

**Meeting Summary**  
**Maine Citizen Trade Policy Commission**  
**July 1, 2013**  
**Room 214, Burton M. Cross State Office Building**  
**Augusta, Maine**

Members Present: Senator Patrick, Senator Sherman, Representative Treat, Steve Cole, Linda Pistner, Bob Umphrey, Pamela Taylor, Harry Ricker

Staff: Lock Kiermaier (Contract)

After determining that the statutory requirement that 11 members must be present to officially convene would not be met, CTPC Chair Representative Sharon A. Treat declared this meeting of the CTPC was for informational purposes only and that no formal motions or votes would be taken. The informational meeting was then convened at approximately 9:30 AM.

To begin the meeting, Representative Treat welcomed newly appointed member Pamela Taylor from the Department of Labor and asked Commission members to introduce themselves.

**Presentation from Kathie Leonard, President of Auburn Manufacturing and member of USTR**

To accommodate guest speaker Ms. Kathie Leonard, the order of the draft agenda was changed to allow her to speak first. Ms. Leonard is the President of Auburn Manufacturing, Inc (AMI) and is a member of the USTR.

After an introduction by CTPC staff person Lock Kiermaier, Ms. Leonard provided a brief description of AMI:

- AMI was founded in 1979 by Ms. Leonard and a partner who is no longer involved in the business;
- AMI is owned by Ms. Leonard and is one of the leading woman owned manufacturing businesses in Maine;
- AMI has 2 manufacturing sites; one in Mechanic Falls and the other in Auburn. Currently, the Auburn site of AMI is undergoing an expansion of 22,500 sq. ft. which represents a 30% increase in the total square footage of the Auburn manufacturing facility;
- AMI has 50 employees; using one metric that maintains that each textile job supports 3 jobs, Ms. Leonard suggested that AMI employment is actually responsible for an additional total of 150 jobs in Maine;
- AMI specializes in the manufacture of heat-resistant textile products designed to protect people, plant and equipment from extreme heat and the danger of fire. Ms. Leonard stated that the development of AMI's heat-resistant textile products which are based in silica was in response to the phase-out in the U.S. in the use of asbestos as a heat-resistant material;

- AMI has a variety of commercial customers including shipbuilding and heavy industry. In particular, business with the U.S. military comprises 10% of AMI's overall current business. Also, exports make up 25% of AMI business with Canada being the largest exporter of AMI products and sell to more than 30 countries worldwide;
- Whenever possible, AMI uses American materials in the production of its heat-resistant textile products; the actual percentage of American-made materials in AMI products is 95%;
- NAFTA has generally benefitted AMI with its primary exporting customer of Canada. In recent years, AMI has also experienced a noticeable increase in exports to Mexico as a result of that country's improving economy; and
- AMI benefits from high U.S. safety standards with regards to heat-resistant materials and its dedication to the use of U.S. made materials helps to bolster the reputation and integrity of its products.

Ms. Leonard then moved to a discussion of U.S. trade policy and how it has affected AMI;

- For the first 20 years of its existence, AMI experienced a rapid growth in business, averaging approximately 30% annual growth in sales. Much of this growth can be attributed to the lack of competition and the need to replace asbestos as the most commonly used heat-resistant material;
- In the 1990s, AMI began to experience significant competition for its military contracts with increased imports of heat-resistant textiles from Eastern European countries such as Latvia and Belarus. Previously, these and other eastern European countries had sold high volumes of these textiles to the Soviet military. When the Soviet Union disbanded, these countries lost a lot of their market and began "dumping" much of their heat resistant textile products in the U.S.;
- In the early 2000, the imports of these eastern European textile products increased significantly, especially as represented by business from the U.S. military;
- In particular, the U.S. Navy issued an RFQ in which the required silica content of heat resistant textiles had been lowered from 96% (that used by AMI) to 93% (That used by Belarus and other eastern European countries), thereby opening the bidding process for an inferior product to Belarus;
- Ms. Leonard then made reference to the so-called "Berry Amendment" (USC, Title 10, Section 2533a) which is federal law which requires that the Department of Defense must give "preference in procurement to domestically produced, manufactured or home-grown products" with an emphasis on food, clothing and fabrics. Ms. Leonard stated that in recent years, the Berry Amendment requirements have often been flouted and/or ignored by manufacturers that misrepresent their fabric product as being "American Made";
- In response to the U.S. Navy RFQ, AMI protested and were eventually able to get the U.S. Navy to rescind the previous RFQ and the contract was awarded to the lowest bidder which met the specifications which was AMI;
- However, AMI then began to note a different trend in which U.S. military contracts were being placed with "primary" U.S. contractors; these contracts not being put out to public bid in the usual fashion and were lacking in significant transparency. The details of these contracts were not made public due to "privity" concerns regarding competitive

disadvantage and alleged “trade secrets” and AMI attempts to use the Freedom of Information Act to disclose these contracts were unsuccessful;

