

February 1, 2016

Lisa R. Barton
Secretary to the Commission
United States International Trade Commission
500 E Street, SW
Washington DC 20436

RE: Investigation No. TPA-105-001

Dear Madame Secretary,

Thank you for the opportunity to submit written comments on the proposed Trans-Pacific Partnership (TPP) Agreement's likely impact on the U.S. economy.

The Maine Center for Economic Policy is a nonprofit, non-partisan policy research organization. We provide citizens, policymakers, advocates, and the media with credible and rigorous economic analyses to help Maine people prosper.

We submit testimony today because trade agreements like the TPP detract from the economic stability of Maine's hard-working families. Specifically they exacerbate wage and income inequality that forces tens of thousands of Mainers into poverty.

According to Public Citizen, a nonprofit advocacy organization,

Since 1941 standard economic theory has held that trade liberalization is likely to contribute to greater income inequality in developed countries like the United States. As direct competition with low-wage labor abroad puts downward pressure on middle-class wages, the profits of multinational firms rise, and the income gap between the rich and everyone else widens.¹

Public Citizen goes on to say,

In the early 1990s, as U.S. income inequality soared amid the enactment of U.S. "free trade" deals, a spate of economic studies...[aimed] to determine the relative contribution of trade flows to the rise in U.S. income inequality. **The result was an academic consensus that trade flows had, in fact, contributed to rising U.S. income inequality. The only debate was *the extent* of trade's role**, with most studies estimating that between 10 and 40 percent of the rise in inequality during

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the 1980s and early 1990s stemmed from trade flows, as indicated in the table below.²

In Maine we have seen the growing disparity between high- and low-wage workers firsthand.

Wage growth for the median Maine worker began to stagnate in the late 1980s. The median wage didn't grow at all over the past decade and has grown by less than a dollar since 1990. Meanwhile, the highest wage earners have seen relatively steady income growth over the past 30+ years, and the top 10% of wage and salary earners experienced a 12.4% increase in real wages between 2002 and 2012.³

Income inequality in Maine is growing too. Between the late 1970s and the mid-2000s, the average income for the poorest fifth of Maine households grew just 27%, from \$18,720 to \$23,825. Middle-income households fared slightly better, with average household income for the middle fifth of Maine households growing 47% over the same period. The top 20% of Maine households, meanwhile, saw their average income grow 67%.⁴

As trade flows are liberalized, Maine manufacturers, like our paper mills, are unable to compete with companies in countries with lax or nonexistent labor protections and, consequently, low-wage labor. In Maine, since 1990 the manufacturing sector has shed more than 40,000 jobs, almost half the state's manufacturing employment, to be replaced with service jobs. Most jobs in the service-providing sectors of the economy pay lower wages and offer fewer benefits than many of the earlier factory jobs.⁵

Today with low-paying jobs as their only option, one-third of Maine families fall under 200% of the federal poverty level and are unable to provide for their basic needs: food, clothing, heat, health care, and housing.⁶

Maine's emblematic fishing industry provides one example of how the TPP agreement will contribute to job loss and further increase wage and income inequality. The TPP will reduce or eliminate trade barriers on fish and seafood imports from New Zealand, Vietnam, and other TPP countries. As a result, Maine fishermen will be forced to compete with fishing vessels that use forced labor, with aquaculture producers that use chemicals and antibiotics banned in the U.S., and with seafood processors with less regulatory oversight.⁷

With the increasing cost of fuel, gear, and bait, the threat of shell disease and warming waters, and the risk of drowning from high waves or entanglement in trap lines, Maine's fishing families already live precariously on the edge. Unfair competition from TPP countries will put them out of business and out of a livelihood. Deep cuts or even the loss of our fishing industry would not just be a blow to Maine's economy, but to our heritage and culture.

We understand that the purpose of the TPP trade agreement is to promote economic opportunity across world boundaries. But this agreement will make it easier for U.S. companies to shift production overseas, exploit the less rigorous labor and environmental standards in

those trade partner countries, and pay lower prevailing wages to their workers abroad. It will make wage and income inequality worse both domestically and internationally.

I urge you to consider the economic downsides of removing tariffs and trade barriers on imports and the resulting degradation of jobs and wages in Maine.

Sincerely,



Garrett Martin
Executive Director

cc: Hon. Senator Susan Collins
Hon. Senator Angus King
Hon. Representative Chellie Pingree
Hon. Representative Bruce Poliquin
Maine Citizen Trade Policy Commission

¹ Public Citizen. Studies Reveal Consensus: Trade Flows during "Free Trade" Era Have Exacerbated U.S. Income Inequality, August 20, 2015.

² Ibid.

³ Maine Center for Economic Policy. The State of Working Maine, 2013, November 2013.

⁴ Ibid.

⁵ Ibid.

⁶ Working Poor Families Project. Analysis of 2013 American Community Survey microdata. Available at <http://www.workingpoorfamilies.org/indicators/>, Accessed January 27, 2016.

⁷ Treat, Sharon Anglin. Impact of the Trans-Pacific Partnership (TPP) on the Environment, Climate, and Healthy Food. A Briefing for Attorneys and Policy Staff, Augusta, ME, January 19, 2016.