Maine Citizen Trade Policy Commission
Plan for 2010

What we do:

1) Educate ourselves as a commission
2) Take action- work with Members of Congress, USTR
3) Outreach- Public hearings, educate Legislature, Governor's staff, etc.

Issues to focus on:

Paper dumping
Energy corridor and trade policy connections (including LNG)
Health care and trade policy

Task forces:

*Task forces are not as formal or permanent as subcommittees were, but can be small groups of interested commissioners who can help move these issue areas forward, by recruiting guest speakers, providing education to full commission, and recommending action items

<u>Task forces:</u>

- Outreach (to Legislature, Governor, public)
- Energy
- Paper dumping
- Health care

We can look over the schedule for the year and match up monthly meetings with topics and speakers, as they are available, and devote certain months to certain topics. The task force helps prepare: speakers, background info, suggested action items if necessary.

Staffing and funding: We will need to help advocate for the Commission to get funding, because our funding has been cut. This should be built into the plan to address at future meetings.

<u>Meetings for 2010:</u>

- **June 18** Focus: Maine International Trade Center and export promotion. Speaker: Janine Bisaillon- Cary, Director, Maine International Trade Center
- **July 16** Focus: Energy issues Maine is dealing with. Speaker: TBD, Sen. Sherman is recruiting
- **August-TBD** (Possibly in concert with Council of State Governments Gathering in Portland)
- **September 17**
- **October 15**
- **November 19**
- **December 17**

Telephone Presentation: Bill Waren
Forum on Democracy & Trade
Maine Citizens Trade Policy Commission
Friday, June 18, 2010

1. Review of results of Forum meeting at Pocantico

2. Review of pending trade issues

   - Trans Pacific Partnership negotiations
   - China Bi-lateral Investment Treaty
   - Boeing/Airbus litigation in WTO
   - Financial reform bill: preemption of state insurance regulation

3. Where we stand on trade policy and federalism

Trans-Pacific Partnership Negotiations
Bill Waren
Forum on Democracy & Trade

The Obama Administration has begun negotiations on the Trans-Pacific Partnership (TPP), a trade and investment agreement intended to integrate the economies of the Americas and East Asia. The United States initiated negotiations in March 2010 with seven countries: Singapore, Chile, New Zealand, Brunei, Australia, Peru, and Vietnam. Other countries, such as Colombia, may be invited to join the negotiations or sign onto the completed agreement down the road. On a separate track, the United States is seeking bilateral investment treaties with China and India, among others. Thus, the TPP might be seen as creating a geo-political as well as economic counterbalance in the region to the Chinese powerhouse in particular. The TPP might also be seen as an instrument for pressuring the economic heavyweights of Southeast Asia -- Thailand, Malaysia, and Indonesia – to come to terms with the United States.

The U.S. Negotiating Model for the TPP

Will the United States seek a TPP agreement, based on the essentially libertarian U.S. model for Free Trade Agreements developed by the Clinton and two Bush Administrations starting with NAFTA? Or, will the Obama Administration chart a dramatically new course, putting more emphasis on social concerns? Few observers are predicting the latter. This makes sense given that the economic policies of most of the partners in the current TPP negotiations are, compared to the international norm, strongly market oriented. The libertarian Cato Institute regards the Singapore, Chile, New Zealand, and the United States as among the five most "economically-free" in the world (among the Cato top five, all are Pacific Rim countries, except for Switzerland).

Trade in Goods

What are the implications of the TPP for the huge U S. deficit in trade in goods. TPP negotiations will be very much about trade in goods: oil from Brunei: agricultural products from New Zealand: agricultural products, natural gas, iron ore, and other minerals from Australia; copper and agricultural products from Chile; textiles, electronics, and agricultural products from Vietnam; biotechnology, electronics, and chemicals from Singapore; copper, zinc, gold, textiles, and fish meal from Peru.

Issues on trade in goods, especially agricultural and manufactured goods, can be contentious, as has been demonstrated by the reluctance of Congress to move forward on the U.S.-Korea Free Trade Agreement because of concerns about non-tariff barriers to U.S. beef exports to Korea and the prospect of even more Korean auto imports to the United States. The single most contentious TPP issue regarding trade in goods is likely to be a further opening the U.S. market to New Zealand dairy products. U.S. dairy farmers regard it as a deal breaker.

U.S. Trade Representative Ron Kirk believes that U.S. export of goods will flourish under the TPP. "The Asia Pacific's robust economies, " he says, "offer huge opportunities to grow U.S.

exports, thereby creating and retaining high quality, high paying jobs in the United States."[1] Trade skeptics, however, point to America's "huge, chronic trade deficits –most of them with East Asia," and ask how the TPP would create a balanced exchange of manufactured and agricultural goods in particular.[2]

Trade in Services & Financial Regulation

Access to Pacific markets will be a key to future growth of U.S. exports of services, including financial services, a sector where Americans enjoy a competitive advantage. Among the U.S. negotiating partners on the TPP, only Singapore is a sophisticated exporter of financial and other service products, but it is a small city-state.

At the same time, given the recent financial crisis, the United States and its TPP negotiating partners must be able to regulate financial services and to take other necessary emergency measures without exposing themselves to international lawsuits based on the TPP services or investment chapters. The coverage of financial services under the proposed TPP could exacerbate this problem by expanding the pool of foreign financial institutions that could challenge financial regulations through the investor-to-state arbitration process, in particular.

In this connection, there are potential problems in the text of the current U.S. model for international investment agreements, in particular. Although existing U.S. investment agreements contain an exception that purports to preserve the right of governments to take "prudential" measures to protect investors or the stability of the financial system,[3] these exceptions contain a significant loophole. The prudential measures exceptions typically state that where regulations do not comply with other provisions of the agreement, "they shall not be used as a means of avoiding the Party's commitments" under the agreement.[4] A measure is permissible so long as it does not violate the agreement.

The TPP Investment Chapter

Is there any reason now for a TPP agreement to provide for investor-state dispute resolution mechanisms granting "greater rights" to Australian or Singapore multinationals or to any other sophisticated and potentially litigious investors in the Pacific basin?

By its very nature international investor-state dispute resolution grants greater procedural rights to foreign corporations and investors than those enjoyed by Americans. Among the substantive

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[1] USTR Fact Sheet: Trans –Pacific Partnership.

[2] Alan Tonelson, "Trans-Pacific Partnership: Another Obama Trade Fantasyland," U.S. Business and Industry Council, January 2010.

[3] *See, e.g.*, U.S.-Panama TPA, art. 12.10(1); United States Model Bilateral Investment Treaty, art. 20(1), 2004 [hereinafter U.S. model BIT], *available at* http://www.ustr.gov/assets/Trade_Sectors/Investment/Model_BIT/asset_upload_file847_6897.pdf

[4] *Id.* U.S. trade and investment agreements typically establish an elaborate process to determine the prudent measures exception's applicability. Should a respondent invoke the provision during investor-state arbitration, the competent financial authorities of both state parties are to determine whether and to what extent it applies. However, in the event that these authorities cannot agree, the determination passes to the arbitral tribunal, just as it would have in the absence of such elaborate procedure. *See, e.g.*, U.S. Model BIT, art. 20(3); U.S.-Panama TPA, art. 12.19.

provisions in the current U.S. model investment chapter, embodied in the Chile, Singapore, and subsequent agreements, three stand out:

- The scope of the protected property interests under an overbroad definition of investment;
- The unresolved definition of when government regulation constitutes an indirect expropriation for which compensation must be provided; and
- The almost total lack of definition of what it means for a government to fail to meet the minimum standard of treatment of a foreign investor under international law.

