



# Trade Makes Maine Strong

Maine gains from global trade. Trade (export and import) growth increases jobs by advancing Maine’s manufacturers, services providers and farmers. Imports also keep costs low, helping Maine businesses compete and saving Maine families real dollars at the cash register. Foreign investment in Maine creates good jobs across a range of sectors.

## TRADE CREATES JOBS FOR MAINERS

Trade with the world – both exports and imports of goods and services – creates jobs in Maine.

- Today, trade supports **143,359 jobs** in Maine.
- **17.6 percent of jobs** in Maine are supported by trade, up from 7.5 percent in 1992.
- As trade in Maine has grown, unemployment has fallen. Maine’s unemployment rate - **4.8 percent** – is below the national average.

### Maine’s Three Most Export-Intensive Industries

Industry	% Export-Related
Computers/Electronics	47%
Textiles	25
Plastics	17

Trade particularly benefits employees of Maine’s small- and mid-size companies.

- In 2004, more than **1,668 Maine companies** sold their products abroad.
- 1,374 exporters – **82 percent** – were small- or mid-sized companies in 2004.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

### TEN WAYS TRADE MAKES MAINE STRONG

Trade supports one in six jobs in Maine.

Most of Maine’s exporters are small or mid-sized businesses.

Jobs at exporting plants pay 18% more than at non-exporting plants.

5% of Maine’s 2005 GDP was from exports.

Foreign-owned companies employ 29,000 workers in Maine.

Foreign-owned firms pay workers 32% more.

Half of imports are raw materials and other items needed for manufacturing.

Marketing imports demand services, which account for 14% of Maine’s GDP.

Import prices grow much slower than overall consumer prices, saving money for Maine consumers.

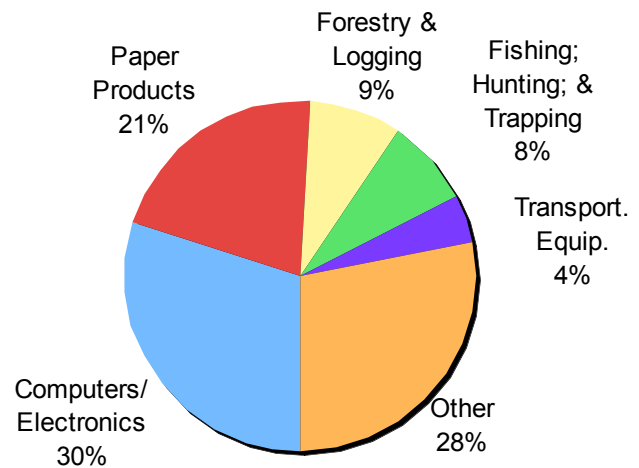
NAFTA worked for Maine. In 2005, Maine exports to Canada and Mexico were \$901 million and \$33 million.

## MAINE'S KEY INDUSTRIES GROW WITH EXPORTS

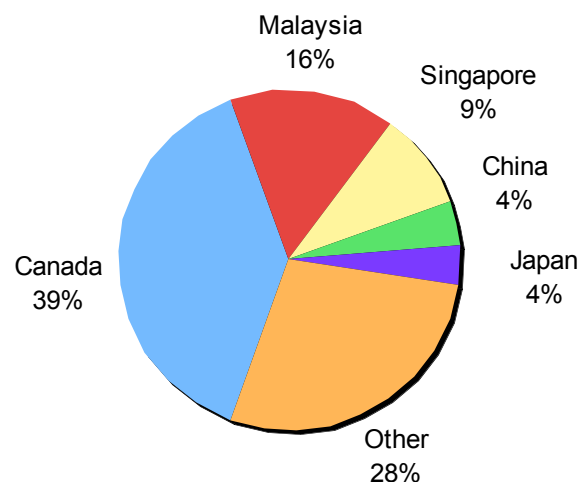
According to the U.S. Department of Commerce, Maine's **total exports were valued at \$2.3 billion** in 2005.

