

ADJUSTING TO TRADE: ASIA-PACIFIC APPROACHES TO ASSISTING DISPLACED WORKERS

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I. INTRODUCTION

Over the past seventy years, no region on earth has benefited more from international trade than the Asia-Pacific. Underpinning Asia's rapid economic ascent, trade has spurred growth, created jobs, and lifted hundreds of millions of people out of poverty. However, part of the story of the Asia-Pacific "economic miracle" has involved economic transformations that have left some citizens on both sides of the Pacific feeling that they've been left behind.

Increased imports of goods and services have resulted in the displacement of workers from the labor force in many Asia-Pacific economies, while numerous individuals have found it difficult to transition to new employment opportunities. Such disturbances to labor markets over the past few decades have been exacerbated by jobs rendered obsolete by disruptions resulting from new technologies, innovation, and productivity. These factors, coupled with growing income inequality and stagnant wages, have sparked a backlash against trade and globalization that has spread across the globe. As economists often note, the benefits of trade—namely, economic growth and access to higher-quality, lower-priced goods—are *diffused* across the entire economy. Meanwhile, the drawbacks—namely job losses due to import competition—are *concentrated* among a small, but often vocal, segment of the population.

As a result, governments throughout the Asia-Pacific region have tried to ease these concentrated job losses by helping workers adapt to new economic realities through the implementation of trade adjustment programs, such as job retraining, relocation allowances, educational assistance, and financial assistance. In recent years, these programs have taken on a new sense of urgency as citizens around the world press their governments to better address their needs. The United States and other Asia-Pacific economies have adopted a diverse array of trade adjustment policies and programs to mitigate the negative effects of trade, aimed at helping both workers and firms. They have also adopted additional programs and policies to deal with broader concerns regarding labor markets and workforce development.

This paper surveys the adjustment programs and policies implemented by a number of Asia-Pacific countries, including the United States, and analyzes their similarities and differences. The countries surveyed—Australia, China, Japan, South Korea, the United States,¹ and Vietnam—occupy different places on the economic development continuum and are dependent on trade to varying degrees. Moreover, cultural attitudes toward work, as well as the comprehensiveness of social welfare programs, vary among the countries. Thus, a normative assessment or index of the countries' approaches to adjustment are not altogether fitting. Rather, this paper highlights some of the successes and shortcomings of these policies and programs, to gain a better understanding of how trade adjustment programs can potentially be improved in light of growing trade, and other economic phenomena that may further disrupt labor markets.

This paper draws upon studies of trade adjustment programs undertaken by multilateral organizations such as the Asian Development Bank (ADB), the Organization for Economic Co-operation and Development (OECD), the World Economic Forum (WEF), the International Labor Organization (ILO), and the World Trade Organization (WTO).

The six countries surveyed fall into three categories based on their overall approaches to trade adjustment. In the first category, which includes the United States and South Korea (as well as a test program in China's Shanghai Pilot Free Trade Zone), countries implement trade-specific adjustment assistance programs that seek to aid workers and/or firms through financial assistance and retraining. In the second category, which includes Australia and Japan, governments do not operate open-ended, trade-specific adjustment programs but rather implement targeted, fixed-term assistance to workers, firms, or industries impacted by individual economic (including trade-related) events. In the third category, composed of China (aside from the test program in Shanghai) and Vietnam, countries do not implement trade adjustment programs; rather, they rely on social safety nets such as unemployment insurance (UI) schemes, which vary in comprehensiveness, to aid workers who have been made redundant by any number of factors, potentially including trade.

II. SURVEY OF COUNTRIES

A. COUNTRIES WITH TRADE-SPECIFIC ADJUSTMENT PROGRAMS

UNITED STATES

Trade adjustment in the United States is provided through a dedicated set of policies and programs, which primarily cover workers and firms, but in some cases are also directed toward farms and communities impacted by global trade.² These Trade Adjustment Assistance (TAA) programs are funded by the federal government and administered by a combination of federal and state government agencies.

