

Officials link loss of 'icon industries' in Maine to '94 NAFTA agreement

By Vicki Ekstrom
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WASHINGTON - Lisa Northup never thought she would be changing careers at age 41. But after more than 20 years at Moosehead Manufacturing, the furniture factory shut its doors, changed owners, consolidated and left Northup jobless last June.

Rather than find work at a different mill, Northup, who lives in Guilford, chose a more stable path and in September began classes at Bangor's Beal College to become a medical assistant.

"There's so much in the medical field. We can all find a job," Northup said. "But there really isn't a lot of call for jobs in factories like Moosehead."

Maine's once flourishing "icon industries" — paper and lumber, as well as shoes — are quickly leaving the state with the expansion of free international trade, economists said.

Taking the place of these manufacturing industries are service industries such as tourism, freight transportation, financial services and especially health care, said David Douglass, an economist at the Maine State Planning Office.

Maine has lost about 22,400 jobs in manufacturing in the last decade. The state gained about 29,000 jobs in education and health services during the same period, according to the federal Bureau of Labor Statistics.

A hot-button issue

Because of the thousands of people affected throughout the country, trade has become a hot-button issue on Capitol Hill and along the campaign trail, as the presidential candidates argue over their positions on the North American Free Trade Agreement. All of the members of the Maine congressional delegation want to take a second look at NAFTA, the free-trade deal signed by President Clinton in January 1994 that eliminated import duties on most products traded among the United States, Mexico and Canada.

The main arguments against NAFTA and other free-trade agreements revolve around job losses caused by competition from countries that sell similar products at cheaper prices, often because of lower wages.

Advocates of such pacts argue that the United States benefits because a rise in exports adds jobs. The Department of Commerce estimated that U.S. exports to Canada and Mexico after NAFTA went into effect created more than 600,000 jobs, according to the Heritage Foundation, a conservative think tank.

But in the decade after NAFTA's authorization more than 1 million jobs were lost because imports increased, said the Economic Policy Institute, a left-leaning think tank.

"That's why I never supported NAFTA," said Sen. Olympia Snowe, R-Maine. She said she thought it disproportionately affected Maine and some of its industries.

As free-trade deals make it cheaper to manufacture goods in other countries, Maine's traditional industries are "indisputably" affected, particularly in lumber and paper, which lost four mills and 200 jobs in the last four months alone, Snowe said in a recent interview.

When thousands of jobs are lost in a state, its residents suffer as revenue sinks and less money is available for basic services. In Maine, a state with one of the oldest populations in the country, those basic services include providing help to struggling seniors and boosting the quality of education in schools to help retain young people.

"The impact of mill closings on Maine's communities is obviously devastating, especially on the middle class," said Democratic 1st District Rep. Tom Allen, who said he is working to increase aid to laid-off workers.

Sen. Susan Collins, R-Maine, also is working to assist these workers and is a co-sponsor of a bill to reauthorize Trade Adjustment Assistance, the program that provides additional training and money to workers affected by trade agreements.

'A failed model'

In addition to helping those hurt by deals such as NAFTA, Democratic Rep. Michael Michaud of the 2nd District is working on legislation to create a new trade model. NAFTA became the model for subsequent free-trade agreements in Peru, Panama and South Korea, which have contributed to additional off-shoring of jobs.

"I think that's a failed model," Michaud said of NAFTA. "You look at shoes, the textile industry, the paper industry — they've all dramatically been affected [by free trade] because it's very difficult to compete with countries that pay very little."

Forster Manufacturing Co., the Maine wood products factory that invented the toothpick, closed in 2002.

Great Northern Paper Co., which made a third of the paper used for American newspapers in the 1950s, filed for bankruptcy in 2003.

Northup's former employer, Moosehead Manufacturing, a family-owned furniture company founded in 1947, closed its doors in 2007 before being sold and consolidated.

These closings are regularly offered as evidence that Maine's forest industry, which began producing wood products in the 1640s, is facing severe economic pressure from foreign countries. When the same chair that Moosehead sells for \$120 can be made in China for \$18, Maine's companies can't compete, said John Wentworth, the former president of Moosehead Manufacturing and grandson of one of the company's founders. Wentworth is now the sales and product manager of the new Moosehead Furniture, which continues to have facilities in Maine.

"The furniture industry is pretty small now in Maine," Wentworth said. "For a state that has the highest amount of forestland, to have such a small industry is a testament to how hard it is to have a manufacturing company in the state."

