the TRADE REMEDY

American Business Council

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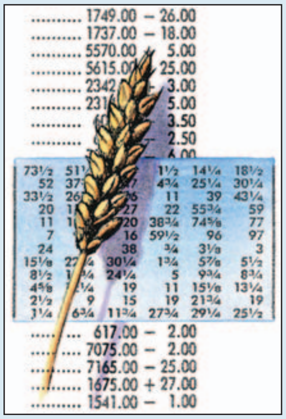

The Trade Remedy
Published by the American Business Council, a non-profit corporation dedicated to supporting America's manufacturing and producing firms through the effective use of the Trade Adjustment Assistance for Firms and Industries program.

Editor: Dana Marie DiOttavio
American Business Council
425 One Plymouth Meeting
Plymouth Meeting, PA 19462
Phone: 610-825-5200
Fax: 610-825-2097

On The Hill

The American Business Council ("ABC") recently expressed its appreciation and gratitude to members of the Senate Appropriations Subcommittee on Commerce, Justice, and Science for their decision to support $16 million in FY'06 Funding for the Trade Adjustment Assistance program for firms. The full Senate passed the FY'06 funding measure in mid-September.

Senate action was preceded by equally significant support from the House of Representatives this past summer when House members voted to fund the program at $12 million in FY'06. The Senate and House votes again demonstrate that Congress recognizes the positive impact that TAA for Firms has on the manufacturing sector in America.

The American Business Council now focuses on encouraging Senate-House conferees to support the Senate appropriations language providing $16 million in FY'06. This appropriation is consistent with the guidance of the Senate Finance Committee and House Ways and Means Committee which suggested an annual optimum funding level of $16 million in the "Trade Act of 2002" which reauthorized the program.

Compared with other manufacturing assistance and service programs, this relative amount pales in budgetary significance. For TAA for Firms, however, it represents a major step forward should it come to fruition. "An appropriation of $16 million allows TAA, based on the current direct costs per firm served, to help a significant number of additional companies reposition themselves competitively to survive, thrive and save manufacturing jobs across the country. At a cost per job retained or created of under $2,500, this is undeniably an efficient way to give a little money a lot of impact," asserts Bob Velasquez, ABC President and Director of the Southwestern TAAC. "From the recently formed Senate Manufacturing Caucus to the debates between NAM and more trade-conservative manufacturing associations, the noise about ensuring the future health of this country's manufacturing sector is getting louder - as well it should. The architecture for making our manufacturing base healthier is already in place. It is TAA for Firms and, properly funded and with widespread support, it could go a long way toward providing the non-partisan trade remedy that is so sorely missing."

Not ignoring that supporters from the House have put the program back into the budget at its currently funded $12 million level, the ABC is "quick to express its gratitude for that in this year of unprecedented cuts and reorganizations," Robert Taylor, ABC Executive Director, said. "Our supporters in the House have stepped forward to help us save this program today, and many times before, and we obviously encourage them to retain the Senate funding level in the final Conference Report so that this program is strengthened even more in FY'06." ■

industryspotlight

Special Edition on CAFTA

Agriculture and How Trade Adjustment Assistance for Firms & Industries Can Help

Often, the first sector injured due to a new trade pact is agriculture. Why? Because this sector of our economy is so efficient that the gross margins are very narrow and most products are marketed as commodities. As a result, agricultural products from our trading partners, usually cheaper in price, become the easiest and most exportable products for them to send to the United States. Price becomes the marketing strategy of our trading partners because their cost of labor is low; environmental standards (usually secondary standards such as run-off control) are less stringent; and the cost of land and transportation are all cheaper. All these factors combine to make their agricultural products less expensive than domestically produced products.

Even trade pacts that have other primary purposes, such as the Andean Trade Preference Act, affect U.S. agriculture producers. This act was designed to give farmers in the target countries incentives to grow products other than cocoa plants. As a result, in the Northwest, all six of our commercial rose growers have been put out of business. Many other specialty crops are also impacted.

Trade Adjustment Assistance program for Farmers and Fishermen was designed to help producers survive until they can get the help they need. This program gives the individual grower or fisherman up to $10,000 (although most recipients receive far less) based on a price differential. Certification for the TAA for Farmers and Fishermen also acts as certification for the TAA for Labor program for these individuals. It does not act as certification for the TAA program for Firms and Industries, however. This means that if farmers or fishermen want to get out of the industry after receiving their cash payment under TAA for Farmers, they are automatically eligible for retraining under TAA for Labor. If they desire to remain in the industry, they should become certified, if possible, for the TAA program for Firms & Industries because this program supplies the "tools" needed to compete.