History

The U.S. Congress first established TAA programs under the Trade Expansion Act of 1962, and implemented separate programs covering workers and firms. In subsequent decades, Congress has both expanded and contracted TAA's eligibility requirements, types of benefits offered, and overall funding.³ Modifications to TAA have largely been tied to Congress's approval of major free trade agreements (FTAs) and have also reflected the health of the U.S. economy and Congress's economic and political priorities. Major TAA updates from 1962 to the present day include the expansion of eligibility requirements to include service workers and firms, the introduction of aid to cover health insurance premiums,⁴ the introduction of aid for farmers and communities, and the establishment of programs to supplement the wages of laid-off workers older than 50.

Description of Current Programs

TAA for Workers

TAA for Workers provides federal assistance to laid-off workers who can establish that they were separated from their employment either because their jobs moved outside the United States or because of an increase in directly competitive imports. Private sector workers who produce goods or services are eligible for TAA benefits, which include the following:

- **Training and Reemployment Services** designed to help workers transitioning to new employment, which may also include case management and job search assistance;
- **Trade Readjustment Allowance**, a weekly income support payment equal to 50 percent of the difference between workers' reemployment wage and the wage of their previous job, with a maximum benefit of \$10,000;
- **Reemployment Trade Adjustment Assistance**, a wage insurance program available to certified workers older than 50 who transition to a new job at a lower wage; and
- **The Health Coverage Tax Credit**, equal to 72.5 percent of health insurance premiums.⁵

The U.S. government appropriated \$861 million for TAA for Workers in fiscal year 2016, a year in which almost 61,000 workers received benefits.⁶

TAA for Firms

TAA for Firms offers 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 globalized economy. To qualify, firms must demonstrate that a significant number or proportion of the firm's employees have lost or will lose their jobs as a direct result of import competition. This program does not provide direct subsidies to firms. In 2016, the U.S. government appropriated \$8.7 million for TAA for Firms, covering 689 firms.⁷

TAA for Farmers

TAA for Farmers is administered by the Department of Agriculture, and provides technical assistance and cash benefits to producers of farm commodities and fishers who experience adverse economic effects from increased imports. To qualify, farms must show that imports were a significant cause for at least a 15 percent decline in the price or quantity produced of a commodity. In 2017, the U.S. government appropriated \$90 million for TAA for Farmers.⁸

SOUTH KOREA

South Korea's trade adjustment programs were created to help vulnerable domestic sectors during a period of trade liberalization in which the South Korean government aggressively pursued FTAs on bilateral and multilateral bases. While South Korea has trade assistance programs that help support workers, farmers, and firms, its Trade Adjustment Assistance program is primarily focused on aiding businesses of all sizes, as well as their workers.

History

As South Korea pursued trade liberalization, the government introduced the first iteration of TAA, in part to gain buy-in from political opponents of liberalization.⁹ Enacted in April 2007, the South Korean TAA mainly focused on supporting small and medium-sized enterprises (SMEs) in the manufacturing sector, as well as their workers. Later that year, SMEs and services firms became eligible for TAA benefits.¹⁰

The first iteration of South Korea's TAA program required firms to prove that they had experienced a 25 percent reduction in sales or production due to an implemented FTA. This requirement has been relaxed over the years to 10 percent, and a new consulting program for firms was also added.¹¹ In July 2016, benefits were extended to workers laid-off from firms already covered by TAA.