All recently-concluded regional and bi-lateral free trade agreements negotiated by the United States, with one exception, include provisions for "investor-state dispute resolution." The exception is Australia, an English-speaking country with a common-law legal system. U.S. negotiators had proposed an investor-state provision for the U.S./Australia agreement, but this move was opposed not only by U.S. state and local governments, but also by Australian states, which viewed investor–state arbitration as a deal breaker. Consequently, it was dropped.[5]

[5] There was concern that Australian investors would aggressively file claims against the United States in the same fashion that Canadian investors sued under NAFTA chapter 11 after that agreement was approved. Australia has a large investor class with economic interests in the United States and a sophisticated international corporate bar that might pursue claims outside the U.S. court system to protect Australian investments, particularly in mining, media, and services industries in the United States.

The Trans-Pacific Partnership Agreement: Should New Zealand Dairy Trade Be Excluded?

Bill Waren
Forum on Democracy & Trade

Dairy imports from New Zealand are shaping up to be a major issue as the United States proceeds with negotiations with a Pacific basin free trade agreement with Singapore, Chile, Brunei, Vietnam, Peru, Australia and New Zealand (the Trans-Pacific Partnership or TPP agreement). New Zealand is the world's most successful dairy exporter, in part because of natural climatic advantages and in part because it has consolidated its dairy industry around one export-focused company, Fonterra. U.S. dairy farmers and many members of Congress believe that Fonterra engages in unfair trading practices and exercises excessive power over the global dairy market. They want to exclude U.S.-New Zealand dairy trade from the proposed TPP. New Zealand and its defenders in the United States claim that the Pacific island nation's success must be attributed to its free market, subsidy-free, and deregulated agricultural policy. But, America's dairy farmers have the ear of Congress.

New Zealand's Comparative Advantage and Export Strategy

New Zealand's comparative advantage and low production costs result in part from its almost uniquely lush environment and mild climate, which are ideally suited to pastoral agriculture. New Zealand has large tracts of abundantly-watered land on which cows can graze outside all year long, usually without the need of shelter and with only occasional need for additional silage and feed supplements (mainly on the cooler South Island).[1]

New Zealand has sought to build on its natural advantages by:

- Encouraging the consolidation and integration of its dairy industry to produce economies of scale;
- Ending farm subsidies and price supports; and
- Construction of an international marketing, logistic, transportation, and sales network that operates through subsidiaries, joint partnerships, contractors, and direct overseas operations extending to 140 countries around the globe.[2]

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[1] Camilla Ohlsson , "New Zealand Dairy Cooperatives –Strategies, Structures, and Deregulation," Swedish University of Agricultural Sciences, Uppsala, 2004, p.5, available at http://ex-epsilon.slu.se8080/archive/00000400/01/Ohlsson%2C_Camilla.pdf.

[2] Ohlsson p.21; *See generally,* Jerker Nilsson, Camilla Ohlsson, "The New Zealand Dairy Cooperatives' Adaptation to Changing Market Conditions," Journal of Rural Cooperation, Vol 35(1):43-70, 2007, available at http://www.ernac.life.ku.dk/~/media/ERNAC/LIBRARYPAPERS/JN15.ashx.

All this resulted from New Zealand's plan for developing a world-beating dairy industry by investing almost complete corporate control of New Zealand dairy in one company, the Fonterra cooperative company.[3] Fonterra is the successor to New Zealand's state dairy trading enterprise (that was arguably privatized in order to avoid WTO rules) and New Zealand's two dominant dairy cooperatives.[4]

According to its website, Fonterra is "the world's leading exporter of dairy products and responsible for more than a third of international dairy trade."[5] Fonterra has succeeded in its goal of becoming the world's lowest-cost supplier of dairy commodities, and now is increasingly focused on manufacture of value-added goods and sale of consumer products.[6]

Fonterra processes 95% of all New Zealand milk, earns 20% of New Zealand export receipts, and generates 7 % of New Zealand's gross domestic product.[7]

The Rationale for Excluding U.S.-New Zealand Dairy Trade from the TPP

On March 11, 2010, thirty U.S. Senators wrote to Ron Kirk, the U.S. Trade Representative, arguing that dairy farmers in the United States could lose $20 billion over ten years if the TPP does not exclude New Zealand dairy imports. "Because of the anticompetitive practices in New Zealand's dairy industry and the extensive degree of control it wields over world dairy markets to the detriment of the U.S. dairy industry," says the letter from Senators Russ Feingold D-Wis.), Mike Crapo (R-Idaho), and 28 others, "we are deeply concerned that an expansion of U.S.-New Zealand dairy trade would further open the U.S. to these imports while providing little additional market for American farmers in New Zealand and the other Pacific countries."[8] The back story to this controversy is the significant increase in recent years of imports from New Zealand of milk protein concentrates (MPCs) and casein[9] that are believed by U.S. dairy farmers to displace domestic milk in cheese manufacturing and to

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[3] Ohlsson, pp.25-30, p. 41.

[4] Ohlsson pp.22-23.

[5] www.fonterra.com.

[6] Ohlsson, p. 26; Nilsson, pp.11-12.

[7] Nilsson, p. 2.

[8] The March 11 letter is available on Senator Feingold's website, http://feingold.senate.gov/pdf/itr_031110_tpp.pdf.

[9] The main protein in milk.

depress domestic milk prices.[10] The senators are also concerned that the TPP would further open the U.S. market to New Zealand exports of higher-valued dairy products currently covered by U.S. tariff rate quota (TRQ) restrictions.[11]

Similar complaints were voiced by House members of the congressional dairy caucus, including Rep. Steve Kagen of Wisconsin, who says that the U.S. dairy industry could be "jeopardized" if the TPP goes through in its current form, based on the NAFTA/CAFTA model, because it costs so much more to produce milk in United States. "Kagen says it costs between $13.00 to $17.00 to produce a hundred pounds of milk in Wisconsin, while in New Zealand those expenses are less than half that cost."[12]

In testimony before the U.S. International Trade Commission on February 18, 2010, the National Milk Producers Association (NMPA), representing U.S. dairy farmers and marketing cooperatives, opposed the inclusion of U.S.-New Zealand dairy trade in the TPP on the grounds that the New Zealand dairy industry engages in monopoly practices and manipulates global dairy markets.[13]

According to the NMPA: "This extraordinary level of control reaches as high as 40-46% … for certain heavily traded dairy products such as whole milk powder (40%) and butter/anhydrous milkfat (46%). These figures do not even take account the widely expanded

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[10] Ralph M. Chite, Congressional Research Service, CRS Report for Congress, RL 33475, "Dairy Policy Issues," June 16, 2006, pp.11-13. "Certain concentrations [of MPCs and casein] are not covered by tariffs and quotas under the existing World Trade Organization agreement. The importation of these products was not an issue when the agreement was formulated in the 1990s." Chite. p.11. Measures have been introduced in Congress to impose tariff rate quotas, *see below*, on certain MPCs because of alleged anticompetitive dumping by New Zealand and other foreign producers. Chite. p.12.

