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## Maine Benefits from Exports (August, 2001)

U.S. Department of Commerce

International Trade Administration

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# Maine

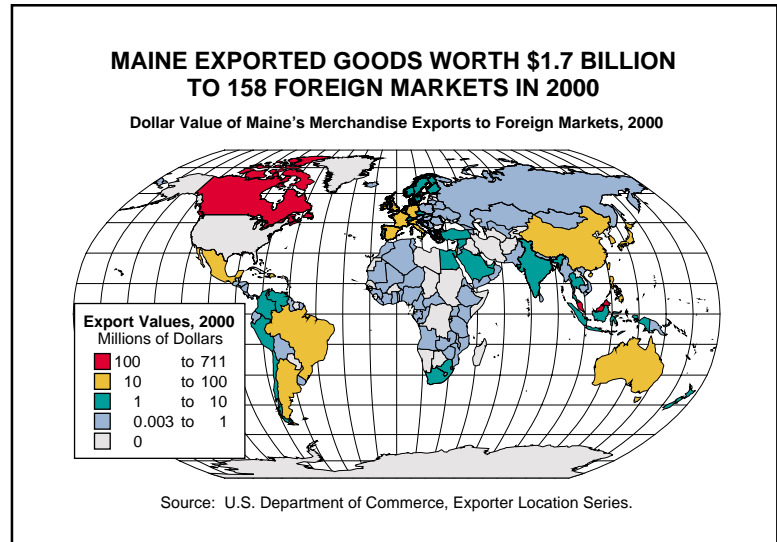
## Benefits From Exports

Maine's export sales of merchandise in 2000 totaled \$1.66 billion, up 4.7 percent from 1997 and more than 56 percent above the 1993 total of \$1.07 billion. On a per capita basis, Maine recorded 2000 export sales of \$1,306 for every state resident, up 52 percent from the per capita value of \$860 in 1993.

Maine exported globally to 158 foreign destinations in 2000. The North American Free Trade Agreement (NAFTA) nation of Canada, traditionally Maine's largest foreign market, is increasing in importance. In 2000, Canada accounted for 43 percent of the state's exports, up from 35 percent in 1997. Other top markets—each accounting for more than \$50 million in 2000 exports—were Malaysia, Japan, the United Kingdom, South Korea, and Germany.

Maine's biggest growth market, in dollar terms, is Canada. From 1997 to 2000, exports to Canada increased from \$557 million to \$711 million, an increase of nearly 28 percent. Dollar gains of more than \$10 million each were also recorded in exports to Israel, Germany, Mexico, Australia, the Netherlands, Brazil, Italy, the United Kingdom, and Belgium.

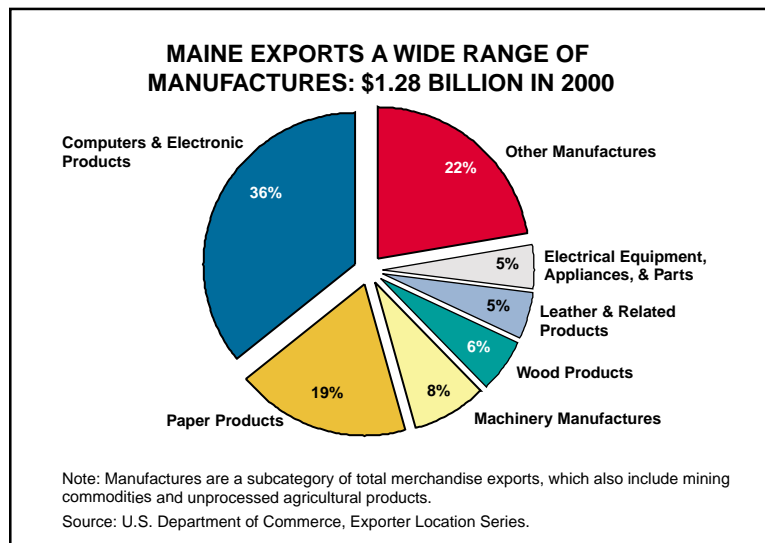
Among Maine's top 25 export destinations the fastest-growing markets, in percentage terms, are Israel,



Brazil, Australia, and Turkey. Exports to each of these markets more than tripled from 1997 to 2000.

