johnson, "Global Supply Chains and Trade Policy [Preliminary]," October 16, 2015, <http://www.tuck.dartmouth.edu/faculty/faculty-directory/emily-j-blanchard>.

⁴⁴ Yildirim Aydin, *Value Added Trade, Global Value Chains, and Trade Policy: Renewed Push for Trade Liberalization*, University of Antwerp (Centre for Institutions and Multilevel Politics), WTO Made in the World discussion forum, September 1, 2015. https://www.wto.org/english/res_e/statis_e/miwi_e/paper_january15_e.htm.

⁴⁵ OECD, *Interconnected Economies: Benefiting from Global Value Chains*, September 2013, p. 21.

exports.⁴⁶ Instead, small- and medium-size domestic firms are, in the aggregate, major suppliers of goods (parts, components, and finished products) and services to large U.S. exporters. The OECD cites studies by Matthew Slaughter and the U.S. International Trade Commission (USITC) showing that

the typical U.S. MNC buys more than \$3 billion in inputs [goods and services] from more than 6,000 U.S. small and medium-sized enterprises (SMEs)—or almost 25% of the total input purchased by these firms. These domestic supplies are not reflected in international trade statistics, which only count direct exports; estimates for the United States show that in 2007 the export share of SMEs increased from approximately 28% (in gross exports) to 41% (in value-added exports), when such indirect exports are taken into account.⁴⁷

The USITC calculated that in 2007 total direct exports by U.S. SMEs amounted to \$382 billion and indirect exports of SMEs amounted to \$98 billion.⁴⁸ The USITC translated these figures into an estimated 4.0 million U.S. jobs, with 1.7 million U.S. jobs supported by direct SME exporters and an additional 2.1 million jobs created by SME indirect exporters that sell intermediate inputs to direct exporters.⁴⁹ Of the 10 million U.S. jobs that were supported by U.S. exports of goods and services, SME exports accounted for approximately 40% of all export-supported jobs in the United States.⁵⁰ Significantly, the USITC report found that “much of the indirect value-added exports by SMEs—the intermediate goods and services produced by SMEs that are eventually shipped abroad as components embedded in other products—is concentrated in the manufacturing sector.”⁵¹

Given that the main focus of TAAF is on troubled SMEs, the magnitude of U.S. SME-produced goods that are exported by GVCs suggests that the TAAF program could assist and encourage linkages between these troubled enterprises and the multinationals that are major exporters of their inputs. Although many SMEs have built strong ties to large U.S. exporters and MNCs, liberalized trade policies adopted by the United States or other countries, new technologies, or macroeconomic conditions could potentially erode the incumbent position and domestic advantages of U.S. SMEs. A potential question is whether the EDA, through the TAAF program and the TAACs, could assist trade-impacted firms in developing more relationships with MNCs, as well as analyzing the necessary conditions that would allow TAAF-participating firms to have a realistic chance of doing so.

⁴⁶ Brazil and Russia, large emerging economies, are the two major exceptions. In 2009, the Russian Federation had the highest level of domestic value-added content of any of the G-20 countries (93%) because of an increasing dependence on mining exports, while second place Brazil (at 91%) had, since 1995, become increasingly specialized in agricultural and mining exports. OECD, *OECD/WTO Trade in Value Added (TIVA) Indicators*, May 28, 2013, <http://www.oecd.org/trade/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm#countries>; Jeffrey Horowitz and David Riker, “Measuring Shifts in Brazil’s Trade Using International Input-Output Tables,” *Journal of International Commerce and Economics*, April 2014, <http://www.usitc.gov/journals>.

⁴⁷ See Matthew J. Slaughter, *American Companies and Global Supply Networks: Driving US Economic Growth and Jobs by Connecting with the World*, Washington, DC, 2013, p. 6, and USITC, *Small and Medium-Sized Enterprises: Characteristics and Performance*, Investigation No. 332-510, Publication 4189, Washington, DC, November 2010, p. 5-5.

