



MAINE INTERNATIONAL TRADE CENTER

Marketing Maine To The World

April 5, 2004

Alan Stearns, Senior Policy Advisor
Office of the Governor
1 State House Station
Augusta, ME 04333-0001

Dear Alan:

I have reviewed the letter of March 23, 2004 from Bjorn Claeson on behalf of the Maine Fair Trade Campaign and the Peace through Interamerican Community Action (PICA) group to Governor John Baldacci.

The letter's key points are:

- The Governor has authorized the U.S. Trade Representative's (USTR) Office to "bind" Maine to procurement rules in new trade agreements, possibly to the detriment of the Maine people.
- Existing Maine government procurement practices may conflict with the procurement rules in new trade agreements.
- Setting government procurement policy is a matter for the state legislature.
- The Governor should withdraw the authorization previously given to the USTR. Maine has everything to gain and nothing to lose from withdrawing consent to the new procurement rules.

Since the issuance of the March 23 letter, the Office of the U.S. Trade Representative issued a document entitled "Trade Facts", which refutes many of the PICA claims. According to Jean Grier, Senior Procurement Negotiator with the Office of the U.S. Trade Representative, the "Trade Facts" document was created because similar claims in the PICA document were being made in Minnesota, Vermont, and Texas. "Trade Facts" has now been sent to all U.S. Governors and is posted on the USTR website.

Some key points from the "Trade Facts" that are responsive to PICA's contentions include:

- Maine is only being asked to allow foreign suppliers access to contracts above \$477,000 for goods and services and \$6.7 million construction.
- Maine has the right to identify any goods or services they want to exempt from their endorsement.
- Maine can reserve any sensitive procurement areas, such as measures to promote economic development. Preference programs for small businesses, distressed areas, minorities and women are excluded from the agreements.
- Maine can make purchases in accordance with state environmental policies, in order to protect the environment.

Based on our research, knowledge of the marketplace and input from our Board of Directors, the Maine International Trade Center would like to offer the following guidance:

- We believe the Governor's authorization was and still is justifiable and in the interests of the Maine people and the Maine economy.
- Maine and other state endorsements are being sought in order to convince the foreign signatories to reciprocate and open their state or province procurement to U.S. firms.
- Maine indeed has something to lose if foreign tendering opportunities are closed to Maine companies. International exports has been one of the bright areas of the Maine economy, being only one of two categories (out of 58) awarded a "gold star" by the 2004 Measures of Growth report, published by the Maine Economic Growth Council. The openness of foreign markets has enabled Maine to export a record \$2.2 billion worth of goods in 2003, and is currently ranked as the eighth fastest growing state in exports.
- The Maine International Trade Center is not in a position to advise as to whether state procurement policy falls under the legislative or the executive branch of government.

I have confirmed with Ms. Grier of the Office of the U.S. Trade Representative that Maine indeed has the right to withdraw or modify its endorsement of the trade agreements currently in negotiation. The agreement with Australia is due to be signed in mid-May, 2004, and she already has the endorsement of 28 states. The Central American Free Trade Agreement (CAFTA) will most likely not be signed until 2005.

The Maine International Trade Center is experiencing a record volume of requests for technical trade assistance as we have expanded our outreach into the international business community. Governor Baldacci's Trade Mission to Ireland also set records in terms of the delegation size and sales generated for Maine. We do not recommend any actions which would impede this acceleration of international business activity in Maine.

Alan Stearns

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Please let me know if there is any other information we can gather for you. Thank you.

Sincerely,

Richard J. Coyle
President and State Director of International Trade