Description of Current Programs

TAA for Firms

A firm is eligible for TAA if it can demonstrate that an increase in the import of goods and/or services that are similar and in competition with any product or service the firm produces or provides has resulted in or may result in potential losses.¹² In practice, this translates to a reduction in overall sales or production by 10 percent, compared with the previous year.¹³

TAA firms can receive up to 4.5 billion won (approximately USD \$4.14 million¹⁴ at time of writing) per year in fixed asset loans that cover the acquisition of capital equipment. Firms can also receive working capital loans of up to approximately USD \$460,000 for either production or normal business costs.¹⁵

TAA for Workers

Workers are considered TAA-eligible if they have been laid-off (or have experienced a significant reduction in working hours) at a firm that is already eligible for TAA. Workers at firms that supply goods or services to TAA-eligible firms or at firms that have transferred their production facilities overseas as a direct result of income competition are also eligible.¹⁶ TAA programs for workers focus on various reemployment services, including job training and job search assistance, temporary subsidies to allow for the changing of jobs, and unemployment benefits.

CHINA'S TEST PROGRAM IN THE SHANGHAI PILOT FREE TRADE ZONE

While China largely relies on unemployment insurance to help workers (see later section), China is beginning to experiment with trade adjustment programs. In July 2017, the Shanghai Pilot Free Trade Zone (FTZ) established a trial trade adjustment program. Firms located in the FTZ may apply for assistance if they experience losses as a specific result of trade frictions. The aid comes in the form of technical assistance from the government, including: consulting, employee training, export credit insurance, and supply chain and risk management for a period of two years. It is noteworthy that in its official press release announcing the implementation of the program, the Shanghai FTZ made explicit reference to the U.S. Trade Adjustment Assistance program as a model for its own adjustment policy.¹⁷

B. COUNTRIES WITH NON-TRADE-SPECIFIC ADJUSTMENT PROGRAMS

AUSTRALIA

Australia historically utilized trade adjustment programs to aid workers impacted by increased imports resulting from trade liberalization. However, it currently approaches trade adjustment from a broader perspective and employs programs designed to support specific industries hampered by unpredictable economic events, including trade during a fixed time period.

History

In 1973, the Australian government implemented across-the-board tariff cuts—the largest single tariff reduction in Australian history.¹⁸ Accompanying this trade liberalization was an interim adjustment assistance program—composed of Special Adjustment Assistance (SAA) and Special Assistance for Non-Metropolitan Areas (SANMA)—which provided aid to firms and workers affected by the tariff reductions. SAA and SANMA were permanently suspended in 1977 when large increases in unemployment created significant strains on the program while the Australian government curtailed

some aspects of trade liberalization through the imposition of quotas in agriculture and other key industries.¹⁹

Since 1977, Australia has taken a narrower approach and has administered a number of adjustment assistance programs aimed at specific industries negatively impacted by trade liberalization. From the mid-1980s, Australia implemented industrial policy reforms to provide assistance designed to support industries facing long-term restructuring, while continuing to gradually reduce the country's tariffs.²⁰ Assistance shifted from tariff protection to direct payments or grants to firms in the steel; automotive; and textiles, clothing, and footwear industries.²¹

Description of Current Programs

Between 2000 and 2012, there were 135 structural adjustment programs operating in Australia, the majority of which were implemented in the manufacturing sector.²² In 2004, Australia established several new programs aimed at workers in the sugar; automobile parts; and textile, clothing, and footwear (TCF) sectors.²³ These programs focused on aiding displaced workers in obtaining reemployment skills to bolster labor market efficiency by moving workers into growing sectors. Examples of these discrete, short-term programs include the following:

- The Australian government in 2004 established an adjustment plan to assist laid-off TCF workers by providing up to two years of job retraining and language skills. According to the OECD, in a rigorous study of the workers who received the benefits, “training helped those who had the best pre-training employment prospects...for those with poorer prospects, the length of training had a large and significant negative impact in the likelihood of finding reemployment.”²⁴
- Australia's 2004 Sugar Industry Reform Program provided assistance to domestic sugar producers harmed by then low global sugar prices and the exclusion of sugar in the Australia–United States Free Trade Agreement, which had been signed that year. Benefits to producers included cash benefits to alleviate their immediate financial strains, as well as crisis counseling and family support services. The government also disbursed grants to producers to help them develop new, more competitive business plans.²⁵
- In 2014, Australia introduced a USD \$12 million Automotive Industry Structural Adjustment Program to help redundant workers find new jobs.²⁶ The program, extended in 2017, was funded via a partnership between the government and two automotive companies, providing approximately USD \$1,100 to each eligible worker.²⁷