⁴⁸ The figures in the quoted paragraph and the text immediately preceding this footnote reflect purchases of goods and services by the typical U.S. MNC (which *on average* amounted to \$3 billion in 2007) and *total* direct and indirect exports by SMEs (which respectively amounted to \$382 billion and \$98 billion in 2007).

⁴⁹ USITC, *Small and Medium-Sized Enterprises: Characteristics and Performance*, 2010, pp. 5-5 to 5-6.

⁵⁰ *Ibid.*, p. xiv.

⁵¹ *Ibid.*, p. 5-6.

The high volume of trade that flows through GVCs and the predominant position of the United States as a major hub and headquarters nations (with the highest level of domestic value-added export content [89%] of any OECD country and the third highest in the Group of Twenty [G20] after Russia and Brazil) suggests the possibility that such chains could be a source of opportunity for U.S. trade-impacted firms.⁵² EDA produces an annual report for Congress on the operations of the TAAF program, but among the data requirements established by Congress in the TGAAA, as amended, there are no performance measures that document or report on TAAF-participating firms that sell goods or services to U.S. exporters (in terms of number of firms assisted and value of goods sold), or that provide data on direct exports by firms receiving TAAF assistance.

Another opportunity related to GVCs is the growing demand for a skilled workforce to operate and support supply chains.⁵³ A report by the U.S. Departments of Transportation, Education, and Labor titled “Strengthening Skills Training and Career Pathways across the Transportation Industry” that identified high-paying, high-skilled, high-demand transportation jobs.⁵⁴ As global trade and GVCs grow, these shortages could become more acute. Pairing a TAAF-qualified firm with MNCs or companies focused on supply chain may provide opportunities for EDA to help firms through TAAF meet growing demand.

A second fundamental shift in global trade that is opening new markets for SMEs is occurring with the Internet-driven digital revolution. Digital platforms, including online communication tools and e-commerce websites, can minimize costs and enable SMEs to grow through extended reach to new customers and markets or by integrating into a GVC. As a result, many such firms that in the past might not export or seek new markets abroad are more easily able and willing to conduct business in global markets. In addition, increased digitization of customs and border control mechanisms helps simplify and speed delivery of imported goods to customers, making them more attractive to foreign buyers. As a result, digitization can enable SMEs to serve the new markets abroad that are opened by trade liberalization. For example, a study of U.S. SMEs on the e-commerce platform eBay found that 97% export; among the 50 states, the range was from 93 to 98%.⁵⁵ According to eBay, 59% of its U.S. SMEs export to ten or more markets.⁵⁶ In countries as diverse as Peru and the Ukraine, a full 100% of eBay SMEs export.⁵⁷ TAAF programs provide one channel for helping trade-impacted SMEs make the necessary shifts and gain the skills to succeed in online marketplaces and keep up with technological changes.

⁵² OECD/WTO, *Trade in Value Added (TiVA) Indicators: United States (Country Notes)*, May 28, 2013, http://www.oecd.org/sti/ind/TiVA_USA_MAY_2013.pdf. Data is for 2009. For an explanation of the OECD/WTO Trade In Value Added (TiVA) Indicators, see their *Guide to Country Notes*, May 28, 2013, http://www.oecd.org/sti/ind/TiVA_Guide_to_Country_Notes.pdf.

⁵³ See <http://www.datexcorp.com/labor-shortages-in-the-supply-chain-workforce> for more information.

⁵⁴ U.S. Department of Transportation, “U.S. Departments of Transportation, Education, and Labor Release Joint Transportation Jobs Report,” August 24, 2015.

⁵⁵ eBay, “United States Small Online Business Growth Report,” April 2016, p. 8, http://www.ebaymainstreet.com/sites/default/files/ebay_us-small-online-business-growth-report.pdf.

⁵⁶ *Ibid.*, p.9.

