

**Meeting Summary**  
**Maine Citizen Trade Policy Commission**  
**April 27, 2012**  
**Room 220, Burton M. Cross State Office Building**  
**Augusta, Maine**

Members Present: Senator Sherman, Representative Maker, Senator Martin, Representative Bernard Ayotte, Representative Rotundo, Connie Jones, John Palmer, Joseph Woodbury, Mike Karagiannes (for Heather Parent, DEP), Michael Herz, Steve Cole, Jay Wadleigh

Staff: Lock Kiermaier (Contract)

Upon the required number of members being present to constitute a quorum, the meeting was convened by the Chairs at approximately 9:30 AM.

In the first item of the proposed agenda, Senator Sherman and Representative Maker convened the meeting and asked Commission members to introduce themselves.

**Presentation from Bruce Bryant, Northeast Field Representative, Alliance of American Manufacturing on unfair trade practices regarding imported auto parts from China**

The second item on the agenda was a presentation from Bruce Bryant, Northeast Field Representative, Alliance of American Manufacturing, on unfair trade practices regarding imported auto parts from China. Mr. Bryant, who is a former legislator and member of the CTPC, gave a PowerPoint presentation which made the following points:

- China's cheating on existing international trade agreements is putting 1.6 million U.S. auto parts jobs at risk;
- The auto bailout saved domestic assembly; now the fight is over parts; 25% of the jobs in the auto industry are in assembly; the remaining 75% (687,100) of the jobs are involved in the manufacturing of auto parts;
- 389,000 auto parts manufacturing jobs were lost in the United States between 2001 and 2010, an employment drop of 45% ;
- The cycle of auto parts job loss to China is a continual one in which China targets a particular sector of the auto parts market, floods the U.S. with government subsidized auto parts from China, China loses in arbitration but by then the U.S. jobs have already been lost;
- The U.S. has a more than \$8 billion auto parts trade deficit with China compared with positive auto parts trade balances between China and Japan, Germany and South Korea;
- Some positive moves have been taken recently by the Obama administration with the creation of a Special China Enforcement Unit and the use of "self initiated" trade cases; and
- In a recent bi-partisan poll, 95% of Americans said that they wanted to keep America's Trade Laws strong and strictly enforced to provide a level playing field for U.S. workers and businesses.

In the ensuing discussion, the following issues were raised:

- Commission member Michael Herz asked what Germany, Japan and South Korea were doing differently with China to have positive trade balances with China in the auto parts sphere? Mr. Bryant suggested that the U.S. is lacking a coherent manufacturing policy;
- Commission member Steve Cole mentioned that Master Machine located in Round Pond, Maine is an in-state example of an auto parts manufacturing company and then asked if the flood of Chinese auto parts were for original or replacement purposes. Mr. Bryant did not know the answer to that question;
- Commission member Joseph Woodbury stated his strong disagreement with the points of view presented by Mr. Bryant. He also indicated his feelings that the availability of cheap auto parts from China should be applauded, both the U.S. and China are guilty of currency manipulation and subsidizing their respective auto parts manufacturing sectors; the problem with manufacturing in the U.S. is the lack of a manufacturing plan and does not require government protection, the U.S. needs improved employment policies, lower taxes and tax reforms and regulatory reform;
- Commission member John Palmer stated that the Chinese have complete access to the U.S. design of domestic auto parts and maintained that first-quality Chinese auto parts are used by U.S. auto manufactures with second-quality parts going to auto part stores for replacement purposes. Mr. Palmer also cited regulatory barriers and constraints as primary reasons for the current problems in American manufacturing;
- Commission member Representative Bernard Ayotte also cited regulatory barriers and the unwillingness of many in the current work force to work for existing wages as the primary problems with American manufacturing;
- Commission member Connie Jones asked for a description of the “self-initiation” process available to the Executive Branch? While Mr. Bryant was unable to provide the specifics of that process he did state that the primary problem is that the Obama administration is not availing itself of that opportunity; and
- Commission member Mike Karagiannes (DEP designee for Heather Parent) commented that Mr. Bryant’s PowerPoint presentation seemed to be designed for a national audience and suggested that it be adjusted to reflect a Maine perspective.