Finally, region-specific adjustment programs are sometimes utilized in Australia. However they are often modest in scope. For example, in 2015, the Australian government provided adjustment

assistance of approximately USD \$17 million to Upper Spencer Gulf, a southern coastal area, which included support for job retraining, firms, and community services.²⁸

JAPAN

Japan does not have a dedicated trade adjustment program. Instead it offers a number of subsidies and services that aid workers whose jobs have been displaced due to economic, structural, and/or technological reasons.²⁹ Japan's Employment Adjustment Subsidy (EAS) and employment protection legislation provide a support system for displaced workers. As the OECD notes in its comprehensive survey of Japan's employment policies, the country's early intervention policies, such as the EAS, tend to complement a general predisposition for employers to retain workers, with displacement being a last resort.³⁰

History

The foundation of Japan's current worker assistance subsidies and services can be seen in policies dating back to the late 1980s. In order to achieve its goal of preventing unemployment, the Japanese government directly subsidized firms to pay sums equivalent to the wages of employees they might otherwise lay-off, while also providing training subsidies to help potentially displaced workers move with market demands.³¹ According to the Ministry of Health, Labor, and Welfare (MHLW), the specific budget allocation for employment adjustment and development of designated job seekers subsidies dates back to April 1998.³² The criteria for those who qualify are flexible for economic and trade situations where there are extreme shocks, but generally they include workers employed at a given firm for at least six months. The relaxing of requirements during the global economic crisis in 2008–2009 is one example of this.³³

Description of Current Programs

The government of Japan leverages EAS—its central labor adjustment program—on a targeted basis. To determine EAS eligibility, the MHLW analyzes production trends and changes in industrial sector structure, such as import competition from international trade.³⁴ It is reported that “EAS recipients are heavily concentrated in the manufacturing sector,” particularly in the iron and steel industries.³⁵ According to the OECD's 2015 report, “Back to Work. Japan: Improving the Re-employment Prospects of Displaced Workers,” the EAS subsidy covers part of the employer's costs in continuing to pay workers for the hours not worked. The proportion of the costs covered by the subsidy ranges from “one-half for large firms to two-thirds for SMEs.”³⁶ Training for workers that is relevant for the firm's production needs can also be subsidized by up to USD \$11 per worker per day.³⁷

The OECD report outlines three main eligibility criteria that firms must meet to receive the subsidy:

- “Provide justification of economic need (e.g. proof that production in the past three months has declined by at least 10% relative to one year earlier);
- Have consulted with the union or worker representatives and obtained their agreement to temporarily shorten working time or suspend the business under EAS;
- Show that participating workers are covered by the [employment insurance] EI System (e.g. have contributed for six months or more).”³⁸

In addition to subsidizing firms’ payments to employees for hours not worked, the Japanese government also provides subsidies for job seekers, such as vocational training. For those registered in the employment insurance program, these benefits cover job training through “the education and training benefits scheme introduced in December 1998.”³⁹ Workers who have contributed to the employment insurance scheme receive a 20 percent subsidy for a job-training course, with a maximum benefit of approximately USD \$1,000.⁴⁰

C. COUNTRIES UTILIZING SOCIAL SAFETY NETS AND UNEMPLOYMENT INSURANCE

CHINA

Other than the previously mentioned test program operating in the Shanghai Pilot FTZ, trade-specific adjustment programs are virtually nonexistent in China. Instead, comprehensive unemployment insurance (UI) aids workers who have experienced labor displacement for a variety of causes, including import competition from trade liberalization.