The state's two leading export categories are computers and electronic products, and paper products. Together, these product groups accounted for 42 percent of Maine's total exports in 2000. The state also exports significant quantities of fishing, hunting, and trapping products (9 percent of exports), forestry and logging products (6 percent), and machinery manufactures (6 percent).

Within Maine, exports from the Portland metropolitan area in 1999 (latest available data) were \$757 million, accounting for 42 percent of the state's total exports. During 1993–99, the Portland area increased its exports by 113 percent—the 44th largest percentage gain among the 253 U.S. metro areas for which export statistics are available.



## Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

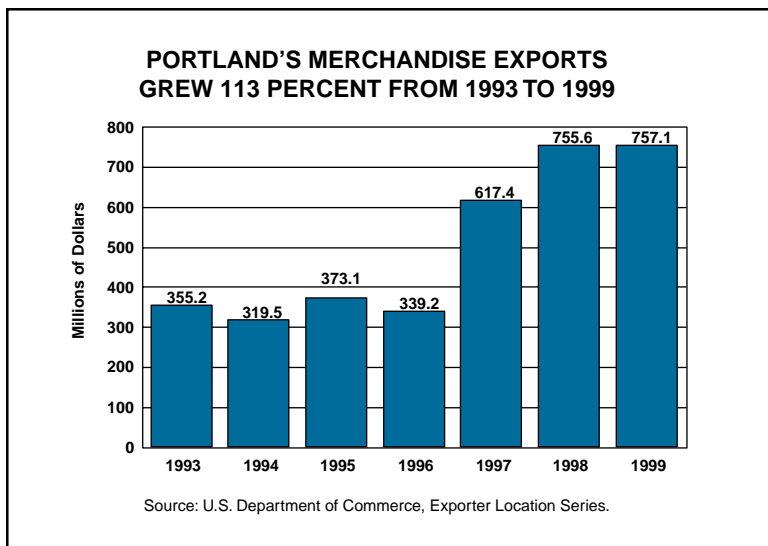
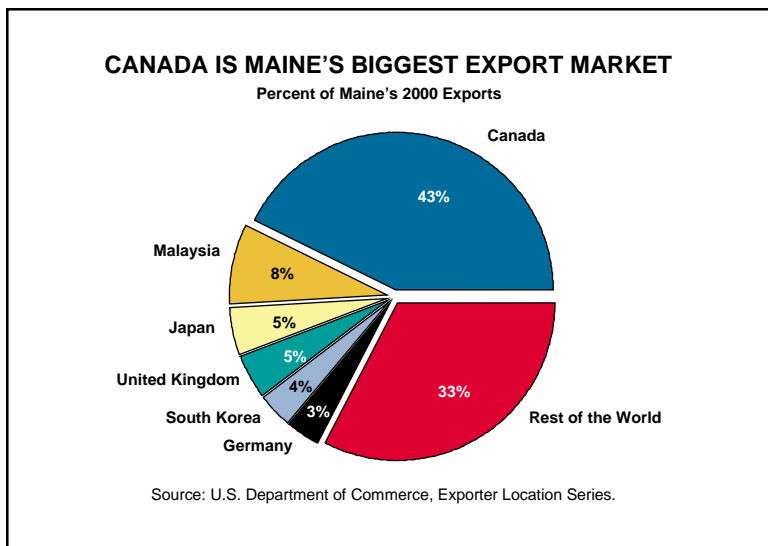
In 1997 (latest available data), Maine depended on manufactured exports for 23,800 jobs. Export-supported jobs accounted for an estimated 5 percent of Maine's total private sector employment.