- In 2008, Belarus was sanctioned by the U.S. government and as a consequence, imports from a competing government owned textile company in Belarus decreased and AMI business increased. Previously, AMI had not realized how much business it had been losing to the Belarus company and also then became aware that many American companies were using Belarus textiles and then claiming to be “American Made”. Ms. Leonard maintains that this is a common practice in many U.S. businesses and ultimately results in the loss of a significant number of American jobs;
- As an example, Ms. Leonard provided the CTPC with a copy of an unattributed e-mail received by a U.S. company from an Australian import/export firm which offered to ship unlabeled Belarus textile product and further disclosed that they deliberately mislabeled these products in terms of “origin of sale”. Ms. Leonard reiterated that this is common practice in U.S. manufacturing and referred to the practice as “transshipment” in which materials are imported by one country and then re-imported over several borders to finally be used as an alleged “domestic product”;
- Ms. Leonard has alerted the U.S. Customs and Border Control about this practice of transshipment and has received a fairly high degree of cooperation and interest from that agency;
- Ms. Leonard and AMI have also worked to expose another instance of transshipment in which a U.S. company is importing Chinese heat-resistant textiles, relabeling the product and claiming it is American Made; these products are being sold at 30% less than the similar AMI product;
- Ms. Leonard then emphasized that this issue of transshipment, which really falls into a discussion of *domestic enforcement*, is the major issue that AMI and other American manufactures have with the provisions of international trade treaties; and
- Ms. Leonard also identified currency manipulation and foreign subsidies as competitive trade disadvantages that U.S. companies like AMI have to deal with creating competition that sells for as much as 40% less than the true domestic product.

Ms. Leonard then summarized several goals that she and AMI are pursuing with regards to international trade policy:

1. Increased enforcement of country of origin labeling requirements;
2. Increased enforcement of “Berry Amendment” and other Buy American procurement requirements; and
3. Increased awareness of the widespread use of the transshipment process which is used to circumvent domestic law and the provisions of international trade treaties.

In the ensuing discussion, CTPC members expressed their belief that the enforcement issues raised by Ms. Leonard are ones that could potentially be future issues that the CTPC chooses to focus on. Further, future speakers could be invited to share their perspective and knowledge of international trade enforcement issues. In particular, Ms. Leonard mentioned a consultant that she has been using, Ms. Dana Eidsness of Orr’s Island, as someone who might be a pertinent speaker on the topic of enforcement.

In the context of that discussion, CTPC members and Ms. Leonard also agreed that a potential issue for legislative action could be the topic of anti-dumping legislation; i.e. legislation that would try to address the dumping of cheap foreign goods in the U.S. market at drastically reduced prices. The consensus seemed to be that imposing some reporting and enforcement requirements should be established in federal law.

Ms. Leonard also made mention of a recent letter that she had sent to the U.S. Customs and Border Patrol regarding the Belarus situation and will provide a copy of that letter to the CTPC.

### **Review of 5/30/13 letter from U.S. Customs and Border Protection**

Upon resumption of the draft agenda topics, staff person Lock Kiermaier reviewed a letter dated 5/30/13 received by the CTPC from the U.S. Customs and Border Patrol. This letter was in response to an earlier letter sent by the CTPC regarding its concerns about the possible imposition of a border crossing fee. Mr. Kiermaier characterized the letter under review as a probable “form letter” response that did not seem to directly address the CTPC concerns. Upon further review, CTPC members seemed to agree with the “form letter” characterization.

### **Request from Representative Sharon A. Treat to be reimbursed for travel expenses to attend the Direct Stakeholder Engagement Event to be held on 7/10/13 in Washington DC and sponsored by the USTR in conjunction with the first round of the Transatlantic Trade and Investment Partnership (TTIP)**

For the next item on the agenda, CTPC Chair Representative Sharon A. Treat outlined a request that she is making to the CTPC to be reimbursed for her travel expenses to appear at the Direct Stakeholder Engagement Event to be held on 7/10/13 in Washington DC and sponsored by the USTR in conjunction with the first round of the Transatlantic Trade and Investment Partnership (TTIP). Representative Treat stated that while she recognized that the CTPC did not have enough members present at this meeting to formally approve her request, at an approximate cost of \$350, she planned to make a formal request to the next meeting of the CTPC. Senator Patrick made a motion to reimburse Representative Treat for these expenses and the motion was tabled until the next CTPC meeting.

### **Update on IGPAC/USTR activity from Representative Sharon Treat, CTPC Chair**

Next, Representative Treat reviewed a 7/1/13 article from the Kennebec Journal which describes widespread Europe discontent with recent allegations of NSA spying of European nations and how that climate may affect upcoming TTIP negotiations.

### **Articles of Interest**

Next, staff person Lock Kiermaier briefly summarized each of the following articles which are included in their entirety on the CTPC website:

- China Hints at Softening on Trade Talks (5/30/13)

- Worlds Apart: Making Sure Trade Policies Improve Global Health | Commentary (5/31/13)
- Obama's Covert Trade Deal (6/2/13)
- Over Two-Thirds of Democratic House Freshmen Tell Party Leadership They Oppose Transferring Their Constitutional Trade Authority to the President (6/11/13)
- Business Groups Urge Congress To Oppose Wave Of Buy American Requirements (6/12/13)
- Obama trade dilemma: Scant support from Democrats (6/15/13)

**Brief discussion on scheduling possible dates and locations for statutorily required 2 public hearings per year in different locations within the state.**

Moving on to the next item on the proposed agenda, Mr. Kiermaier reviewed the statutory requirement that the CTPC hold two public hearings each year in different locations across the state. It was agreed that this requirement could be met through arranging for two future meetings of the CTPC in 2013 in different locations and have these meetings also serve as public hearings regarding the overall CTPC charge with regards to international trade policy and how it affects Maine.

**Proposed next meeting date and suggestions for agenda topics**

The meeting concluded with a brief discussion of the next meeting date. Members agreed that it would likely to be difficult to schedule a meeting in August that most CTPC members would be able to attend. It was resolved that the CTPC Chairs would work with Lock Kiermaier to determine the next suitable CTPC meeting date and the content of future agendas.

The informational meeting of the CTPC concluded at approximately 12 PM.