History

China established a universal unemployment insurance scheme in 1986 as a direct response to widespread job losses resulting from the large-scale privatization of many state-owned enterprises (SOEs).⁴¹ By the time the market opening and reforms stepped up in the 1990s, government unemployment insurance schemes were considered robust enough to provide a basic level of income protection and job retraining to the newly displaced or unemployed. Thus a trade-specific adjustment program for workers never materialized.

Description of Current Programs

By 1999, China’s unemployment insurance scheme resembled that of most Western-style systems, with cash benefits for eligible laid-off workers, as well as the continuation of medical insurance. Since its establishment, worker eligibility for China’s UI system has been gradually broadened, and now includes public and private sector employees, workers at SOEs, and farmers. In 2015, China expanded eligibility to migrant workers “who [were] not registered locally,” to encourage further migration to cities.⁴² By the end of 2017, approximately 187.84 million people participated in unemployment insurance programs, an increase of 6.95 million from the previous year.⁴³ In 2016, the average unemployment insurance payment was approximately USD \$159 per month.⁴⁴

Additionally, since the 1990s, the government has administered a broad vocational training program—the National Project for Training Highly Skilled Personnel—to promote workforce development. For example, to help laid-off workers find new jobs, from 1998 to 2000 China carried out a plan to train 10 million laid-off workers for re-employment, according to the Chinese Ministry of Labour and Social Security.⁴⁵

VIETNAM

Much like China, Vietnam does not have a trade-specific adjustment assistance program. However, since 2009, it has operated an unemployment insurance program that provides assistance to laid-off workers for a limited time period.

History

Following the global recession and related economic shocks of the mid-to-late 2000s, Vietnam established an unemployment insurance program in 2009. The government significantly expanded its coverage in 2013, and again in 2015, to most workers in the country’s formal economy.⁴⁶ The changes occurred “at a time when Vietnam [was] discouraging temporary work and pushing businesses to put longer-term employees on their payrolls.”⁴⁷

Description of Current Programs

As the International Labor Organization (ILO) notes, most countries in the Association for Southeast Asian Nations (ASEAN) do not have fully functional unemployment insurance schemes or trade adjustment assistance programs, so Vietnam’s system is comprehensive in a regional context.⁴⁸ Under Vietnam’s UI program, workers are eligible for benefits if they have been laid off from a firm that has experienced a business downturn or natural disaster. These unemployment insurance benefits include: cash transfers equal to 60 percent of a worker’s previous salary, job search allowances, and job training. Between 2010 and 2016, Vietnam’s unemployment insurance scheme disbursed benefits to

approximately 2.3 million workers, according to Vietnamese labor expert Ngo Thi Loan, using data from the country's Government Statistics Office.⁴⁹

Observers recognize that Vietnam's unemployment insurance scheme has proven relatively effective, particularly considering it has been in existence for less than a decade.⁵⁰ However, its limitations include gaps in coverage (particularly for workers in the country's large informal economy), "procedural constraints" (such as short registration windows for benefits), and inadequate vocational training for those in job-training programs.⁵¹ However, according to the ICEF Monitor, Vietnam is pursuing "substantive reforms in its vocational training system," and aims to increase the share of formally trained workers in its labor force from 15 percent in 2016 to 55 percent in 2020.⁵²

Partnering between 2010 and 2013, the ILO and the government of Japan provided technical assistance to Vietnam to improve its UI scheme, and expanded the program to create a regional knowledge and expertise platform.⁵³

III. ANALYSIS OF TRADE ADJUSTMENT PROGRAMS

As described in the previous pages, Asia-Pacific governments have implemented differing strategies over the years to balance the benefits of trade liberalization with a commitment to aid their workers negatively affected by trade. A survey of Australia, China, Japan, South Korea, the United States, and Vietnam provides a number of policy configurations, each with strengths and shortcomings that may be instructive for other countries in the region aiming to implement effective trade adjustment policies.