⁵⁷ James Manyika, Sree Ramaswamy, and Somesh Khanna, et al. *Digital America: A Tale of the Haves and Have-Mores*, McKinsey Global Institute, December 2015, p.40, <http://www.mckinsey.com/industries/high-tech/our-insights/digital-america-a-tale-of-the-haves-and-have-mores>.

Issues for Congress

As Congress considers trade liberalization agreements and ongoing trade negotiations, it may wish to further examine the TAAF in light of the current debate of its effectiveness and the impact of international trade on the U.S. economy. An implementing bill for a new trade agreement, such as the proposed TPP, may provide Congress an opportunity to reexamine and potentially revise the TAA programs. In addition to adjusting appropriations levels, Congress could examine changing the current program or EDA's administration of it.

Potential options for Congress to consider on TAAF may include:

- Determining if current funding levels are appropriate;
- Further refining the performance metrics to measure the employment or economic impact of TAAF programs;
- Placing a stronger emphasis on assisting SMEs utilize technology to improve operational efficiency, expand into new markets, including through e-commerce, and take fuller advantage of an increasingly digitally-driven economy;
- Facilitating partnerships with large multinational companies to support SME integration into GVCs; or
- Consolidating or streamlining TAAF with other federal programs that assist troubled SMEs such as those operated by the Small Business Administration (SBA).⁵⁸

While TAAF has traditionally focused on firms who can demonstrate they *have been harmed* by import competition, Congress could also explore the feasibility and possible steps that could or should be taken *before* firms are harmed. Congress might consider requiring EDA to conduct outreach and education on pending trade liberalization agreements. The analysis of each proposed trade agreement by the USITC may help identify industries or regions as potentially vulnerable or likely to experience a negative impact as a result of proposed trade liberalizing measures.⁵⁹ For example, the USITC TPP economic impact assessment report contends that U.S. demand for business services will outstrip supply, presenting opportunities for growth, while there may be employment declines in certain manufacturing and transport sectors.⁶⁰ Congress could, for example, consider requiring EDA to prepare a capacity building plan to assist those industries or regions USITC identified as potentially vulnerable or likely to experience a negative impact from TPP implementation.

⁵⁸ For more information on SBA programs, see CRS Report RL33243, *Small Business Administration: A Primer on Programs and Funding*, by Robert Jay Dilger and Sean Lowry.

⁵⁹ The Bipartisan Congressional Trade Priorities and Accountability Act of 2015 H.R. 1890 requires the USITC to prepare a report that assesses the likely impact of a potential trade agreement on the U.S. economy as a whole and on specific industry sectors and the interests of U.S. consumers. The USITC's report is due to the President and the Congress no more than 105 days after the President signs a potential trade agreement. For more information, see CRS Report R43491, *Trade Promotion Authority (TPA): Frequently Asked Questions*, by Ian F. Fergusson and Richard S. Beth.

⁶⁰ U.S. International Trade Commission, *Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors*, May 2016, <https://www.usitc.gov/publications/332/pub4607.pdf>.

Appendix A. Acronyms

Glossary

AP	Adjustment proposal
ARRA	American Recovery and Reinvestment Act of 2009
BLS	Bureau of Labor Statistics (of the Department of Labor)
EDA	Economic Development Administration (of the Department of Commerce)
FTAs	Free trade agreements
GVCs	Global value chains
GAO	Government Accountability Office
MNCs	Multinational companies
OECD	Organization for Economic Cooperation and Development, a 34-member organization of the world's most advanced countries and emerging countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.
SMEs	Small and medium-sized enterprises
G20	The Group of Twenty, major advanced and emerging economies: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union.
TAA	Trade Adjustment Assistance
TAAEA	Trade Adjustment Assistance Extension Act of 2011
TAARA	Trade Adjustment Assistance Reauthorization Act (TAARA) of 2015
TAACs	Trade Adjustment Assistance Centers
TAAF	Trade Adjustment Assistance for Firms
TGAAA	Trade and Globalization Adjustment Assistance Act of 2009
USITC	U.S. International Trade Commission

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