[11] A tariff rate quota is: "A trade policy tool used to protect a domestically-produced commodity or product from competitive imports. A tariff rate quota (TRQ) combines two policy instruments that nations historically have used to restrict such imports: **quotas** and **tariffs**. In a TRQ, the quota component works together with a specified tariff level to provide the desired degree of import protection. Imports entering during a specific time period under the quota portion of a TRQ are usually subject to a lower, or sometimes a zero, tariff rate. Imports above the quota's quantitative threshold face a much higher (usually prohibitive) tariff. Currently, TRQs apply to U.S. imports of certain dairy products, beef, cotton, peanuts, sugar, certain sugar-containing products, and tobacco." Jasper Womack, Congressional Research Service, "Agriculture: A Glossary of Terms, Programs, and Laws, CRS Report to Congress, 97-905, June 16, 2005, p.254.

[12] Congressman Steve Kagen News [Wisconsin AgConnection], May 17, 2010, available at http://www.kagen4congress.com/news/kagen-says-trade-deal-could-make-or-break-us-dairy-industry-wisconsin-agconnection.

[13] Dr. Peter Vitaliano, Vice President for Economic Policy and Shawna Morris, Vice President for Trade Policy, "Written Testimony by the National Milk Producers Federation to the International Trade Commission Concerning the U.S.-Trans-Pacific Partnership free Trade Agreement," Investigation Numbers TA-131-034 and TA-2104-026, February 18, 2010, pp.5-11.

scope of control that Fonterra enjoys through its investments and business partnerships with a number of dairy industries around the world." For example, Fonterra has 12 manufacturing plants in Australia and is investing in large-scale "factory farms" in China. It owns Saprole, a major dairy manufacturer in Chile, and is a 50% partner with Nestle in Dairy Partners of the Americas, which operates throughout South America.[14]

The NMPA concludes that: "the uniquely anti-competitive situation in New Zealand whereby one single company is permitted to control over 90 percent of the country's milk production and more than 40 percent of global dairy trade in key product areas creates a unique market advantage. Given that situation, our industry believes there is simply no alternative to address these exceptional circumstances aside from a total exclusion of all U.S.-New Zealand dairy trade under the TPP."[15]

The Rationale for Including U.S.-New Zealand Dairy Trade in the TPP

In response to such criticism, Roy Ferguson, New Zealand's Ambassador to the United States, said on March 2 that; "We take great pride in the success of the New Zealand dairy industry … A quarter of a century ago we chose to eliminate subsidies and other forms of protection for our industry … That is working, as we see from the number of new industry players and the influx of new investment, some of it from offshore … For those who believe in the benefits of free markets and strong competition, success of this sort is something we should celebrate."[16]

The Grocery Manufacturers Association agrees: "U.S. manufacturers of processed products are … unable to compete globally because of quotas on imports of major ingredients. New Zealand is the lowest-cost major producer of milk and the largest exporter of SMP and WMP in the world … GMA encourages USTR to allocate additional access for dairy products from New Zealand."[17] The National Confectioners Association, representing candy, chocolate, and gum industries, takes the same view.[18]

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[14] Vitaliano and Morris, p. 6.

[15] Vitaliano and Morris, p. 11.

[16] Roy Ferguson, "Trans-Pacific Partnership: New Zealand Submission to the US International Trade Commission," March 2, 2010, p.1, available at http://www.nzembassy.com/usa/news/trans-pacific-partnership-new-zealand-submission-to-the-us-international-trade-commission.

[17] Grocery Manufacturers Association, 'Submission to U.S, Trade Representative, Request for Comments Concerning Proposed Trans-Pacific Partnership Trade Agreement," January 25, 2009. p.5-6.

[18] Lawrence T. Graham, President, National Confectioners Association, "US Chocolate and Confectionary Industry Priorites for the Trans-Pacific Partnership FTA," submission in response to USTR Federal Register notice, docket no. USTR-2009-0041, January 25, 2010 ("A successful TPP must also include increased access to milk and milk

Although the International Dairy Foods Association (IDFA), representing dairy processors, has kept a somewhat less visible profile on the TPP/New Zealand dairy debate, the IDFA has, in the past, opposed bills that would impose tariff-rate quotas (TRQs) on certain milk protein concentrates (MPCs).[19] The IDFA has also adopted a strong policy in favor of liberalizing international trade in dairy commodities and products: "IDFA supports the liberalization of the global dairy market and has consistently been a champion of trade agreements that eliminate tariff and non-tariff barriers to trade. These barriers include export and other trade-distorting subsidies, discriminatory or arbitrary technical standards and regulations, and a myriad of other obstacles to free and open markets."[20] Specifically, IDFA policy states that: "Presently, only New Zealand and Australia depend on foreign dairy markets for the lion's share of their dairy revenue. Liberalization of the global dairy market will allow U.S. dairy manufacturers to gain more valuable global opportunities for their products. As more market barriers fall, and the gap closes between U.S. dairy prices and world market prices, competitive opportunities for U.S. dairy foods will expand and more U.S. firms will take advantage of foreign markets."[21]

Conclusion

Even supporters of New Zealand and its market-oriented policies are skeptical about gaining greater access for its dairy exports to the United States. The libertarian CATO Institute is a big fan of New Zealand's economic, regulatory, and trade policies, and it regularly ranks New Zealand as one of the two or three most business-friendly and globalized countries in the world. But, Sally James of CATO doubts that the TPP will result in a significant opening of the U.S. market to New Zealand dairy products. She says: "the bruising experience with the sugar lobby during the negotiations for the FTA with Australia serves as a warning for those that hope a TPP might, through freer trade with New Zealand, bring U.S. consumers long-overdue access to competitive dairy products. Dairy would likely be subject to significant

products from New Zealand, the world's leading supplier of dairy. Requests from US domestic commodity groups urging no additional US access for New Zealand dairy and no regional use of New Zealand dairy products would virtually exclude our sector from any benefits.."), p.3.

[19] Chite, p.12 (IDFA argues that MPC imports are not displacing U.S. production of nonfat dry milk.)

[20] International Dairy Foods Association (IDFA), "Benefits of Liberalizing Global Dairy Markets", available at http://www.idfa.org/key-issues/category/global-markets/processor-benefits/.

[21] IDFA.

carve-outs and delayed liberalization, especially if, as Ambassador Kirk threatens, members of Congress are intimately involved with proceedings."[22]

Without question, America's dairy farmers are raising their pitchforks in opposition to more New Zealand dairy imports under the TPP.

Appendix I
Questions for Consideration if the TPP Includes U.S. - New Zealand Dairy Trade

(1) Will inclusion of New Zealand dairy trade accelerate the horizontal concentration and vertical integration of the dairy agriculture sector in the United States? If so, will this increase market efficiency or facilitate anti-competitive practices?

(2) Will inclusion reduce the cost of dairy inputs for U.S. dairy manufacturers, allowing them to compete effectively in the world market in the same way New Zealand does?

(3) If New Zealand dairy trade is included in the TPP, are there sectoral or regional trade-offs in terms of U.S. food manufacturers, dairy farmers, and marketing cooperatives? If so, are the U.S. job trade-offs positive?

(4) Would inclusion of New Zealand dairy trade be a form of "unilateral disarmament" by the United States, in the face of subsidies and protection of local dairy farmers in Europe, Japan, and other truly important markets?

(5) Would it be a foolish bargain, given that none of the countries that are to be parties to the TPP promises to be a significant market for U.S. dairy and agricultural exporters?

(6) Or, would it be a smart bargain in return for a secure beachhead for U.S. services exporters in the fastest-growing market in the world: Asia and the Pacific Rim? For example, if the U.S. decided to sacrifice domestic market share in dairy in order to help service exporters, such as financial institutions, what are the U.S. economic development and job trade-offs on that score?