"How do we compete with lower price imports"? One of the answers is marketing and branding. The cornerstone of this strategy is based on quality and customer service. The U.S. consumer has shown time and time again that he or she is willing to pay for quality. Of course, the quality of the U.S. product must actually exist and not be used only as a marketing ploy.

Any strategy based on quality must take advantage of consumer preferences. To do this, such preferences must be known. These preferences are often discovered through a marketing study, which can be funded in part (cost-sharing is mandated by statute) by the TAA program for Firms & Industries. For example, a recent marketing study done for several pear growers showed that consumers had a strong preference to purchase ripe pears instead of pears sold green and held by the consumer until ripe. The TAA program for Firms & Industries was also able to fund a project to develop new packaging to allow ripe pears to be shipped to market without bruising, as well as a new product development using pear juice for a 'power' bar.

Quality also formed the basis for a marketing strategy to sell salmon directly from the producer to the consumer. Northwest and Alaskan salmon industry members can use important health studies showing the value of wild salmon over farm raised-salmon to regain market share lost to cheaper, farm raised imports. Here, the TAA for Firms & Industries program has been instrumental in helping to create brand names known for quality and the marketing tools necessary to promote these brands.

In addition to marketing help, TAA for Firms & Industries has helped processors redesign their production lines and growers redesign harvesting equipment to become more efficient.

TAA for Firms & Industries allows imagination to be an important element of tactical assistance recommendations. An example of assistance pushing the limits of imagination occurred with a sheep rancher. Imports of New Zealand lambs were hurting this producer. When the TAA program for Firms & Industries analyzed operations, it was discovered that a small river ran through the producer's property. Because statutory limitations do not allow direct cash payment nor the purchase of hard assets, it was decided to design a hydroelectric dam for the property. This was done by the program, and the client paid to build the dam out of his own pocket. This dam is now producing an annual $250,000 in revenue that the rancher uses to keep his sheep operations competitive with imports.

So, whether you are an apple grower in upstate New York; a shrimp fisherman in Louisiana; a tropical-flower grower in Hawaii; a rapeseed grower in Montana; or an Alaskan fisherman, TAA for Firms and Industries really can help you compete with imports. ■

On Getting the Word Out…

The Western edition of *"Job Shop Technology"* magazine ran information on the Trade Adjustment for Firms program provided by Tom Zimolzak of the Midwest Trade Adjustment for Firms Center (Midwest TAAC). Also running in the August / September Eastern / Midwest issue, this Editor's Page overview of the program does such an excellent job of explaining the program's basic benefits and specific types of competitive repositioning projects eligible for federal cost-sharing that we've decided to reprint it here, minus the specific TAA contact information (already on the back page of every Trade Remedy issue).

Unique Federal Assistance Program Can Benefit Import-Affected Manufacturers

by Mark Shortt

Firms Can Receive up to $75,000 in Matching Funds for Projects that Strengthen Operations

Manufacturers in the United States have been dealt a series of harsh economic blows in recent years. Amid the painful consequences, much can be learned from those that have, in their own ways, met the challenges successfully.

For many of the firms that are struggling, there may be good news on the horizon. Companies that are seeking to improve their operations through the use of consultants or industry experts should be aware that they may be eligible for financial assistance through the Trade Adjustment Assistance for Firms (TAA) program.

The Trade Adjustment Assistance (TAA) program, sponsored by the U.S. Department of Commerce, is designed for manufacturers that have been adversely affected by imports. It is a cost-sharing federal assistance program that pays for half the cost of consultants or industry-specific experts for projects that improve a manufacturer's competitiveness. The government program is regionally managed by a network of eleven not-for-profit organizations, known as Trade Adjustment Assistance Centers (TAACs), located throughout the United States. Manufacturing companies that have been adversely affected by rising import competition can apply for program benefits at no charge. To qualify for the program, a manufacturing firm must have lost some domestic business to imports, and experienced declines in sales and employment over the last two years. This program offers 50/50 cost sharing of projects aimed at improving a firm's competitive position, with a maximum TAA cost share of $50,000. Funds are applied toward the cost of consultants, engineers, designers, or other outside professional service providers that are hired by firms to help implement improvement projects.