Manufactured exports supported 12,100 jobs—roughly one of every seven workers—in Maine's manufacturing industries. Most of the state's export-related manufacturing jobs were located in six sectors: computers and electronic products, paper products, leather products, machinery manufactures, and fabric mill products.

Exports of manufactured goods also indirectly supported 11,700 jobs in Maine's nonmanufacturing industries, including 4,000 workers in wholesale-retail trade, 2,000 in transportation services, and 900 in business services. All these industries directly and indirectly supply manufacturers with a wide range of inputs needed to produce goods for export.

## Exports Help Small Business

Exports have broadly benefited Maine businesses, both large and small. A total of 1,798 companies exported from Maine locations in 1998. Nearly 78 percent of these companies, accounting for almost 23 percent of the state's total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 64 percent of all Maine exporters were small firms with fewer than 100 workers.



### TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

*U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.*

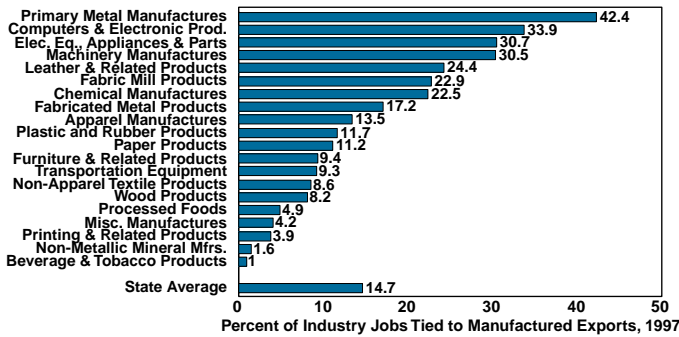
*Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.*

*TPA preserves the ability of the United States to protect public health, safety, and the environment.*

## Foreign Competitors Are Not Standing Still

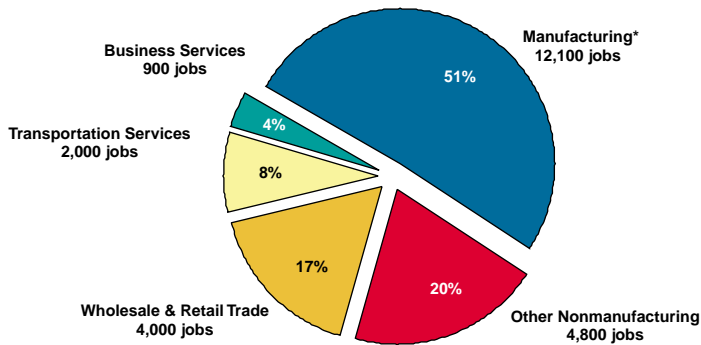
While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

### MORE THAN ONE-SEVENTH OF MANUFACTURING JOBS IN MAINE WERE TIED TO EXPORTS IN 1997



Note: In 1997, 14.7 percent of the 82,300 manufacturing jobs in Maine were tied to manufactured exports—some 12,100 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.  
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

### 23,800 MAINE JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



\*Includes 300 jobs tied to exports of processed foods.  
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

## Maine Industries Can Gain From Trade Negotiations

Maine’s exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Maine’s businesses across many industrial sectors.

**Information technology.** Maine’s high-tech businesses are beneficiaries of the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S.

suppliers, including those in Maine, would likely see sales rise if remaining barriers on IT products were eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

**Paper and paper products.** Export sales are critical to the future growth of the U.S. paper and paper products industry, which has operations in nearly every state, including Maine. As a result of the Uruguay Round, U.S. exporters of paper products have benefited from lower tariffs in a number of foreign markets. However, the industry continues to face high tariffs on paper in countries that do not participate in the Uruguay Round duty elimination agreements. Tariffs are still high in such key competitor and consuming countries as Brazil, Colombia, Indonesia, Malaysia, Thailand, and Venezuela. For example, tariffs in Venezuela and Thailand are as high as 20 percent and 25 percent, respectively. In addition, the U.S. paper industry faces a number of nontariff barriers in key foreign markets, including import surcharges, import quotas, import permits and licenses, and subsidies.

