

NAFTA in Maine

Especially in Maine, NAFTA is a polarizing issue. As Maine's economy becomes increasingly internationalized, Mainers increasingly debate the pros and cons of the 10-year-old free trade agreement among the governments of Canada, Mexico and the United States. Advocates emphasize gains in exports and employment that result from increased sales. Opponents focus on jobs lost in industries hurt by imports or by businesses shifting production to Canada or Mexico.

A new report, ordered by the Maine Legislature and produced by Planning Decisions of South Portland, as a consultant to the Maine International Trade center, should be the first of many to keep Mainers informed on how the North American Free Trade Agreement (NAFTA) affects our state's economy. In fact, its final recommendation is that the state order an annual report to increase public understanding of both the problems and the opportunities presented by international trade and investment. An excellent idea.

The report concludes that Maine has most likely suffered a net loss of jobs. An analysis of four Maine industries found that two industries, wood and food, have made substantial gains, while pulp and paper and metals have suffered large job losses.

But the study points out that various pro-and-con studies ignore the gains to consumers and the indirect effects on related businesses: "It is easy to point to a factory that closes because of lower cost imports and say, 'Trade is bad' or to a factory that expands because of sales to a foreign market and say, 'Trade is good.' It is harder to find the extra cup of coffee someone buys because his morning newspaper is less expensive because the publisher bought lower cost Canadian newsprint, It is harder to find the extra miniature golf game a tourist played because his family's lobster dinner was cheaper because of the added supply from Canada."

How does it all balance out? The report concludes that it's impossible to find the hundreds of thousands of purchases like those that save a few pennies per board foot on imported lumber or an imported shirt. It is harder still to measure them against the well-known closing of a lumber mill, an apparel factory, a cannery or a potato chip plant that lays off hundreds of workers.

A telling example of unintended consequences appears in the result of a current U.S. tariff on imports of Canadian lumber. Instead of helping American producers, it hurts them. Canadian producers have increased their volume so as to lower unit costs to offset the tariffs. They also have increased their investment in wood processing, since structural wood products are not subject to the softwood lumber import quota and Maine's manufactured housing industry faces an increased cost of imported Canadian lumber.

The overall conclusion is that increased international trade has produced both winners and losers in Maine, and the thing to do is address the problems of those who lose jobs and income. One of several proposed remedies is pressing eligible firms to take advantage of the Federal Trade Adjustment Assistance program. Nearly 4,000 Maine workers are eligible for this short-term help, but only eight Maine firms have signed up. Another would be to

establish a sort of GI Bill providing scholarships for displaced workers to work for advanced degrees, with tax credits for firms that take part.

This state-financed study rightly suggests that the choice for Maine is between, in effect, taxing consumers to protect domestic producers or helping Maine workers increase their skills and competitiveness in the developing global economy.