Projects undertaken to improve competitiveness in manufacturing, marketing, information technology, or financial and general management are eligible for the program's matching funds. Eligible manufacturing-related projects include ISO/QS 9000 preparation and registration; quality assurance; product development, design, and testing; operations analysis; productivity improvement; process engineering; inventory management; cellular manufacturing design and implementation; statistical process control; and material handling methods, to name a few. Marketing-related projects that are eligible for cost sharing include, but are not limited to, efforts aimed at improving market research; marketing and sales strategy; distribution analysis and development; sales force management programs; analysis of competition; customer service analysis; and export development. In the area of information technology, the TAA program shares the costs of projects implemented to evaluate and recommend hardware/software; integrated manufacturing systems; office automation; and E-commerce. The program also applies to financial and general management improvement projects related to profit planning/cash management/budgeting; debt restructuring, cost management; quality management; strategic planning; organizational analysis; and expansion, diversification, and divestiture studies, among others. According to information from the TAA program, participating firms often choose the consultant with the concurrence of their regional Trade Adjustment Assistance Center (TAAC), which typically pays 50% of the consulting fees directly to the consultant on behalf of the participating firm. Levels of assistance are said to depend on a variety of factors, including size of the firm, nature of proposed projects, and availability of program funds. Depending on the nature and cost of each project, firms may receive assistance for more than one project. Many manufacturers in numerous industries have already benefited from the matching funds available. Beneficiaries are said to include manufacturers of appliances, automotive products, castings, electronics, forgings, medical products, and aerospace products. They are also include companies that manufacture boating and marine products, heating/AC equipment, plastics and rubber, instrumentation, gears, and computer products. The list goes on and on. Interested firms should contact the Trade Adjustment Assistance Center for their region. A TAAC professional will initially assess eligibility and complete an application on a firm's behalf.

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While We're At It…

Theresa Hauk, Director of the Mid-America TAAC, was interviewed by Juli Ikonomopoulos, Editor of *ShopTalk*, a magazine geared toward the metalworking industry. Juli, you've delivered the message about this being the time to strengthen the TAA for Firms program, not cut it, more eloquently than almost anyone we've heard to date. For that reason, we're reprinting this editorial page, as well.

Another Valuable MFG Program Faces Extinction

Back in April, I wrote about the FY06 budget proposal and ho w it hinders growth opportunities for small manufacturers. My column focused mainly on the deep budget slashes targeted for the Advanced Technology Program (ATP) and Manufacturing Extension Partnership (MEP), but NTMA's Regional Membership Director Jim Grossman alerted me to another federally funded program that's also in danger of extinction.

Not as well known as the MEP or ATP, but equally as valuable, the Trade Adjustment Assistance for Firms (TAA) is a program designed to provide financial aid to small and mid-sized manufacturers affected by import competition. Started by the Trade Act of 1974 and sponsored by the U.S. department of Commerce, this federal assistance program pays for half the cost (up to $75,000) of consultants or industry-specific experts for projects that improve a manufacturers competitiveness. Funds received from this assistance program can be applied to a variety of projects such as manufacturing and engineering, marketing, financial and general management, and information technology.

And the program is not just for firms seriously affected by imports. TAA works with a variety of manufacturers and for some, imports represent only a minor challenge. Regardless of the degree of impact, a firm may be eligible if it experienced sales and employment declines at least partially due to imports over the last two years. One of their regional non-profit groups that manage the program (known as Trade Adjustment Assistance Centers of TAAC's) makes the initial assessment of eligibility. TAAC's are located in: Seatle; Los Angeles; Boulder, CO.; San Antonio; Chicago; Lees Summit, MO.; Ann Arbor, Mich.; Atlanta; Boston; Binghampton, N.Y.; and Blue Bell, PA.

Yet another blow for yet another valuable manufacturing program at a time when such a program is needed most. With all the trade agreements being signed, now is the time to strengthen the TAA, not cut it.

The TAA, like many other federally funded programs, is running into a major financial stumbling block. While currently funded at $12 million, with the need to increase to $16 million, the group will have all it can do just to be put back in the budget. Yep, that's right, the TAA is another casualty of Bush's FY06 budget proposal. Yet another blow for yet another valuable manufacturing program at a time when such a program is needed most. With all the trade agreements being signed, now is the time to strengthen the TAA, not cut it.

According to Theresa Hauk, Director, Mid-America Trade Adjustment Assistance Center, Lees Summit, MO., somewhere between 175 and 250 firms enter the program each year. "Our Effectiveness Report indicates that we have 513 companies currently in the program representing approximately 41,000 employees nationwide," she continued.