Appendix II
Broader Questions Raised by the U.S. - New Zealand Dairy Trade Controversy

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[22] Sally James, "Is the Trans Pacific Partnership Worth All the Fuss, Free Trade Bulletin, no.40, March 15, 2010, CATO Institute, available at http://www.cato.org/pub_display.php?pub_id=11443

(1) In order to compete internationally, does the US dairy industry need a different export vehicle, e.g. an export cooperative on a larger scale, than now exists? If so, would this necessarily, as suggested above, come with the cost of further consolidating U.S. dairy farms into larger operations and the cost of greater vertical integration of the U.S. industry that might result in a loss of bargaining power for family farmers?

(2) Do the various U.S. trade associations making competing claims regarding this issue have solid data and economic analysis to back up assertions about the efficiency of international markets on the one side or the anticompetitive practices of dairy multinationals on the other side?

(3) Is there any way to preserve the agricultural policy goals of a fair farm gate price and commodity price stability, if the U.S. dairy industry is further globalized?

(4) Beyond the economic policy debate, what would be the social and cultural costs for family farms and rural America, if the U.S. dairy sector is further globalized?

WTO Decision Expected Any Day on EU Challenge to Alleged State and Local Subsidies for Boeing

Bill Waren

Forum on Democracy & Trade

The world's two largest commercial aircraft companies, Boeing and Airbus, are pitted against each other in World Trade Organization litigation. The European Union and the United States submitted dueling complaints to the WTO in the fall of 2004. Each party complains that the other has violated the WTO agreement on Subsidies and Countervailing Measures (SCM).

In September 2009, the WTO issued an interim report finding that Airbus received billions in SCM-illegal subsidies from European countries.

A second interim report on a European Union complaint that U.S. federal and state governments illegally subsidized Boeing is expected this month. The ruling on the EU complaint could have significant implications for state and local governments in the United States that provide tax and financial incentives designed to attract or retain industry.

The case against Airbus. According to the Office of the U.S. Trade Representative (USTR), Airbus over its 35 year history has benefited from massive amounts of EU member-state and EU subsidies that have enabled the company to create a full product line of aircraft.

Every major Airbus aircraft model has been financed, in whole or in part, with EU government subsidies taking the form of 'launch aid' - financing with no or low rates of interest and repayment tied to sales of the aircraft. If the sales of a particular model are less than expected, Airbus does not have to repay the remainder of the financing.

EU governments also have forgiven Airbus debt, provided equity infusions, provided dedicated infrastructure support, and provided substantial amounts of research and development funds for civil aircraft projects.

USTR claims that EU subsidies to Airbus are "prohibited export subsidies" and "actionable subsidies adversely affecting the United States," in violation of the SCM agreement.

The case against Boeing. The core of the EU's challenge relates to the research and development support provided to Boeing by the U.S. Department of Defense and NASA, as well as subsidy packages tailor-made for Boeing in the states of Washington, Kansas and Illinois.

The EU alleges that the State of Washington gave Boeing $3.4 billion in tax incentives; the City of Everett gave Boeing $67.5 million in tax reductions; and state and local governments in Washington provided another $395 million in other subsidies including workforce training, infrastructure improvements, and assumption of legal costs, among others.

The EU also alleges that the City of Wichita, Kansas provided tax breaks to Boeing worth $783 million; and, the State of Kansas pays the interest on bonds financing aircraft production facilities worth another $122 million to Boeing. The EU finally alleges that the State of Illinois, the City of Chicago, and Cook County provided tax incentives and direct payment of relocation and other costs to Boeing worth $24.8 million.

Forum on democracy & trade

Trade Policy Update

Trans-Pacific Partnership Agreement

USTR Calls for Questions for Continued Online Q&A

From USTR News:

USTR is actively seeking public input on objectives for the Trans-Pacific Partnership negotiations during the second round of negotiations, which will be held during the of June 14 in San Francisco, California.

As part of the flagship initiative of USTR's Open Government Plan, USTR chief negot for the TPP Barbara Weisel and members of her team will answer questions regardir the negotiations throughout the week of June 14 on USTR.gov. Questions can be submitted via USTR.gov beginning Monday, June 7 at www.ustr.gov/tpp/comment.

Through the TPP, the Obama Administration is seeking to develop a high-standard, century, regional trade agreement that begins with eight like-minded countries (the Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam) and eventuall includes countries across the Asia-Pacific region. The agreement will advance U.S. interests with some of the most dynamic economies in the world and help increase American exports, which are critical to the creation and retention of high-paying, hic quality jobs in the United States.

Public input is critical to ensuring that the agreement achieves these goals and addr the interests and concerns of U.S. stakeholders.

Forum
on democracy & trade

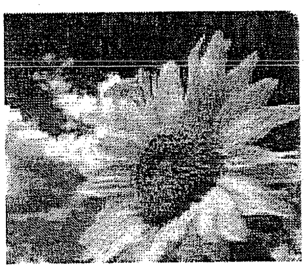
Trade Policy Update

The Trans-Pacific Partnership Agreement

State Trade Oversight Commissions throughout the U.S. have focused on the Trans-Pacific Partnership Agreement during the first part of 2010 in order to provide USTR with input for designing a new, improved trade agreement model. Following is information to help facilitate continued discussions among states as the U.S. approaches the next round of TPP negotiations in June.

The TPP: Should New Zealand Dairy Trade Be Excluded?

Dairy imports from New Zealand are shaping up to be a major issue as the United States proceeds with negotiations with a Pacific basin free trade agreement with Singapore, Chile, Brunei, Vietnam, Peru, Australia and New Zealand (the Trans-Pacific Partnership or TPP Agreement). New Zealand is the world's most successful dairy exporter and has consolidated its dairy industry around one export-focused company, Fonterra, that dominates many parts of the world market. Explore the questions of whether the TPP should include or exclude dairy trade and the potential implications of either decicison in the attached briefings.



USTR Request for Comments

The Office of the United States Trade Representative(USTR), through the Trade Policy Staff Committee(TPSC), is initiating an environmental review of the proposed Trans-Pacific Partnership Trade Agreement (TPP) between the United States and the other countries currently involved in TPP negotiations. The TPSC is requesting written comments from the public on what should be included in the scope of the environmental review, including the potential environmental effects that might flow from the trade agreement and the potential implications for U.S. environmental laws and regulations.

TPP Overview

The United States initiated TPP negotiations in March 2010 with seven countries: Singapore, Chile, New Zealand, Brunei, Australia, Peru, and Vietnam. Other countries, such as Colombia and Malaysia, may be invited to join the negotiations or sign onto the completed agreement down the

USTR Still Accepting General Comments on the TPP

Despite a posted January 25th deadline for written comments submitted through www.regulations.gov, USTR will still accept comments on all elements of the TPP agreement in order to develop U.S. negotiating positions. Contact David Bisbee, Deputy Assistant USTR for Southeast Asia and Pacific, at (202) 395-6813 for instructions on how to submit comments directly.

The Vermont Commission on International Trade & State Sovereignty submitted a letter and comments regarding the TPP which can be viewed on www.regulations.gov under docket# USTR 2009-0041. The next round of TPP negotiations is scheduled for the week of June 14th in San Francisco.