- **Computers and electronics** were Maine's leading export products in 2005, accounting for **30 percent** of total exports. Also important are paper, **paper products, forestry, logging, and seafood products.**
- **Computers and electronics** are also one of the fastest growing exports for Maine, growing at an annual rate of **22 percent** between 2000 and 2005.
- In 2005, Maine companies sold their products in **169 foreign markets.**
- The top export market is **Canada** (39 percent). Other leading markets include **Malaysia** (16 percent) and **Singapore** (9 percent).
- **Hungary** is one of Maine's fastest growing trading partners. In 2005, Maine companies exported **\$10 million** worth of goods to Hungary, compared to just **\$60,000** in 2000.
- In 2005, exports represented **5.1 percent** of Maine's state GDP.

**Leading Export Products**



**Leading Export Markets**



*"...[T]he world has become such a global economy. Everyday items come from different parts of the world... Maine can be very successful in this global economy. That's always reinforced when I go on a trade mission. It's not just the big companies – and they certainly do participate – it's also lobstermen, scallop divers, farmers, everyday people who are realizing that they can sell their goods on an international stage and be successful.*

*"I have recognized, in the last four years, that many businesses that are successful are businesses where export is a part of their financial picture. When a business has the ability to do business outside of the U.S. and gains income from that export, the longer-term viability of the business is strengthened."*

- Governor John Elias Baldacci

## MAINE WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Maine every year, infusing money into the local economy and keeping unemployment low.

- These companies employ **more than 29,000 workers**, six percent of all Maine employees, **ranking it 10<sup>th</sup>** in the nation in share of “insourced” workers.
- **Manufacturing** accounts for nearly **8,000 insourced jobs**, representing 10.2 percent of all manufacturing jobs in Maine.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*Nestle Waters North America, Inc., was the winner of the Maine International Trade Center’s 2006 Foreign Direct Investor of the Year Award. Headquartered in Vevey, Switzerland, the Maine subsidiary – Poland Spring Water Corporation – continues to invest in the growth and success of the Poland Spring label in Maine. The firm operates two bottling plants in Poland Spring and Hollis, employing over 700 people.*

### Selected Corporations with Operations in Maine

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Degussa	Chemicals	Germany
Deutsche Telekom	Telecommunications	Germany
Hannaford Brothers Company	Grocery Stores	Belgium
Huhtamaki	Packaging Materials	Finland
McCain Foods	Food Products	Canada
Nestle USA (Poland Spring)	Food Products	Switzerland
Oldcastle Inc	Construction	Ireland
Siemens	Telecommunications	Germany
Sodexo	Food Management Services	France
T-Mobile	Customer Call Center	Germany

*The Maine International Trade Center has led trade missions to Europe, Latin America and Asia. It maintains a **Canada Desk** for Canadian trade and NAFTA issues, and launched its **Greater China Desk** in 2005 to better facilitate access for Maine businesses to markets in China, Hong Kong and Taiwan. Leading export opportunities for Maine producers to China have been identified as biotechnology, pharmaceutical consulting, infrastructure construction, and environmental protection technology.*

*“The Maine International Trade Center is a vital resource for Maine companies looking to enter the China market. The china desk in Lewiston has helped us map out a long-term strategy for exporting our Maine-made products to China and provided us with useful contacts in China.”*

*– Chris Bradley, President, Cuddledown, Portland*

## MAINE MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Maine manufacturing sectors benefit from imports in some way.
- **Footwear manufacturers use imported leather** to keep costs low.
- Maine companies use **imported wood pulp** to produce wood-fiber based products for the domestic market.

### *Capital Goods Imports Benefiting Maine's Manufacturers*

<u>Product</u>	<u>Price Change, 1996-2005</u>
<b>All Capital Goods</b>	<b>-23.4%</b>
Electric Generators and Parts	-6.4%
Non-Electrical Machinery, (excl. Computers)	-9.4%
Business Machinery (excl. Computers)	-12.4%
Computers	-50.2%

## MAINE'S SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous **services industries** benefit from business generated by imported goods.