**Presentation from Representative Sharon Treat on updates of the Dallas round of TPPA negotiations and an update on the newly adopted model for future bilateral trade agreements**

The third item on the agenda involved a presentation from Representative Sharon Treat, former CTPC member and current IGPAC member of the USTR, regarding various international trade treaty issues:

- Representative Treat informed the CTPC that the next round of TPPA negotiations are going to be held in Dallas, Texas in early to mid May. She plans on attending as a stakeholder and asked the CTPC how she could best represent recent CTPC actions and positions to those in attendance in Dallas. Without a formal vote, Commission members agreed that she should be authorized to distribute copies of recent CTPC letters and that copies would be provided to her to distribute in Dallas; and

- Representative Treat then discussed the recently developed 2012 Model Bilateral Investment Treaty (BIT). She mentioned the BIT's inclusion of Investor-State Dispute Settlement (ISDS) clauses and how she has noticed that the use of ISDS clauses allows foreign corporations to have "two bites of the apple" in the resolution of trade disputes. More specifically, foreign corporations can avail themselves of a solution through the adjudicatory process of the sovereign entity and then, if the desired outcome or ruling has not been obtained, opt for resolution through the ISDS process using a foreign tribunal. On the more positive side, Representative Treat lauded the model BIT for its inclusion of provisions which establish child labor standards but noted that these provisions are not enforceable through the use of the ISDS process.

In the discussion regarding Representative's Treat's presentation, the following remarks were made:

- Commission member Michael Herz asked how many other states had commissions like the CTPC? Representative Treat stated that Vermont, New Hampshire, Washington and Utah were the states that had commissions that were similar to, and as active as Maine's CTPC. Mr. Herz also suggested the wisdom in the possibility of having these commissions work together in to express commonly held positions. Representative Treat indicated her intention to contact these other commission's prior to her trip to Dallas to explore that very possibility;
- Commission member John Palmer indicated his desire to review a complete copy of the model BIT. Commission staff person Lock Kiermaier will follow through on providing all CTPC members with a copy of this document; and
- Commission Chair Representative Joyce Maker thanked Representative Treat for her many efforts to provide relevant and useful information to the CTPC.

**Presentation from Don Tardie, Managing Director/ Sales for Maine Woods Company LLC, on the Softwood Lumber Agreement**

The fourth item on the agenda was a presentation from Don Tardie, Managing Director/ Sales for Maine Woods Company LLC, on the Softwood Lumber Agreement. Mr. Tardie's remarks were divided into 2 sections. First, he presented an update chronology of the Softwood Lumber Agreement (SLA) between the U.S. and Canada:

1. Current Agreement signed in 2006 by Harper and Bush Governments
  - 7 Year deal scheduled to end in Sept of 2012.
  - US producers complained that Canadian exporters were subsidized by Crown Lands stumpage fees sold at bargain basement prices.
  - Canada won the first decision before NAFTA Panel.
  - US filed a subsequent petition to World Trade Organization and won.
  - Approximately \$5.6Billion levied against the Canadian Producers.
  - \$4.5Billion in levies returned back to the same producers.

- SLA extremely important to softwood lumber producers on both sides of the border with the exception Canadian Mills along the Maine and New Hampshire international boundary.
2. August of 2011: USTR announced it was seeking \$500Million in damages from BC Forest Industry before the London Court of International Arbitration. Decision is due this Summer.
  3. Two other USTR filed disputes have been won by the US.
    - Dispute that Canada failed to calculate volume quotas properly by Provinces. \$68Million export duties levied against the Federal Government.
    - Dispute that Provinces of Quebec and Ontario failed to justify market rates for Crown Lands Stumpage creating a breach of the agreement. \$60Million levied against the respective Provinces.
  4. SLA extended on Jan 23rd 2012 until Oct 2015.
    - Done within days after the Obama Administration rejected the Keystone Pipeline proposal.

The second part of Mr. Tardie's presentation consisted of his recommendations about how the TPPA and how future iterations of NAFTA could be improved:

- Future agreements should include a subsidy calculation based on US weighted average stumpage cost by region less the less the weighted average stumpage rate calculated for all Canadian Provinces by region;
- Settlements should be based on the level of financial injury collected by DOC by region and returned to injured claimants by region;
- Theoretically, no countervailing duties or anti-dumping duties would be allowed to be collected by the Canadian Government and redistributed back to their mills;
- No more debate on what qualifies for a log under the agreement nor should there be a debate on Crown land Stumpage Values;
- All costs associated with Claims Process borne by losing party;
- Dispute Resolution Process must be fair, impartial and equitably defined without prejudice before a new signed agreement;
- An independent and judicially qualified third party must be chosen and mutually agreed to prior to a new agreement;
- Decisions should not violate jurisdictional trade laws; and
- Should incorporate SLA Dispute Resolution and Claims Process.