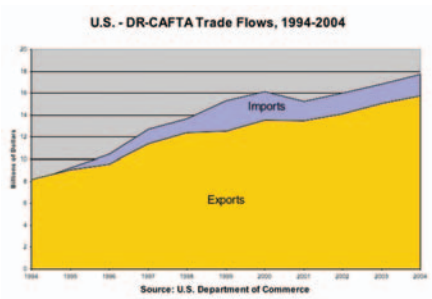
"If you figure 200 new entrants each year for a period of 27 years, then you can say that roughly 5,400 firms have been through the program. This number will only increase provided we have the funds to support it," she said. "Right now, instead of looking forward to assiting even more manufacturers, we're scrambling to get our program put back in the budget. Our group is working with Congress while encouraging members from the industry to lobby on our behalf."

This is where you enter the picture. The TAA needs your help now! It's not too late for all of us to do our part to overturn this glaring omission in next year's budget. Fight for manufacturing's future today by contacting your elected officials and demand the TAA be reinstated in the FY2006 budget. If you need assistance with this effort, then feel free to contact NTMA's Jim Grosman at JGrosmann@aol.com Jim is more than happy to help make your opinion count.

For more information about the TAA, log onto www.taacenters.org. Send Questions or comments about this or any other industry-related topic to editorial@magellanpubs.com. ■

Congress Approves CAFTA in Close Vote

IN LATE JULY, THE U.S. HOUSE OF Representatives narrowly passed the Dominican Republic – Central American Free Trade Agreement (DR-CAFTA) by a 217-215 vote. The decision, which came after months of intense debate in Washington over the merits of America's past, current, and future trade policy, cleared the way for President Bush's signature of the agreement. The Senate passed the measure in late June largely along party lines.



The CAFTA debate involved far more than the $32 billion in trade between the United States and Central America, a relatively small figure in global commerce terms. Industry associations, unions, agricultural interests, and large and small manufacturers all weighed in on the complex deal, while the Bush administration emphasized threats to strategic U.S. interests in the region if Congress failed to approve the pact.

In the final frenzied hours of debate, it would appear that Bush administration assurances regarding future U.S.-Chinese trade negotiations helped sway several members of Congress. In particular, several key Republicans from textile-producing regions of the South were persuaded to approve the agreement the night of the vote. Critics have long contended that China's trade practices have adversely impacted U.S. manufacturing, and they've pressured the administration for a more forceful stance. For the White House, the successful passage of CAFTA is part of a larger free trade agenda, which includes further regional trade deals as well as an anticipated start to the more comprehensive World Trade Organization talks later this year. ■

Chinese Textile Limits: Implications for Manufacturers and Retailers

by Dr. John R. McIntyre
Professor of International Management
Executive Director – Center for International Business Education and Research (CIBER)
Georgia Institute of Technology

James R. Hoadley
Associate Director – Center for International Business Education and Research (CIBER) Georgia Institute of Technology

The Bush administration has been keenly focused on the flood of textiles coming from the People's Republic of China. China's meteoric growth has been the major economic story of the new millennium, and among the many industries it has affected, it has particularly impacted US textile manufacturing. The likely result of the current round of negotiations will be import/export reductions, either imposed by Washington or voluntarily implemented by Beijing. China is facing similar problems with the European Union, as they have exceeded import quotas there as well.

It is felt that because of the compromises made to ensure the passage of CAFTA, the Bush administration will be forced to use a heavy hand in negotiations with the Chinese. Any restrictions on Chinese textile imports will have the potential to benefit not only US producers, but also those located in other countries, including the CAFTA-member nations.

The potential counterbalance in this action is American retailers, led, of course, by Wal-Mart. The big-box stores have been very profitably importing low-cost Chinese textiles for many years, and the worldwide reduction of import tariffs has only fueled this trend. This situation may serve as a test of how much importance Bentonville has in Washington.

A question that must be asked, however, is how much can U.S. textile manufacturing be resuscitated? There may not be much of an industry left to save. Dr. Walter Thomas of Southern Polytechnic Institute's Apparel/Textile Engineering Technology department comments:

From 2000 to 2003 the number of jobs in the U.S. declined from 517,700 to 297,500 for the apparel industry and from 600,600 to 448,400 for the textile industry

"From 2000 to 2003 the number of jobs in the U.S. declined from 517,700 to 297,500 for the apparel industry and from 600,600 to 448,400 for the textile industry. The provisions of the WTO which opens the market for China