- **Professional services**, including finance, insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Maine's growth and account for **14.4 percent of state GDP**, nearly one-and-a-half times more than manufacturing.
- Imports comprise a significant portion of Maine's **transportation and product sales** (both wholesale and retail). These industries account for **16.7 percent of state GDP**.

## MAINE FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Maine families down while increasing their choices for goods and services.

- Trade helps **keep inflation in check**. Prices for widely traded consumer goods tend to rise less than prices for non-traded goods.
- Trade and investment liberalization policies are **worth over \$10,000 per year** to an average Maine family of four.
- Between 1990 and 2004, U.S. import prices grew at about a quarter of the rate of growth of overall consumer prices (0.6 percent per year vs. 2.2 percent per year).

### Trade and Low Inflation: Price Changes (1997-2004)

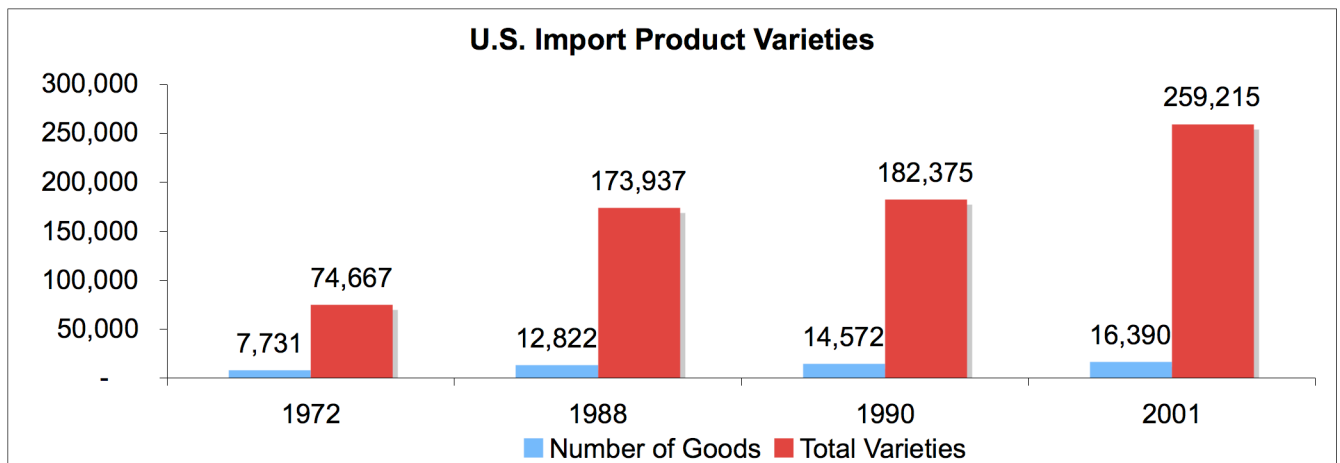
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

The lower costs resulting from trade mean **more purchasing power** for Maine consumers, which is particularly important for lower income families.

- In 2005, 31,000 families in Maine were at or below the national poverty level (about \$20,000 per year for a family of four).
- Lower income families spend nearly three times as much on footwear and 50 percent more on apparel than upper income families spend, both goods that are largely traded.

