

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ADJUSTMENT ASSISTANCE PROGRAMMES OF THE UNITED STATES

### Statement Submitted by the United States Government

1. The United States Government believes that increased imports in most products reflect, in part, long-run changes in trade patterns resulting from the natural development of the industrial structures of the United States and its trading partners. We believe also that a growing and dynamic economy facilitates such structural changes with a minimum amount of dislocation. However, a variety of programmes have been established over the years to provide aid where the natural transition has resulted in instances of economic hardship. Two of these programmes, the Trade Expansion Act of 1962 and the Automotive Products Trade Act of 1965, were specifically oriented to assist firms and workers dislocated because of changing patterns of world trade. Neither of these measures is used specifically to generate imports from developing countries: the Trade Expansion Act provisions are geared to all import competition, while the Automotive Products Trade Act pertains only to dislocations arising from a special agreement with Canada for free trade in motor vehicles and automotive products. The other general assistance measures together provide aid for the structural readjustment of geographic areas, firms, industries and workers.

2. A full discussion of the provisions and procedures under the Trade Expansion Act of 1962 was submitted to the Committee in 1965 and was reproduced in COM.TD/H/3. Sections A (General Background), B (Procedures) and D (Legislation and Rules) are not being resubmitted, since they are still pertinent. Section C (Experience) has been updated. Similarly, the programmes of the Small Business Administration and the Farmers Home Administration have remained basically the same so that only additional text on new programmes is supplied.

3. Descriptions of such new programmes as the Automotive Products Trade Act and other manpower legislation have been added.

#### A. TRADE ADJUSTMENT ASSISTANCE

##### The Trade Expansion Act of 1962

4. Twenty-six investigations have been made by the Tariff Commission under provisions of the Trade Expansion Act, but in no case was an affirmative finding made. Consequently, no adjustment assistance has been provided under this Act. Six of the petitions were filed by workers, seven by firms, and thirteen by industries.

5. Because experience proved that the eligibility criteria established in the 1962 Act were too rigorous, provisions to ease the standards for firms and workers were submitted to the Congress in June 1968 as part of a general trade bill. The sections of this proposed Trade Expansion Act of 1968 dealing with adjustment assistance provided that certifications of eligibility will be issued if the President determines that increased imports of a directly competitive product are a substantial cause of serious injury to the firm or workers. The proposed law contained three significant changes: (1) the causal link between the trade agreement concession and the increase in imports was eliminated; (2) the link between the increase in imports and the injury or unemployment was changed from "major cause" to "substantial cause". "Substantial" was defined as an actual and considerable cause, and it need not be greater than all other causes combined (major cause) nor even greater than any other single cause (primary cause); (3) the function of making the determinations was given to the President rather than the Tariff Commission.

6. Hearings were held on the legislation but no final action was taken prior to the adjournment of the Congress.

#### The Automotive Products Trade Act of 1965

7. The Automotive Products Trade Act of 1965 implements the United States-Canadian Automotive Products Agreement. The Agreement eliminates tariffs between the two countries on most new motor vehicles and parts for use as original equipment in the manufacture of such vehicles.

8. This Agreement was designed to eliminate barriers to the optimum efficiency of a single industry producing and selling the same products on both sides of the United States-Canadian border. It was anticipated that, although production and employment would increase on both sides of the border, some dislocations could result not only from increased imports but also from decreasing exports or internal shifts within the industry as production operations were rationalized. Because dislocations caused by the latter two situations were not covered by the Trade Expansion Act of 1962 and the Agreement immediately reduced tariffs to zero, the eligibility criteria of the Automotive Products Trade Act were changed from those required by the Trade Expansion Act. The actual assistance which firms and workers may receive is the same under both Acts.

9. A 30 June 1968 terminal date for filing petitions was established because it was thought that the rationalization process would be completed by that time. By that date it was recognized that the maximum benefits of rationalization had not yet been realized and provision to extend the automotive adjustment assistance programme was also included in the proposed Trade Expansion Act of 1968.

10. Procedures: petitions for determination of eligibility to apply for assistance under the Automotive Products Trade Act are initially submitted by either firms or groups of workers to the Automotive Agreement Adjustment Assistance Board, consisting of the Secretaries of Commerce, Labor and the Treasury. The Board makes its determination on the basis of the facts disclosed in a Tariff Commission report and advice from other Government agencies.

11. Basically, in deciding whether to certify the petitioning firm or group of workers as eligible to apply for adjustment assistance, the Board must determine whether the operation of the Agreement has been the primary factor in causing or threatening to cause dislocation of the firm or group of workers. As under the Trade Expansion Act, the assistance which eligible firms receive is administered by the Department of Commerce, and workers receive benefits administered by the Department of Labor.