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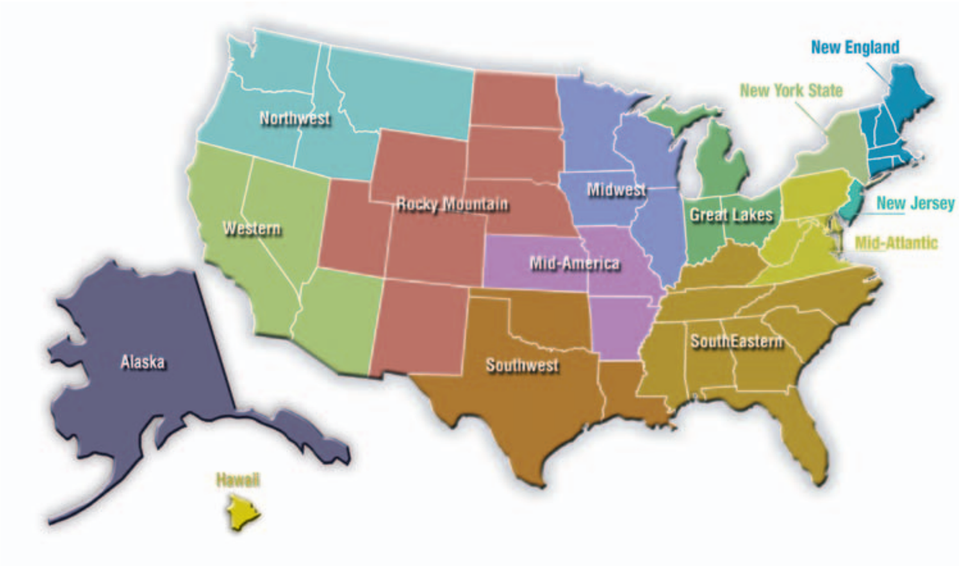
How to Contact Your TAAC



Region / States	Directors	Phone #
Great Lakes TAAC IN, MI, OH	**Scott Jacobs** sdjacobs@umich.edu	**734-998-6238**
Mid-America TAAC MO, AR, KS	**Theresa Hauk** haukt@taacenter.org	**816-246-1555**
Mid-Atlantic TAAC DE, DC, MD, NJ, PA, VA, WV	**William J. Bujalos** bbujalos@mataac.org	**610-825-7819**
Midwest TAAC IA, IL, MN, WI	**Howard Yefsky** hy@appliedstrategiesintl.com	**312-368-4600**
New England TAAC CT, MA, ME, NH, VT, RI	**Richard McLaughlin** richard@netaac.org	**978-446-9870**
New York State TAAC NY	**Louis McKeage** lmckeag@binghamton.edu	**607-771-0875**
Northwest TAAC AK, ID, MT, OR, WA	**Gary Kuhar** admin@nwtaac.org	**206-622-2730**
Rocky Mountain TAAC CO, ND, NE, NM, SD, UT, WY	**Edvard M. Hag** edvard.hag@colorado.edu	**303-499-8222 - x 19**
Southeastern TAAC AL, FL, GA, NC, KY, MS, SC, TN	**Marla Gorges** marla.gorges@edi.gatech.edu	**404-894-6787**
Southwest TAAC LA, OK, TX	**Robert Velasquez** bob.velasquez@utsa.edu	**210-458-2490**
Western TAAC AZ, CA, HI, NV	**David G. Holbert** dholbert@usc.edu	**213-743-2732**

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Chinese Textile Limits: Implications for Manufacturers and Retailers

except for the possible textile/apparel items being negotiated will result in a continued decline in certain areas of the Georgia and other southeastern states apparel/textile industries."

Dr. Thomas does see areas of optimism, however:

"I see less impact on the Georgia carpet industry sector and other high-tech sectors such as medical apparel/textiles, geotextiles, and fiber re-enforced composites. For the carpet industry, only about 10% of the cost of a yard of carpet is related to labor and the weight of the carpet somewhat prohibits the shipment from abroad."

Even if harsh trade sanctions are not imposed, the revaluation of the Chinese currency will raise prices for Chinese textiles. China may be indicating that it no longer wants to simply be the world's factory, at least for low-tech goods. With direct foreign investment by high tech firms like Intel, and the concerted effort to boost internal logistical infrastructure, China seems to be signaling that it is time to move out of the low end and into high-value advanced manufacturing. ■

Congressional Comment Requested

Please provide us with your candid comments on this issue of the Trade Remedy. We plan to publish quarterly, and want to know what would ensure your continued readership and involvement in raising the profile of the TAA for Firms and Industries program.

Write Dana DiOttavio at danamarie@erols.com with your remarks. ■