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Legislators consider NAFTA's effects Panel suggests laws to protect Maine

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AUGUSTA -- A bipartisan group of lawmakers said Friday the state must pass legislation to protect Maine businesses from further job losses linked to international trade agreements -- even if such action results in lawsuits from foreign businesses.

The group's comments came just before a public hearing on the effects of the North American Free Trade Agreement on Maine, where lawmakers learned the unpopular agreement has helped diversify the state's economy but has led to a net loss of jobs over the past 10 years and a trade deficit with Canada and Mexico that reached \$874 million in 2002.

"Until states start to challenge (NAFTA), we won't know what we can do," said Sen. Margaret Rotundo, D-Lewiston.

Rotundo's sentiments were echoed by Republicans and Democrats on the Business, Research and Economic Development Committee. The panel received advice from an array of experts Friday on how Maine businesses -- which are losing state-funded contracts to Canadian competitors -- can better manage the effect of the agreement.

Sen. Lynn Bromley, D-South Portland, said state legislatures across the country have done little to challenge international trade agreements.

"(Legislators) think, 'It's federal, there's nothing we can do,' " Bromley said. "There is something we can do."

The tone of Friday's hearing suggested Maine lawmakers are prepared to enact legislation to mitigate the agreement's negative effects on businesses -- something most other states have yet to do.

Legislators are currently considering a bill that would create a commission to monitor the effects of international trade agreements on the state.

International trade agreements such as NAFTA have proven controversial because foreign investors may sue states which enact legislation that hinders their ability to turn a profit. Lawmakers at the hearing voiced concerns about threats to state sovereignty related to various trade agreements, including NAFTA.

Organizers with the Maine Fair Trade Campaign, which opposes NAFTA, told members of the committee that during the latest round of World Trade Organization negotiations, the European Union requested the state eliminate several laws. Many of the requests, which the group detailed in a report to the committee, ask Maine to remove state residency requirements to open several

service fields -- law, insurance and accounting, to name a few -- to European competition.

Matt Schlobom, an organizer, also told the committee several environmental regulations make Maine and other states susceptible to NAFTA-related lawsuits.

California, for example, is being sued by a Canadian corporation because the state passed legislation phasing out the sale of methyl tertiary butyl ether, or MTBE. Methanex Corporation, a producer of methanol (a component of MTBE), claims it is owed \$970 million for lost profits because of the ban.

"Laws that we democratically passed are there to be challenged," Schlobom said. Many who oppose the trade agreement take issue with the fact that such trials are heard behind closed doors by an international tribunal.

In a state-commissioned report on the agreement that was the subject of Friday's hearing, economist Charles Lawton concluded that "gains from international trade tend to be small and widely dispersed" while the costs "tend to be very clearly located and very large for those who bear them."

An increase in competition with Canada has exposed several areas where Maine businesses are at a considerable disadvantage, the report states.

According to the report, Canadian companies benefit from a variety of barriers not related to NAFTA that have shut Maine companies out of their markets. One Maine blueberry processor lost an order in Quebec because of specific packaging requirements that effectively exclude competitors from outside the province.

The report states that a favorable exchange rate and national health insurance also have given Canadian businesses an advantage since the advent of NAFTA 10 years ago.

Lawton, in the report, recommended legislators:

1 Create a working group to analyze the effect of various state and provincial tax- and trade-regulation policies on businesses, and use that group as a first step toward Gov. John Baldacci's push to create a regional trade agreement between Maine and northeastern Canada.

1 Tie Federal Trade Adjustment Assistance to education in the state's university and community college systems. Providing a "GI Bill ... for displaced workers" would better solve long-term employment problems.

1 Link adjustment assistance for businesses more closely to other state economic development programs, so business leaders whose companies have been harmed by NAFTA may receive retraining and education.

1 Mandate an annual "State of Globalization in Maine" report, to be delivered to the Legislature by the Maine International Trade Center.

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