12. Experience: petitions for adjustment assistance under the Act have been filed by twenty-one groups of workers, and certifications covering 2,500 workers were issued in fourteen of the cases. Seven petitions were denied; no petitions have been made by firms. Of the 2,500 workers certified as eligible for assistance, approximately 1,950 of these have actually received weekly payments which total just under \$4 million.

The task force on carpets and glass

13. A special task force was established by the President in 1968 to aid in the economic adjustment of the carpet and glass industries. Escape clause duties on products of these industries are scheduled to expire in 1970, and one of the primary functions of the task force is to prepare these industries for any increased competition which may result if the duties are lowered at that time. The general concept of a special task force may be useful for other selected situations involving foreign trade dislocation problems.

B. MANPOWER DEVELOPMENT PROGRAMMES

14. The basic objectives of the United States' manpower policy - meeting workers' needs for training and employment and employers' needs for qualified workers - are accomplished through a variety of manpower development programmes. Two of the more important goals of the manpower programme in the United States are (1) designing, implementing and financing programmes to draw disadvantaged persons into the productive work force; and (2) generally upgrading skills of persons with some active work experience.

15. The following programmes are discussed briefly so that the Committee may be more fully informed of the means through which United States manpower objectives are achieved.

The Manpower Development and Training Act

16. The Manpower Development and Training Act of 1962 was the first comprehensive manpower programme established in the United States which recognized that it was in the national interest to identify current and prospective manpower shortages, and to prepare persons to fill these vacancies. The Act established a nation-wide programme of occupational training for unemployed and underemployed workers. It also authorized research into the impact of technological change and into job market imbalances.

17. In the first years of MDTA emphasis was placed on the rapid training and placement of the previously employed; that is, those who could qualify for available jobs with twelve or fewer months of training.

18. Subsequent amendments to the Act in 1963, 1965, 1966 and 1968 shifted the emphasis towards training of the disadvantaged, though substantial resources are still reserved for training to meet skill shortages. The 1963 amendments sought to provide greater services to those with the highest incidence of unemployment - the younger, inexperienced worker and the educationally and socially disadvantaged. Training allowances were liberalized and basic literacy training was authorized. Other services authorized in 1965 and 1966 included travel allowance, limited health services and provision for employment orientation training. In 1966 it was decided that as a national training goal, 65 per cent of the entire MDTA training effort should be devoted to the hard-core unemployed.

19. The training programmes are paid for by combinations of Federal and State funds at no cost to the trainee. Allowances are also provided to the trainee to make it financially possible for such persons to accept training. From the beginning of the Act in 1962 through June 1968 over a million unemployed or underemployed workers were enrolled in MDTA training projects. Approximately 700,000 of these were in institutional programmes - usually in public schools - the others were in on-the-job training projects. This latter type of training has been expanded recently as more employers realize that Government-financed on-the-job training benefits both the workers and employers involved.

#### The Job Corps

20. This programme provides remedial education, job orientation and job training for young men and women, sixteen through twenty-one years old, provided in rural conservation and urban training centres. Approximately 200,000 disadvantaged youths have been enrolled in this programme since its inception in 1965.

#### The Neighbourhood Youth Corps

21. A programme to provide full- or part-time work experience and training for youths, sixteen through twenty-one years old, to enable them to stay in, or return to school, or to increase their employability. This programme places young men and women in newly created jobs in hospitals, settlement houses, schools, libraries, courts, parks and playgrounds.

#### The JOBS Program

22. The Job Opportunities in the Business Sector Program involves a commitment by employers to hire workers and then train them. The programme serves only disadvantaged workers and is targeted to the fifty largest urban areas. The co-operating companies provide jobs and training for hard-core unemployed workers and bear as much of the cost as would be involved in their normal recruitment and training operations. The extra costs of training, counselling, remedial education, pre-vocational training, etc. are provided through a Department of Labor contract.

#### Adult basic education

23. This programme, authorized by the Economic Opportunity Act of 1964, provides pre-high school level classes to adults in an attempt to remedy the educational deficiencies which limit their employment opportunities.

#### Vocational education

24. The Vocational Education Act of 1963 authorized the use of Federal funds to prepare individuals for gainful employment in all occupations except those requiring college completion. The vocational education agencies and the employment service co-operate to make sure that courses offered reflect current and projected requirements for trained workers. Amendments to the Act in 1968 stressed expansion and improvement of programmes to reach the disadvantaged and the physically and mentally handicapped.

#### New careers

25. This programme prepares disadvantaged adults for para-professional jobs in public and non-profit agencies in such critical undermanned fields as health, education, welfare, neighbourhood redevelopment and public safety. Professional and technical occupations are redesigned to conserve scarce professional manpower through increased utilization of lower-skilled workers. Classroom training is extensive and trainees are guaranteed jobs.