Congress of the United States
Washington, DC 20510

May 3, 2010

The Honorable Max Baucus
Chairman
Committee on Finance
U.S. Senate
Washington, D.C. 20515

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
U.S. Senate
Washington, D.C. 20515

Dear Chairman Baucus and Ranking Member Grassley:

As you prepare to advance the next jobs bill, we write to request your assistance in preserving hundreds of jobs in Maine, Massachusetts, and New Hampshire at threat as a result of some companies manipulating our tariff system. We ask that you support our efforts to correct this unfair situation which, if left uncorrected, will only encourage others to try to manipulate products purely for the purposes of avoiding tariffs to which they should be subject.

Genfoot, Inc. and New Balance are among the few remaining domestic shoe manufacturers. Genfoot's facility in Littleton, New Hampshire employs 150 workers, while New Balance employs nearly 1,000 individuals at their three manufacturing facilities in Maine and over 1,200 at its design and manufacturing headquarters in Massachusetts. These are skilled, middle class jobs that bring direct economic benefit to our states and communities during a period of high unemployment and stagnant growth.

While other footwear manufacturers have outsourced their production jobs, these two companies have continued to invest in manufacturing here at home. The viability of their operations, however, has depended on duty rates Congress adopted many years ago on the recommendation of the U.S. Trade Representative. These duty rates have remained in place in the Kennedy, Tokyo, and Uruguay Rounds of trade negotiations, and the office of the U.S. Trade Representative has consistently recognized that they level the playing field and are essential to the preservation of jobs at these plants.

But some international manufacturers have devised a way around these tariffs. By implanting a small amount of textile material onto the sole of this footwear, they have successfully had their footwear reclassified as a textile product, and therefore subject to a much lower duty rate. The implanted textile material does nothing to enhance the fit, appearance, or value of the footwear involved. But while the European Union has rejected this attempt at tariff engineering, U.S. Customs and Border Protection has thus far failed to take similar action. The U.S. International Trade Commission is in the process of an investigation that is expected to recommend changes that could rectify this problem – but the process will likely extend into 2011, leaving American jobs at risk in the immediate future while the system continues to be manipulated.

We believe firmly that our constituents are right to demand that Congress act now to enforce the spirit of the law and make certain these jobs remain in the U.S. A provision of S. 730, the Affordable Footwear Act, would solve this problem by closing the loophole that allows importers to evade duties that help the domestic manufacturers compete in the U.S. and global markets. Specifically, page 6, lines 13-17 of the Act add a Note 8 to Chapter 64 of the Harmonized Tariff Schedule that reads:

> **For purposes of this chapter, the constituent material of an outer sole of rubber or plastics to which textile materials are attached or into which such materials are otherwise incorporated shall be deemed to be only of rubber or plastics.**

This provision has no cost, and in fact would raise a small amount of revenue for the federal government. We understand that S. 730 is being considered as an amendment to the next jobs package, and we urge you to make this a top priority as we fight to prevent the continued off-shoring of our country's once-unparalleled manufacturing base.

In the midst of the highest unemployment rate in a quarter-century, we cannot afford to lose existing jobs in our states to unfair tariff practices. If we fail to act in a timely manner, the facilities that produce these jobs will face imminent closure. We look forward to working with you to save hundreds of jobs and prevent importers from skirting tariff rates that protect domestic footwear.

Sincerely,

Olympia J. Snowe
United States Senator

John F. Kerry
United States Senator

Judd Gregg
United States Senator

Susan M. Collins
United States Senator

Jeanne Shaheen
United States Senator

Scott P. Brown
United States Senator

Michael H. Michaud
Member of Congress

Paul W. Hodes
Member of Congress

Chellie Pingree
Member of Congress

Clearing the Hurdles :

Steps to Improving Wages and Working Conditions in the Global Sportswear Industry.

Play Fair 2008

Written by the Maquila Solidarity Network
On behalf of the Play Fair 2008 Campaign

April 2008

Acknowledgements

Play Fair 2008 researchers interviewed over 320 workers from factories in China, India, Indonesia and Thailand about their wages, experiences, and working conditions. While some key researchers who contributed substantially to this report must unfortunately remain anonymous to protect themselves and the workers interviewed, those that can be named include:

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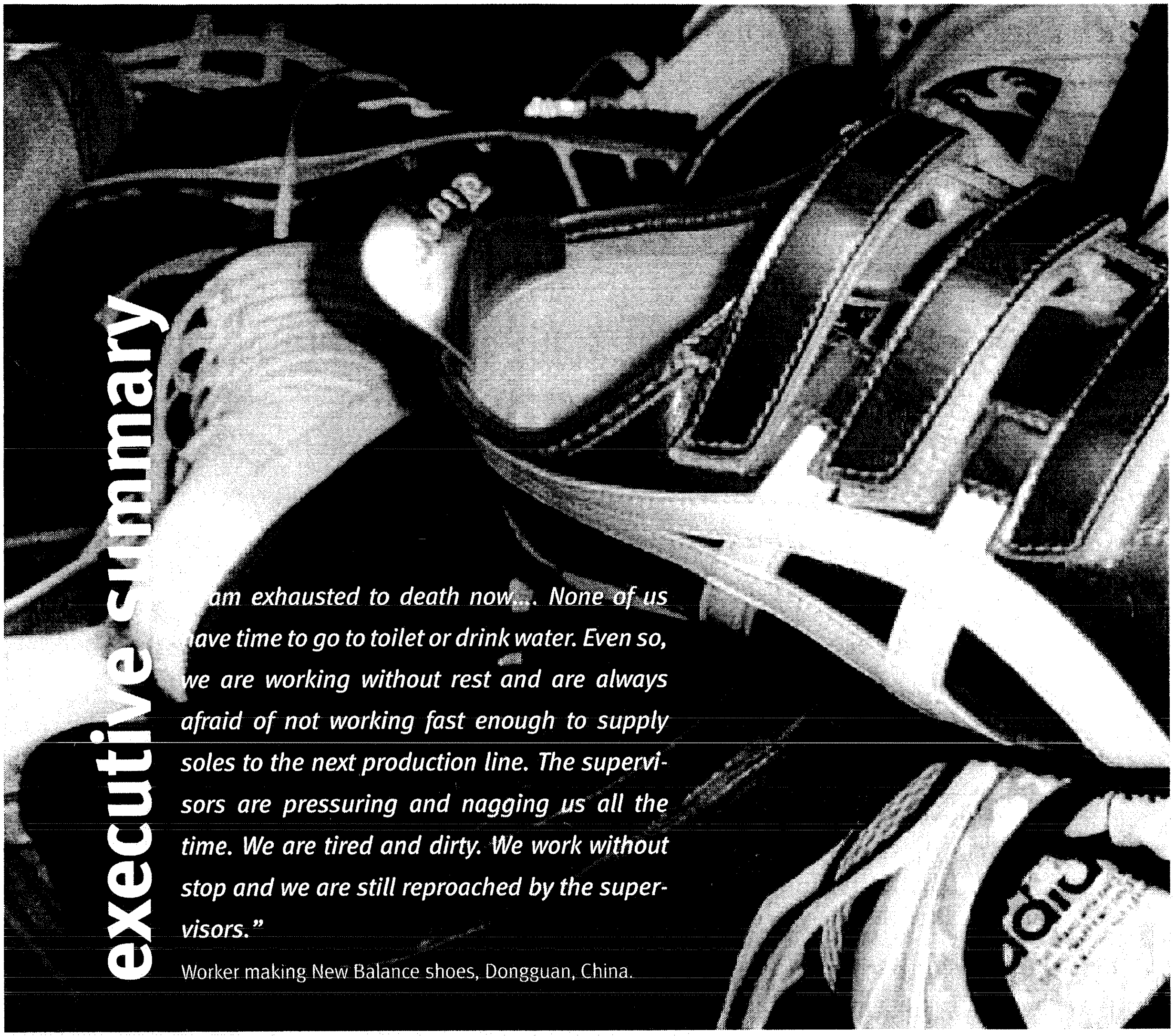
Thanks to all of the above, and anyone who may have inadvertently been missed.



executive summary

"I am exhausted to death now.... None of us have time to go to toilet or drink water. Even so, we are working without rest and are always afraid of not working fast enough to supply soles to the next production line. The supervisors are pressuring and nagging us all the time. We are tired and dirty. We work without stop and we are still reproached by the supervisors."