PROGRAM STRENGTHS

Although it has serious shortcomings (noted in the following section), there are a number of merits to the U.S. multi-faceted policy mix of benefits for workers, firms, farms, and to a lesser extent, communities, under its trade adjustment assistance programs. One of its strengths is its scale—by 2014, more than 2 million workers had received TAA benefits.⁵⁴ Moreover, its emphasis on job retraining has yielded encouraging outcomes. For example, in 2014, more than three-quarters of TAA participants who received job training found new employment within six months of exiting the TAA program.⁵⁵ TAA's focus on firms, too, can be viewed as one of the program's strengths. Indeed, firms that received TAA benefits in 2012 and 2013 experienced sales increases of 13.6 percent, average employment increases of 3.5 percent, and average productivity increases of 9.7 percent two years after completing the program, according to the U.S. Department of Commerce.⁵⁶

Though evaluation and analysis of South Korea's dedicated, trade-specific adjustment program are relatively limited in English, the program's primary strength appears to lie in its adaptability. South Korea's TAA program is slowly but surely improving, and it is clear that the government has shown a willingness to respond to new economic realities. As described earlier, in 2016, Korea broadened

TAA coverage from goods-producing firms to services firms. It also extended benefits to individual workers of TAA-eligible firms.

Meanwhile, worker and firm adjustment programs implemented by countries with non-specific adjustment programs (Australia and Japan) also have merits. Through relatively small-scale, fixed-term transition assistance to workers, firms, or industries hurt by trade, these countries have been able, to some degree, target limited aid effectively. In Australia, for example, a government review found that the 2004 Sugar Industry Reform Program was “successful in the objective of creating structural change [via] regional planning, the exit of some growers and harvesters from the industry, and via the diversification projects implemented.”⁵⁷ Moreover, the report found that beneficiaries indicated they “would not have survived the low sugar prices” without the program.⁵⁸ Similarly, in Japan, the OECD found that prevention and early intervention policies were important factors in lowering the number of displaced workers. A combination of the Employment Adjustment Subsidy and other employment protection legislation is credited with preserving viable jobs during the 2008–2009 recession.⁵⁹

And finally, the countries using social safety net programs—implemented by China and Vietnam—have merits for consideration. Though data regarding how many workers receive aid for trade-induced job losses are not readily available in either country, the scale of coverage is commendable. Indeed, Vietnam’s nascent UI scheme (established only in 2009) significantly expanded its coverage in 2016 by eliminating its 10-employee threshold program eligibility,⁶⁰ a particularly meaningful reform given 98 percent of businesses in Vietnam are SMEs.⁶¹ Meanwhile, in 2016 in China, 180 million workers were covered by its unemployment insurance program, with an average payment of approximately USD \$159 per month.⁶² In November 2017, the Chinese government issued draft regulations expanding the program’s coverage to a host of new private and public sector categories of workplace, constituting a significantly broader scope than the previous scheme, which covered only employees of “urban enterprises and public institutions.”⁶³ China’s willingness to innovate, through the Shanghai FTZ’s trade adjustment pilot program, is also important to note.

PROGRAM SHORTCOMINGS

Evaluations of existing programs suggest a number of shortcomings of trade adjustment programs. They include operational weaknesses, such as inadequate funding, limited coverage, and difficulties associated with accessing benefits. Furthermore, the outcomes of the actual programs based on data available suggest their effectiveness may be limited.