#### Operation mainstream

26. Chronically unemployed adults are eligible for this work experience programme which is designed to prepare them for competitive employment. Skill training, basic education and counselling may supplement the work experience. Trainees are employed in community beautification and improvement projects run by public and non-profit agencies primarily in small communities or rural areas.

#### Work Incentive Program

27. Under the WIN Program, employable persons sixteen years and older receiving welfare assistance are referred to suitable jobs, training, or other pre-employment programmes to enable them to become economically independent. As an incentive to work, persons are allowed to keep part of their earnings without subtractions being made from their welfare benefits. During the training period \$30 per month is added to the welfare cheque. Emanating from the 1966 Work Experience and Training Program the WIN Program will not become operable in all States until 1 July 1969.

28. In addition to providing a broader range of manpower development programmes as outlined above, the United States Government has devoted considerable resources to co-ordinating and improving their implementation. At the Federal level, organizations were unified along functional lines, and more responsibility for the co-ordination and planning of local programmes was delegated to regional officials. New emphasis on reaching and serving the disadvantaged is also

evident by such programmes as the Human Resources Development concept through which the local employment services seek to provide specialized counselling, training and employment services to those with the greatest employment problems. Similarly, the Concentrated Employment Program (CEP) is a co-ordinating mechanism which provides training and supporting services within specific urban slum neighbourhoods or impoverished rural areas. The Co-operative Area Manpower Planning System (CAMPS) has also been established to organize programme planning activities at the State and local levels.

### C. OTHER GENERAL ADJUSTMENT ASSISTANCE MEASURES

29. In addition to its traditional programmes<sup>1</sup>, Title IIIA of the Economic Opportunity Act of 1964 authorizes the Farmers Home Administration to provide "opportunity loans" to low-income, farm and non-farm rural families, and to co-operatives comprised of low-income rural families. Individuals may receive loans to finance small businesses, trades, services or other income-producing activities as well as financing for traditional farm operating needs. Loans to co-operatives may be used for such purposes as processing and marketing products grown on members' farms and providing farm equipment and related services to members. Since the inception of the programme in January 1965, through June 1968, loans under this programme have totalled \$110 million.

30. In the fiscal year ending 30 June 1968 loans provided through all the programmes of the Farmers Home Administration totalled \$1.4 billion. These loans were made to 150,000 individual borrowers and 1,400 associations. During the entire thirty-three years of the programmes loans have totalled \$12.1 billion.

#### The Small Business Administration (SBA)<sup>1</sup>

31. In fiscal year 1968 the Small Business Administration approved loans for more than \$623 million to businesses directly. Many more millions have gone into its technical assistance and other programmes.

#### The Economic Opportunity Loans

32. This is a programme authorized by Title IV of the Economic Opportunity Act of 1964 and administered by SBA which provides loans and management assistance to small businesses as well as providing jobs for unemployed, unskilled and/or under-employed persons. Under the Economic Opportunity Loan I Program, loans up to \$15,000 are made to low-income persons, primarily those already in business. The Economic Opportunity Loan II Program provides loans of up to \$25,000, principally for the establishment of manufacturing enterprises. In fiscal year 1968 loans totalling \$31.8 million for 2,934 projects were approved through these two programmes.

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<sup>1</sup>See COM.TD/H/3 for basic descriptive information.

State Technical Services Program

33. This programme, initiated by the State Technical Services Act of September 1965, is designed to permit the Federal Government to join with State governments, universities and local industry in stimulating the industrial and economic growth of States and regions through the application of science and technology. The programme helps develop mechanisms for bringing the newest technologies into the production lines and plants of local industries. Federal funds are provided on a matching basis to stimulate local initiative to meet the needs of the local economy.

34. The Special Merit Program, authorized by the same legislation, provides funds for similar projects which are broader in scope; i.e. the application of technology for problems common to more than one State.

The Public Works and Economic Development Act

35. This programme is designed to provide new industry and permanent jobs in areas where they are needed most. Emphasis is placed on long-range economic development and programming for areas or communities with persistent unemployment and low family incomes. Based upon experience of its forerunner, the Area Development Administration, the new Economic Development Administration (EDA) provides direct and supplemental grants for, and loans to assist in, financing public works and development facilities. It provides industrial and commercial loans to purchase and develop land and facilities, and guarantees working capital loans made in connexion with loan projects.

36. The Act also provides for technical assistance funds and for grants for planning and administrative expenses.

37. During fiscal year 1968 the EDA provided \$175 million in public facilities loans, \$52.1 million for business development loans, \$4.9 million for planning assistance and \$14.3 million for various technical assistance and research projects. They also assisted in the formation of 101 economic development districts in thirty-three States, and provided training for approximately 1,300 persons in conjunction with the Manpower Development and Training Act programmes.