Worker making New Balance shoes, Dongguan, China.

The 2008 Beijing Olympics represents a golden opportunity for the brand-conscious sportswear industry to associate its products with the cherished Olympic brand. For a costly, but manageable sponsorship or licensing fee, a sportswear company can infuse its athletic shoes and clothes with the lofty Olympic ideals of fair play, perseverance and, most importantly, winning.

By linking their brands with the Olympic Games, as well as other sporting events like the Union of European Football Associations (UEFA) 2008 Euro Cup, sportswear companies hope to reach for the gold in sales, market share and brand recognition. And if the past is any guide, these major sporting events should prove extremely profitable for some of the major players in this global industry.

But there is another side to the story. Before the 2004 Summer Olympics in Athens, the Play Fair at the Olympics Campaign – the biggest international worker rights mobilization of its kind ever undertaken – brought the world's attention to the underside of the sportswear industry: the abysmal working conditions endured by the young women and men, and children, who make the shoes, jerseys, footballs and other items in contract factories and subcontract facilities around the world.

Flash forward four years, with the Beijing Olympics upon the horizon, and it's time to ask, "What, if anything, has improved?"

What Play Fair researchers found

Based on interviews with over 320 sportswear workers in China, India, Thailand and Indonesia, as well as reviews of company and industry profiles, published and unpublished reports, newspaper articles, web sites, and factory advertisements Play Fair researchers found that substantial violations of worker rights are still the norm for workers in the sportswear industry.

Despite more than 15 years of codes of conduct adopted by major sportswear brands, such as adidas, Nike, New Balance, Puma and Reebok, workers making their products still face extreme pressure to meet production quotas, excessive, undocumented and unpaid overtime, verbal abuse, threats to health and safety related to the high quotas and exposure to toxic chemicals, and a failure to provide legally required health and other insurance programs.

Play Fair researchers also found that wages for sportswear workers are still well below a local living wage. Even where governments raised the legal minimum wage or sportswear brand buyers attempt to impose limits on overtime, Play Fair researchers found evidence of employers finding new ways to evade their responsibilities.

For example, when the Chinese government raised the minimum wage in Dongguan province in order to account for a skyrocketing inflation rate on basic goods like food, employers at many of the athletic footwear factories studied by Play Fair found ways to nullify the increase. Some employers raised production targets, thereby reducing or eliminating production bonuses, a significant portion of worker incomes. Others introduced new charges for food, lodging or other services. Some of the workers interviewed now receive less income than before the minimum wage increase.

In some cases, Play Fair researchers discovered, workers are not even receiving the legal minimum wage, despite working 12-13 hours a day. As well, in a number of the factories studied, there was evidence of employers falsifying factory records to mask the fact that employees were being forced to work excessively long and illegal hours and were not receiving the legal overtime premium pay.

Home-based workers stitching soccer balls in Jalandhar, India told Play Fair researchers that piece rates have remained stagnant for the last five years, despite local inflation rates last year estimated at between 6.7% and 10%. Depending on the type of ball, a home-based hand stitcher makes between US$0.35 and US$0.88 per ball, completing two to four balls a day. Home-based workers also face a total lack of income security. During months when orders are low, households are often plunged into debt to money lenders.

"We have no savings so we have nothing left during emergencies," said a 50-year-old soccer ball stitcher. There are few if any safety nets available for homeworkers: sickness or an accident can amount to a catastrophe. "I have lost my wife's gold, which I gave as security to a moneylender and could not repay," he said. "Once I even rented my cooking gas cylinder to arrange some money for a health emergency suffered by my wife. The situation is similar for all of us. One of my friends even sold his blood to get some extra money to meet an emergency."

Three hurdles to overcome

Across the global sportswear industry, workers manufacturing sports apparel, footwear and soccer balls all report the same kinds of problems. These findings are not new. A particular business model, lack of incentives, competing interests, institutional inertia and other factors have often negated even the best efforts to fix the endemic problems that continue to plague this industry.

Rather than merely rehashing a litany of abuses, this report seeks to identify solutions to these persistent workplace problems, focusing on three central hurdles that, if not overcome, will inhibit the industry's ability to make real progress on other issues in the future.

These include:
- Lack of respect for freedom of association and the right to bargain collectively;
- Insecurity of employment caused by industry restructuring; and
- Abuse of short-term labour contracting and other forms of precarious employment.

If the sportswear industry is serious about changing the way business is currently done, there is an urgent need to take immediate steps to address these three central issues.

Freedom of association and collective bargaining

The lack of respect for workers' right to freedom of association and to bargain collectively impedes worker efforts to resolve workplace problems as they arise and to negotiate long-term improvements in wages and working conditions.

The dominant attitude and practice in this industry is so biased against the development of trade unions that we believe a more proactive approach is needed to create a positive (rather than just neutral) climate for unions. We believe that companies should adopt a positive approach towards the activities of trade unions and an open attitude towards the organizational activities of workers.

This report documents considerable obstacles workers face when they try to exercise their right to freedom of association and collective bargaining, including:

- Dismissal of union leaders and supporters;
- Refusal by factory management to recognize and negotiate with unions;
- Closures of or reduction in orders to unionized facilities;
- Movement of production to jurisdictions where freedom of association is legally restricted; and
- Management promotion and selection of unrepresentative "worker committees."

Factory closures

The rash of factory closures that has accompanied industry restructuring over the past few years contributes to a climate of fear amongst workers and suppliers, feeding the myth that any efforts to improve conditions will only lead to more job losses. When workers face employment insecurity, they are less likely to take steps to challenge abusive practices.

While a few brand-sensitive sportswear companies are willing to discuss how to minimize the negative impacts of restructuring and consolidation, the vast majority refuse to even consider whether they have an obligation to justify their decisions to workers or communities that will be negatively affected.

Closures should only occur when a factory is no longer able to sustain itself economically, and all other options to rescue the business have been exhausted. But it's not always easy to disentangle the responsibility for economic decisions that affect the viability of a particular factory.

Suppliers and/or buying agents using multiple factories in one or more countries make choices about which factories receive which orders, affecting the viability of one or another facility. Buyers also, either by decision or simply by neglect, fail to support facilities that have been more compliant with labour standards – especially those with collective bargaining agreements – leading to closures. Because we are dealing with global supply chains, a narrow assessment of one isolated facility's economic viability is not sufficient to rationalize a closure. A true assessment of a facility's economic viability must also take into account the order patterns from buyers, whether prices paid by buyers are sufficient to support labour rights compliance at a facility, and the finances of the parent company.

Growth in precarious employment

Although comprehensive global data across the industry is not available, in recent years, unions and labour rights organizations have reported an increasing use by supplier factories of successive short-term employment contracts and third-party employment contract agencies. Play Fair documents some of these trends in this report.