Despite the large scale of U.S. TAA programs’ coverage described earlier, there are considerable shortcomings, particularly related to funding. For example, the TAA for Firms program budget was just \$13 million in 2016. According to analysis by the Brookings Institution, U.S. spending on active labor market adjustment programs constitutes 0.11 percent of GDP, compared with 0.99 percent of GDP in peer country France, and even 0.45 percent in Korea.⁶⁴ While the U.S. government spends more on TAA for Workers—\$861 million in 2016—many observers claim it is not sufficient to meet

current labor market demands.⁶⁵ Meanwhile, South Korea’s budget for its TAA programs has remained relatively stable at around USD \$8.27 million annually,⁶⁶ despite having loosened its eligibility criteria to cover more firms and workers. Even with proper funding, some scholars have argued that the Korean TAA still must be reformed as it ineffectively allocates resources to firms, failing both to speed up “impaired firms’ structural reforms” and to incentivize “uncompetitive firms to achieve better business performance.”⁶⁷

Moreover, eligibility may be uneven among the workforce. For example, in Japan, a significant number of Japanese workers who are laid-off face long periods of unemployment before finding work, despite otherwise well-functioning programs to prevent such outcomes, according to the OECD. The OECD also found that workers on temporary contracts, but particularly “women and younger workers...receive little or no severance and transition support from their employers, and also tend to qualify for shorter periods” of benefits.⁶⁸

Difficulties accessing and using these programs can hinder their success. For example, to access TAA benefits in the United States, individuals must first be part of a group of workers that receives certification from the U.S. Department of Labor that their job dislocation was a direct result of foreign trade.⁶⁹ Observers note that even this initial step is a high bar. According to the Peterson Institute for International Economics, the Department of Labor’s narrow interpretation of TAA often results in a *de facto* exclusion of benefits for workers in services firms, despite a 1995 update to TAA extending benefits to these workers.⁷⁰ In a comprehensive study of the program, the research company Mathematica Policy Research notes that workers must meet “strict enrollment deadlines,” for determining eligibility for TAA. Mathematica concludes that, overall, accessing TAA services is “complicated” for workers, “involving multiple steps, many actors, and specific deadlines.”⁷¹

Moreover, for workers and firms that do receive assistance from trade adjustment programs in the United States and South Korea, results may be mixed. In the United States, for example, a 2008 paper by researchers at American University suggested that recipients of TAA benefits had lower earnings than those who received regular unemployment benefits.⁷² Another, more recent study of the U.S. TAA found the program’s cost outweighed the benefits by nearly \$54,000 per participant.⁷³ Meanwhile, researchers at Sogang University found that South Korea’s TAA program—which is firm-focused with an emphasis on structural reforms—has had a “very limited effect on impaired firms’ structural reforms and has failed to encourage uncompetitive firms to achieve better business performance.”⁷⁴

IV. CONCLUSION

There are a range of strengths and shortcomings in the trade adjustment programs implemented by the Asia-Pacific countries surveyed for this paper. It is important to bear in mind that the most appropriate design of any trade adjustment program will vary according to the national context. In

particular, programs should be considered in the context of a country's overall social safety net regime. Australia's social welfare regime, for example, often ranks among the world's most comprehensive and generous. Seeming shortcomings of its trade adjustment programs, then, may be mitigated by this reality.

Conversely, in the United States, trade adjustment assistance may appear generous by including, for example, health insurance benefits. However, social welfare coverage in the United States is significantly less comprehensive than in other advanced economies, particularly for healthcare, and thus the comprehensive nature of worker aid and protections may be misinterpreted. Similarly, Japan's uniquely rigid labor market and its strong baseline of assistance to workers provide fewer gaps for trade-induced shocks, and thus there could be less of a need for trade adjustment programs. This should not, however be viewed as a shortcoming of adjustment in Japan.

Trade adjustment programs are a critical component of policy packages and represent good faith efforts by governments to help those left behind by trade and globalization. While important, they only go so far. As currently implemented, they are limited to addressing international trade's potential negative consequences for workers and firms and are often *reactive*, rather than *proactive* measures. More significantly, they are not equipped to address broader labor market challenges, particularly automation resulting from major advancements in technology, which are, and will continue to be, linked more to job losses than to trade and globalization. Indeed, as some researchers note, "almost 88 percent of job losses in manufacturing in recent years can be attributable to productivity growth," rather than international trade.⁷⁵