**Fish products.** Maine exports a range of fish products, including such high-value products as lobster. Since the conclusion of the Uruguay Round, the United States has actively supported trade liberalization for fish products, includ

### MAINE: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Maine goods and services.

Maine exporters still face major trade barriers in such sectors as information technology, paper and paper products, fish, lumber and wood products.

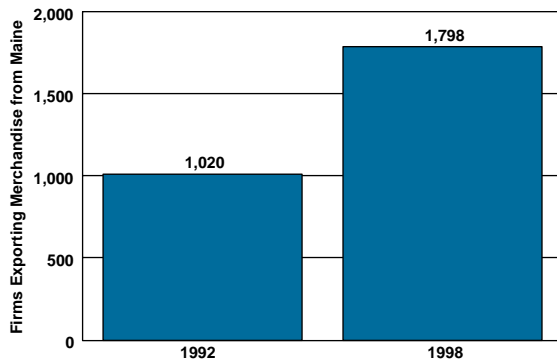
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Maine’s economy is export-dependent, with export sales of \$1,306 for every state resident.

Nearly 24,000 Maine jobs depend on exports of manufactured goods.

1,798 companies—including 1,393 small and medium-sized businesses—export from Maine.

**THE NUMBER OF COMPANIES EXPORTING FROM MAINE ROSE 76 PERCENT FROM 1992 TO 1998**



Source: U.S. Department of Commerce, Exporter Data Base.

ing tariff elimination, subsidy reform, and the lowering of nontariff trade barriers. As the United States maintains very low tariffs, few subsidies, and an open and transparent market, Maine’s fishing industry has much to gain from renewed negotiations with its principal trading partners in the European Union, where tariffs, subsidies, and other trade barriers persist.

**Lumber and wood products.** The lumber and wood products industry benefited from tariff reductions negotiated in the Uruguay Round. However, tariffs in key markets remain an important problem since the industry operates on very thin profit margins. Tariffs in Japan average 4 percent on key value-added products, while high tariffs in Latin America—particularly Brazil, Argentina, and Chile—severely hamper the industry’s ability to compete in that region. As other countries move ahead with preferential trade agreements, U.S. exporters may be left behind. An example is the Canada-Chile FTA. Establishment of an ASEAN Free Trade Area will create significant competitive advantages for Indonesia and Malaysia, two of the world’s top suppliers of wood products, and handicap the U.S. industry in such growing markets as Singapore, Thailand, and the Philippines.

**Agriculture.** Maine produces and exports agricultural products. According to the U.S. Department of Agriculture, Maine’s agricultural exports totaled \$42 million in 1999. Maine’s top agricultural export is vegetables. Maine already benefits from past trade agreements; however, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide. Negotiations in the FTAA would provide the opportunity to address these barriers in our

hemisphere, complementing broader efforts in the World Trade Organization agricultural negotiations to open global markets and further liberalize agricultural trade.

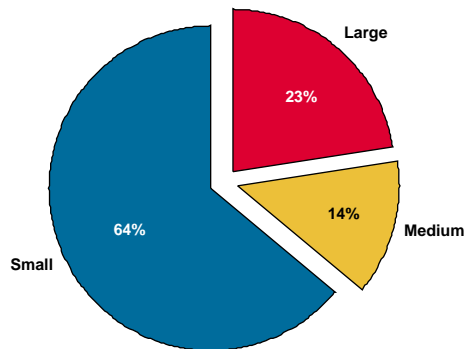
**Services.** Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade

negotiations now under way to dismantle these barriers.

**Imports Also Important to Maine**

While exports generate clear benefits for the Maine economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Maine, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Maine with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

**78 PERCENT OF MAINE’S 1,798 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES**



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees. Source: U.S. Department of Commerce, Exporter Data Base.