The growing use of short-term contracting and other forms of precarious employment is denying workers their social security and other legal entitlements, discouraging worker organizing, and undermining the enforcement of labour regulations, which too often do not apply to non-permanent workers.

The problem is that the sportswear industry is addicted to flexibility. In the prevalent sportswear business model, retailers, brands, and transnational suppliers seek to maximize their ability to change not only the styles and products being produced, but the factories or countries in which the goods are being made, all in pursuit of the quickest, most reliable, best quality and, of course, cheapest production.

It's no surprise, therefore, that sportswear factories would seek to flexibilize their workforces. As long as the global system of sportswear production remains unstable, there will be a drive to download the bulk of the risk involved in competing for business and orders. Those that can no longer download the risk – the workers at the bottom of the supply chain – end up bearing the brunt of the instability in the system.

The fourth hurdle: a living wage

Our research also indicates that despite increasing work pressure and excessive working hours, worker incomes remain, on the whole, well below a living wage. While industry leaders have been willing to take action in some cases to ensure that workers receive the legal minimum wage or prevailing industry wage, there has been very little action to date to ensure that workers' wages are sufficient to meet basic needs.

Just as workers at the bottom of the supply chain have been forced to bear the lion's share of risks associated with the industry's demand for flexibility, workers have also been forced to shoulder the costs associated with consumer demand for low prices.

Soccer ball stitchers in Pakistan, for example, report that they receive between US$0.57 and US$0.65 for each ball they produce, a rate that hasn't changed in six years even though the consumer price index rose by 40% over that period. Garment workers in Cambodia earn an average of US$70 to US$80 a month, including overtime and bonuses – not enough to provide a worker and family with a decent standard of living. In Bangladesh, where massive worker protests in 2006 led to a long-overdue increase in the minimum wage to 1,662.50Tk (US$24.30) a month, the real value (after inflation) of their monthly wage is now worth even less than the 1995 minimum wage. In Turkey, the prevailing industry wage in the garment sector is estimated to be less than half the living wage.

Responsibility for achieving wage gains in global sportswear supply chains is more widely distributed than it might be in a national industry producing for domestic consumption, because global sportswear production takes place in a context of:

- Unstable buying relationships;
- Difficulties with national wage setting mechanisms due to footloose sourcing and investment;
- Lack of respect for freedom of association and collective bargaining; and
- Low price expectations by consumers, brands and retailers.

For these reasons, a coordinated effort to increasing wages in the sportswear industry must be developed. It should focus initially on major suppliers and relatively stable factories where a critical mass of buyers have a long-term relationship with the supplier factory and all are willing to take steps to ensure that workers receive wages that fall within the range of living wage estimates for the region.

Concrete actions and measurable targets

In this report, Play Fair outlines four focus areas where we believe real changes can be made that will open up the industry to sustainable improvements on labour rights. To seriously address the lack of freedom of association and the right to bargain collectively, precarious employment, and the impacts of factory closures, and to raise incomes to a level that meets workers' basic needs, sportswear companies will need to take a series of concrete, measurable actions in close collaboration with multi-stakeholder initiatives, trade unions, non-governmental organizations, and governments.

A small sample of the actions and targets set out in this report include:

- Sportswear brands should require suppliers to adopt a policy on freedom of association and communicate this to the workers in the form of a written "Right to Organize Guarantee." This should be done at a minimum of 30% of a brand's suppliers by Vancouver 2010, and 100% by London 2012.

- By Vancouver 2010, sportswear brands and retailers should provide measurable incentives to factories that have a collective bargaining agreement with an independent trade union. Such incentives could include:
  - Preferential order placement;
  - Long-term, stable supply contracts; and
  - A measurable CBA premium in unit prices.

Sportswear suppliers must ensure that, by Vancouver 2010, at least 95% of workers engaged in the company's core business are employed under open-ended or undetermined duration contracts, and that:

- Any use of fixed duration contracts is in response to a clearly defined plan justifying their use;
- Any workers on fixed duration contracts are provided the same salary and benefits accorded to permanent workers performing the same work;
- Once a short-term employee has been hired on a fixed duration contract twice by the same employer, or for two years, the employee is automatically hired on an undetermined duration contract with the third contract.

By Vancouver 2010, buyers should report publicly on the company's policies for supplier/vendor selection, management, and/or termination, including new source approval process, linking of supplier CSR performance with sourcing decisions, and strategy for managing impact of exiting factories. Multi-stakeholder initiatives should require this of their members.

By Vancouver 2010, buyers should undertake an independent review of prices paid to suppliers. Such a review should determine whether the prices paid are sufficient to allow compliance with international labour standards and provide for an expected wage for workers that meets workers' basic needs.

By Vancouver 2010, buyers should provide information regarding the unit price paid by the buyer to the supplier on a confidential basis to trade union representatives engaged in collective bargaining with suppliers.

Buyers should commit to the attainment of a living wage in at least 25% of supply factories by London 2012, by:

- Collaborating with other buyers (possibly through a multi-stakeholder initiative) to identify suppliers where participating buyers collectively control more than 75% of production on a regular basis;
- Facilitating the establishment of negotiating structures to enable factory management and trade union(s) to consolidate the living wage element into the existing pay structure at those factories;
- Individually negotiating with factory management on measures needed to meet a living wage target proportional to each buyer's share in production.

The Challenge

Four years ago Play Fair asked the industry to take up the challenge of making real, substantial improvements in labour standards compliance by the Beijing Olympics. With the Beijing Games just months away, progress has been limited at best. If the sportswear industry – buyers, suppliers and the multi-stakeholder initiatives that include them as members – is truly serious about addressing the issues outlined in this report, it must demonstrate its willingness to undertake concrete action to meet measurable targets to ensure that when the next Olympic Games come around in two and four years' time, workers can expect real improvements in their conditions rather than two or four years' more talk about vague commitments.

Behind the scenes at the world's largest sports shoe manufacturer

Some may remember the well-publicized story about 56 Vietnamese women making Nike shoes who, in 1996, were made to run 4km around the factory as punishment for wearing "non-regulation" shoes at work. Unlike Olympic runners, these women were not rewarded with medals. Twelve women fainted and were taken to hospital.[117]

The women were working at a factory owned by the Pou Chen Group, a Taiwanese sportswear giant founded by the Tsai family in 1969. Initially, the company produced basic rubber shoes such as PVC sandals and slippers. Over the next 40 years, Pou Chen and its wholly-owned subsidiary Yue Yuen grew to be the largest footwear manufacturer in the world, employing approximately 300,000 workers.[118] And even though one in six sport shoes are now made in a Yue Yuen factory,[119] most Western consumers have never heard of the company.

Yue Yuen produces footwear for over 30 brand-name corporations including Nike, adidas, Reebok, Puma, Fila, ASICS, New Balance, and Converse. It also produces for important "brown" [non sports] shoe brands like Timberland, Rockport, Clarks, and Dr Martens. Many of these brands have established long-term relationships with Yue Yuen.

Yue Yuen is an example of the kind of manufacturing transnational we spoke about in Chapter I. It's critical to better understand these important industry players.

Because Yue Yuen produces for so many major brands, and because it is a powerful player in the industry in its own right, the company's manufacturing network would be a good place for the sportswear industry to begin to collaborate on seeking solutions to workers' concerns over wages and working conditions.