Similarly, the McKinsey Global Institute notes that, about half the activities that people are paid to do today in the global economy have the potential to be automated in the next decade or two by adapting demonstrated technology.⁷⁶ This is no less the case in the Asia-Pacific region. Using data from McKinsey, the Harvard Business Review shows that currently-demonstrated technologies have the potential to automate the following percentages of all work activities performed in these Asia-Pacific countries: Japan (55.7), South Korea (51.9), Malaysia (51.4), China (51.2), the United States (45.8), and Australia (44.9).⁷⁷ Vietnam was not included in the dataset; however, the ILO estimates this figure to be as high as 86 percent for workers in its critical textiles, clothing, and footwear industries.⁷⁸

If governments in the Asia-Pacific region are to address the needs and concerns of current and future workers, a greater emphasis must be placed on skills training and education for the jobs of the future than has historically been associated with trade adjustment assistance programs.

ENDNOTES

¹ As a major economic power in the Pacific, the United States is included in this survey due to its trade adjustment programs' familiarity to U.S. readers. Such programs have also served as models for programs in Asia-Pacific countries, such as South Korea.

² The TAA for Communities program was created in 2009, but in 2011 was discontinued due to its redundancy with existing programs.

³ Hornbeck, J. F. "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," *Congressional Research Service*, 2013, p. 1. <https://fas.org/sgp/crs/misc/R41922.pdf>

⁴ This is a somewhat unique feature of the U.S. system, as the United States does not have universal health insurance coverage provided by the government.

⁵ Collins, Benjamin. "Trade Adjustment Assistance for Workers," *Congressional Research Service*, Dec. 17, 2012, p. 15. <https://fas.org/sgp/crs/misc/R42012.pdf>

⁶ U.S. Department of Labor. "Trade Adjustment Assistance for Workers Program: Annual Report to Congress," 2017, pp. 11, 42, www.doleta.gov/tradeact/docs/AnnualReport16.pdf

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⁸ McMinimy, Mark A. "Trade Adjustment Assistance for Farmers." Congressional Research Service, 2016, p. ii. <https://fas.org/sgp/crs/misc/R40206.pdf>

⁹ Cheong, Inkyo, and Jungran Cho. "Reforms of Korea's Trade Adjustment Program." *Asian Economic Papers*, vol. 10, no. 1, March 2011, p. 36. www.mitpressjournals.org/doi/pdf/10.1162/ASEP_a_00050

¹⁰ Cheong and Cho, 37.

¹¹ Song, Joon-heon. "Finding Beneficiaries: Trade Adjustment Assistance System in South Korea." *Journal of International Trade Law and Policy*, 2017, vol. 16, no. 2, June 2017, p. 96, www.emeraldinsight.com/doi/abs/10.1108/JITLP-03-2017-0010

¹² Kim, Jungsuk, and Jacob Wood. "Reshaping Institutional Arrangements for TPP Ratification in Korea." *Journal of Korea Trade*, vol. 20, no. 2, Dec. 2016, p. 174, <https://doi.org/10.1108/JKT-04-2016-0010>

¹³ Kim and Wood, 173.

¹⁴ Here, and in all future instances in this paper, figures were converted from local currency to USD using date-specific conversions, unless otherwise noted.

¹⁵ Song, 97.

¹⁶ Song, 98.

- ¹⁷ “Trade Adjustment Assistance Will Be Tested in FTZ.” Shanghai Pilot Free Trade Zone, July 11, 2017, <http://en.shftz.gov.cn/news/news-update/829.shtml>
- ¹⁸ Zhang, Nan. *A Critical Evaluation of Policies and Programmes That Mitigate the Effects of Free Trade on Unemployment*. Auckland University of Technology, 2008, p. 30, <https://aut.researchgateway.ac.nz/bitstream/handle/10292/513/ZhangN.pdf?sequence=4&isAllowed=y>
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- ²³ Beer, 23.
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