**Consumer choice** increases with trade.

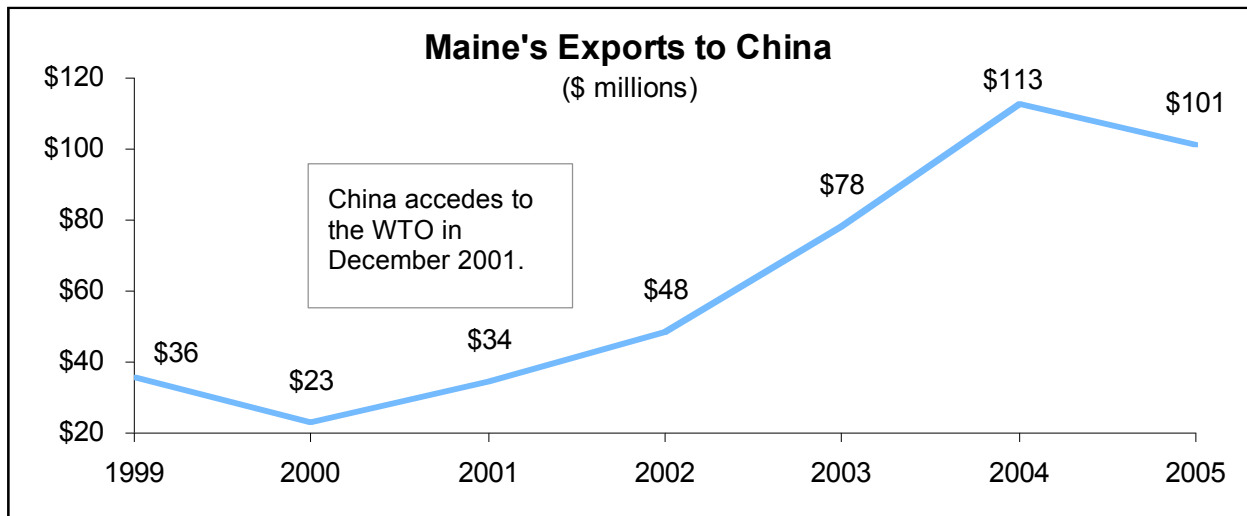
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR MAINE – LEVELING THE TRADE PLAYING FIELD

The United States has some of the lowest trade barriers in the world. Free trade agreements level the playing field by lowering other nations' trade barriers and opening up foreign markets to U.S. exports.

- Since the **North American Free Trade Agreement** went into effect in 1994, Maine's exports to Canada have increased **\$534 million** (146 percent), while exports to Mexico have increased **\$15 million** (86 percent).
- In 2001, a recession year, Maine's total trade with **Canada** generated \$584 million for Maine's economy and supported 23,923 jobs.
- Similarly, **China's** accession to the World Trade Organization, which went into effect in late 2001, has had a significant effect on export growth from Maine to China.



## SOURCES

### JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
U.S. Department of Labor (<http://www.bls.gov/lau/home.htm>)  
U.S. Department of Commerce (<http://ita.doc.gov/td/industry/otea/jobs/index.html>),  
(<http://ita.doc.gov/td/industry/otea/edb/index.html>)

### EXPORTS

The Maine Democrat, "Interview with Governor John Elias Baldacci"  
(<http://www.polarbearandco.com/mainedem/mef.html>)  
U.S. Department of Commerce (<http://tse.export.gov>),  
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### FOREIGN INVESTMENT

The Maine Democrat, "Interview with Governor John Elias Baldacci"  
(<http://www.polarbearandco.com/mainedem/mef.html>)  
Maine International Trade Center (<http://www.mitc.com/Presentations/TRADEDAY2006.ppt>),  
([http://www.mitc.com/PDF\\_and\\_Microsoft\\_Office\\_Files/AwardWinnerPR.pdf](http://www.mitc.com/PDF_and_Microsoft_Office_Files/AwardWinnerPR.pdf)),  
Organization for International Investment (<http://www.ofii.org>)

### IMPORTS

U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/bea/regional/gsp/>)

### STANDARD OF LIVING

Council of Economic Advisers (<http://www.gpoaccess.gov/eop/index.html>)  
U.S. Department of Labor (<http://www.bls.gov/cpi/home.htm>),  
(<http://www.bls.gov/cex/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/>)  
U.S. Census Bureau (<http://www.census.gov/hhes/www/poverty/poverty.html>)  
Christian Broda and David Weinstein ([http://www.ny.frb.org/research/staff\\_reports/sr180.html](http://www.ny.frb.org/research/staff_reports/sr180.html))

### TRADE LIBERALIZATION

U.S. Department of Commerce (<http://tse.export.gov>)  
Joseph Francois and Laura Baughman  
([http://tradepartnership.com/pdf\\_files/2004\\_Canada\\_Jobs.pdf](http://tradepartnership.com/pdf_files/2004_Canada_Jobs.pdf))

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