### **News articles of interest**

The fifth item on the agenda consisted of a brief review of recent articles presented by Staff person Lock Kiermaier:

- Translation of article by Hirobumi Sengongi, Staff Writer with The Japan Agricultural News
  - Opposition in U.S.to extreme free trade which tends to benefit corporate entities

- Opposition in Maine to use of groundwater by multinational mineral water company
- Concern in Maine about state sovereignty being overridden by use of ISDS clause in TPPA
- Interviews with Senator Sherman, Representative Treat and Representative Rotundo (misspelled as “Lotando” in translation)
- Lost in translation: anti-TPP Campaign befuddles Washington
  - The agricultural lobby in Japan is working against the TPPA by taking out advertisements in US media
  - TPPA would require further opening of Japan’s currently protected farm sectors
- PHAA Issue Brief: Public Health and the TPPA
  - U.S. proposals for increasing intellectual property rights for pharmaceutical companies go far beyond current WTO agreements and undermine pharmaceutical reimbursement and pricing schemes
  - Inclusion of ISDR clauses could negatively affect government’s ability to regulate industry in key areas of health policy
  - Other TPPA provisions will make it more difficult to introduce policy interventions such as tobacco control, nutrition and alcohol labeling and restrictions on advertising of unhealthy goods;
- Last US Sneaker manufacturer wants to maintain balance in new trade pact
  - New Balance is working with lawmakers to insure that TPPA will preserve footwear duties that will allow the continued manufacturing of shoes in the US
  - Senator Snowe is leading the effort to preserve footwear tariffs in TPPA
- Former USTRs support expanding TPP membership; differ on sequencing
  - Six former USTRs support inclusion of Japan, Mexico and Canada in TPPA but differ on whether these countries should be allowed to participate in the negotiations or brought in after the provisions have been finalized
- WTO orders US to dump landmark Obama youth anti-smoking law
  - WTO tribunal in Geneva struck down the provisions of a US law which banned the sale on flavored cigarettes, most notably clove-flavored cigarettes from Indonesia
  - US has 60 days to implement the WTO order or face trade sanctions
- TPP schedule for 2012 taking shape, starting with Dallas round in May
  - TPPA negotiations are being pushed forward by the US and others to avoid complications by the participation of new members and the politics of the upcoming US presidential elections
  - However, TPPA is unlikely to be finalized before the end of this year
  - Next round of negotiations is scheduled to take place in Dallas starting in early May

- Mining for profits in international tribunals
  - Transnational corporations are increasingly turning to IRDS tribunals to resolve disputes over natural resource rights
  - The most frequently used tribunal is the International center for Settlement of Investment Disputes which has 137 pending cases; 43 pertain to oil, mining or gas
  - Contrast with only 3 pending cases in 2000 for oil, mining or gas
  - Latin American countries comprise 10% of ICSID membership but 50% of all currently pending cases
  
- Pacific illusions: the administration's latest trade deal is supposed to revive the US export economy and counter Chinese influence, it does neither
  - A series of anti-TPPA articles which comprehensively make the case against the TPPA; recommended as background reading for upcoming CTPC assessment in June.

**CTPC Assessment: TPPA**

For the next item on the agenda, Staff Person Lock Kiermaier updated the Commission on the development of a final contract for the upcoming assessment:

- A draft of the contract has been nearly finalized between the CTPC and Bob Stumberg and Matt Porterfield of Georgetown University;
- The assessment and all associated costs will be contracted for a blanket fee of \$10,000;
- A draft of the assessment will be provided to CTPC members for review approximately a week before a public hearing will be held;
- The public hearing is scheduled for Friday, June 15, 2012 and will feature a presentation of the draft assessment by Mr. Stumberg with the opportunity for questions and discussion with Mr. Stumberg by members of the CTPC and members of the public;
- A final assessment reflecting results of the public hearing will be submitted by Mr. Stumberg and Mr. Porterfield by the end of June.

**Next CTPC meeting**

As a final order of business, the commission decided upon Friday, May 18, 2012 as the date of its next meeting.

The meeting was adjourned at approximately 12:00 PM.