Forestry is the largest manufacturing industry in Maine, where 89 percent of the land is covered in trees, said a 2007 report by the North East State Foresters Association. The industry contributes more than \$5 billion to Maine's economy each year and employed close to 18,000 Mainers in 2005. This included landowners and foresters (who grow the trees), loggers (who cut them down and bring them to the mills), and manufacturers (who make the lumber into products such as paper and furniture).

But "our extensive forest cannot shelter us from the chill winds of international competition," Lloyd Irland of The Irland Group, a Maine consulting firm that focuses on forestry matters, said in a 2004 report.

This trend in the forest industry is similar to what Maine's shoe industry experienced in the mid-1990s. Once famous for its Bass and Dexter shoe companies, Maine's shoe manufacturers moved overseas after a 1993 trade agreement.

But while many in the forest industry expect to have a bad year, most believe the industry will never completely disappear. One reason industry experts give for this is that the industry is suffering not just from competition as a result of trade, but also from a worsening U.S. economy and housing market, said economist Charles Lawton, who works for the Maine consulting firm Planning Decisions Inc. If these factors improve, so could the industry's outlook, he said.

Struggle over softwood

While overseas trade has greatly affected paper and furniture manufacturers, Maine sawmills continue a struggle with Canada that has rocked trade relations for decades.

Unlike the American system governed by market prices, the Canadian government owns 97 percent of the forests and can set cheap rates to cut trees, called stumping fees. If a

Canadian mill has trouble surviving, the government lowers the price, causing the price of lumber in Canada to be cheaper than lumber in the United States. Along with these government subsidies, energy costs are lower in Canada. Canadian companies also don't directly pay for their employees' health insurance because the country has a nationalized health-care system.

To equalize trade deals, Canada and the United States came to an agreement. In the 2006 Softwood Lumber Agreement, Canada agreed to place a tax on exported lumber to bring the price up to the market value.

While the agreement has helped, Snowe said, it took more than 25 years to reach. "In that time the Canadian subsidies were eroding the foundation of our manufacturing sector in the state of Maine," she said. "And we're still having huge challenges with failure to uphold the agreement" because Canada isn't collecting some of the taxes.

While the Canadian government argued the subsidies were going to communities, not companies, Snowe said the money to these towns went toward building roads and other uses that were directly tied to the lumber sector.

It would be impossible for the United States to cut ties with Canada completely, regardless of how unfair the pricing system may be, because ties between the countries are so strong that both country's lumber industries would greatly suffer without the other, said Eric Kingsley, vice president of the environmental and forest industry consulting firm Innovative Natural Resource Solutions LLC.

Fraser Papers, a pulp and paper mill company with operations in New Brunswick, Quebec, Maine and New Hampshire, is one example; one of its pulp mills is located in Canada, and its paper mill is just across the border.

"As much as it's easy to focus on Canada because they're right next door to us, it depends on the day whether Maine and Canada have a symbiotic or antagonistic relationship," Kingsley said. "Like any relationship, it's not all rosy, but it is longstanding."

Because of the aging population of the state, it may be a "natural evolution" for the number of jobs in health care to grow, Snowe said. But Snowe does not believe the forest industry should be neglected.

"If you think about where the job loss is occurring in the plant and lumber mill closures, they're happening in very rural areas of our state," Snowe said. "It's very difficult to replace those jobs."

Collins agreed, calling these forestry jobs the "backbone of Maine's rural economy."

Life changing in rural Maine

As a new generation of workers leaves their families in rural Maine to go to areas with better job markets, the abandonment of natural resource industries such as forestry means families will be less rooted and there will be "fewer opportunities for multigenerational families to be in touch," Irland, of the forestry consulting firm, said.

"Small-town life in many parts of Maine will never be the same," as the forestry industry becomes one of the last manufacturing industries to leave, Irland said. "Yet in all the change and gloom, we should remember that a key trait of Maine has always been adaptability."

"Maine workers are very resilient," said Adam Fisher, a spokesman for Maine's Department of Labor. "Some of the issues around trade have hit rural places hard. It's a challenge to come back from, once you've lost a job, especially one you've had for a while. It's hard for those workers."

That's where Susan Moore steps in. Moore helps to run a Dover-Foxcroft career center that gets federal funding to train workers who have lost jobs because of trade. Moore has urged Northup and others to enter the medical industry.

"The labor outlook indicates that jobs in the medical industry are growing," Moore said. "We're here to get people trained and skilled to find a good job so they will get employed after they leave."

For Northup, medical assisting is something she hopes will "open up a whole lot of possibilities" for her future.