Yue Yuen vaults into first place

Adidas started to order shoes from Pou Chen in 1979, a relationship that continues to this day.[120] In 1985, Reebok designated Pou Chen as its most important producer, and Nike followed suit in the early 1990s.

Labour shortages, wage increases and currency appreciation pushed Pou Chen to disperse production sites to China (1988), Indonesia (1993) and Vietnam (1995). Yue Yuen even operates a few production lines in the US, where it produces shoes for New Balance.[121]

The main vehicle for this overseas expansion, Yue Yuen Industrial Holdings, was established by Tsai Chi Jen – the brother of Pou Chen's founder – in order to facilitate expansion in China in 1988.

China

By 2007, Yue Yuen operated 210 production lines in China.[122] These factories employ about 70 per cent of its total workforce.[123]

Several of Yue Yuen's largest factories are in GaoBu, Dongguan City in Guangdong province. By 2002, according to China Labour Watch, those factories employed 40,000 workers in the low season to 50,000 workers in the peak season.[124]Other Yue Yuen Guangdong production facilities are located in Huangjiang Town, Dongguan City; Sanxiang Zhongshan City; and Jida Industrial District, Zhuhai City.[125] Clustered nearby are factories that supply footwear materials like leather and glue.

China is expected to remain Yue Yuen's most important production site in the near future, although some production lines might move inland to cheaper wage areas, and expansion of production in Vietnam and Indonesia is currently underway.[126]

Indonesia

Yue Yuen has been active in Indonesia since 1993 when it invested $100 million in the Nikomas Gemilang factory complex, sometimes called Niketown.

Some 43,000 workers (85% women) produce shoes for Nike, adidas, Puma and Ecco in this complex of 50 buildings, located near Jakarta, while Nike Converse footwear is made in a second factory employing 4,000 workers in Sukabumi.[127] The Nikomas factories are segregated by company, with adidas, Puma and Nike production lines taking place in different buildings. Twenty buildings are dedicated to adidas production, eight are dedicated to Nike, and 11 are dedicated to Puma. One building produces goods for Ecco brand.

Vietnam

The footwear industry is one of Vietnam's fastest growing export sectors. In 1990, Vietnam exported 750,000 pairs of sports shoes. By 1998, that number had grown to 140 million pairs.[128]

Yue Yuen started to produce sports shoes in Vietnam in 1995. By 2006, the company was operating 117 production lines, making Vietnam Yue Yuen's second largest production site after China.[XXV]

One reason that Vietnam has become such an important production site for Yue Yuen is the normalization of trade relations between Vietnam and the United States and Vietnam's entry into the WTO, which has reduced or eliminated tariffs and broadened trade. A second (and increasingly relevant) reason is that Vietnam's labour costs are considerably lower than those in China.

and licensing.[132] Another analyst put it this way: "Yue Yuen operates like an independent recording studio, opening its doors (for a fee) to any musician with a song to record."[133] Unlike smaller suppliers, Yue Yuen has used massive economies of scale to lower average production costs, further cementing its position as a major player in the industry. Yue Yuen's scale and capacity allow it to react swiftly to rush orders or to reduce the time needed to change production layouts and processes in order to manufacture and deliver a new product.

Despite its huge workforce, the company has been very successful in keeping labour costs down. Figure 4 below shows that direct labour costs in 2004 were running at only 12% of its total unit costs. More recently, Nike (one of Yue Yuen's biggest customers) estimates that average labour costs in footwear production account for only 10% of the unit price.[134] For comparison, direct labour costs at Anta Sports accounted for approximately 14.5% of unit prices in 2006.[135]

In addition to manufacturing, Yue Yuen has also established a rapidly growing wholesale network of distributors and hundreds of branded athletic and casual footwear and apparel retail stores in cities such as Beijing, Guangzhou, Shanghai, Shenzhen and Dalian. The company plans to operate a total of 3,000 stores by 2009.

Other Asian Sports Shoe Manufacturers

Feng Tay	Stella International
Headquarters: Taiwan	Headquarters: Taiwan
Customers: Nike strategic partner	Customers: Reebok (adidas), Nike, Sears, Timberland, Clark
Employees: 45,000 workers[129]	Sales: US$779.3 million
Countries of Manufacture: China, Vietnam, India	Net profit: US$91.4 million (2006)
New Investment: Four factories in India worth US$73.8 million[130]	Employees: 50,000 workers in 6 factories in Guangdong province, China
Global market share: 5.5%[131]	
Nike global sales by volume: 15%	

The Yue Yuen business model

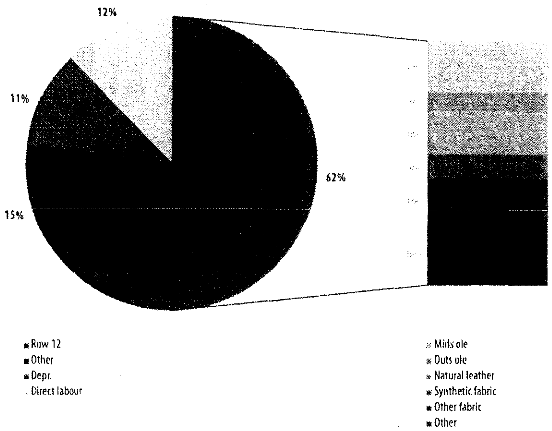
One analyst described Yue Yuen as "the dedicated factory" enabling brands to outsource their manufacturing capabilities so the brand can concentrate on designing, marketing

Yue Yuen has become one of the largest sportswear retailers in China, where its retail outlets sell branded products of Nike, Reebok, adidas, Puma and Li Ning. Yue Yuen reported a massive 48.8% growth in the company's retail sales in China between 2006 and 2007.[136]

XXV. The company currently has 210 lines in mainland China, 117 in Vietnam and 71 in Indonesia. See Yue Yuen Industrial (Holdings) Ltd. Annual Report, 2007. p15

FIGURE 4

Exhibit... Yue Yuen - cost Breakdown 2004



Source: Morgan Stanley, 19 January 2005, "Yue Yuen Industrial"

"In the past, it was all about whether you could hit the workers or slap them. Now we talk about how we celebrate their birthdays." – Thomas Shih, a deputy Yue Yuen manager in a Chinese factory.[140]

"People are always talking about human rights and welfare. In 1989, people never did that. That was my golden time. No one squeezed me." – Allen Lee, a manager in Pou Chen's Yue Yuen factory in Southern Chinai.[141]

Profits and prices

Yue Yuen grew from a company generating US$197m in sales in 1992 into one generating sales of US$4.1 billion in 2007.[137] In this same period, its profit went up from $US95 million to US$387 million. In fact, Yue Yuen's profits are now higher than many sportswear brands.

Yue Yuen's size and the complementary services it provides to buyers strengthen its bargaining power in the supply chain, so that even now when rising raw material costs could potentially squeeze Yue Yuen's footwear manufacturing margin, financial analysts have noted that Yue Yuen is able to pass on higher material costs to its customers, albeit with a 3- to 6-month time lag.[138] Similar production cost increases might have pushed smaller manufacturers out of the market.[139]

If Yue Yuen is so powerful – and profitable – why are Yue Yuen workers still not receiving a living wage?

The Other Story: What Do Workers Say?

Despite more than 15 years of codes of conduct adopted by Yue Yuen's big brand customers – and Yue Yuen's own code of conduct and Corporate Social Responsibility program, adopted in 2005 – Yue Yuen workers are still not being paid a living wage. In many cases, Play Fair researchers discovered, workers are not even receiving the legal minimum wage.

Over the years, numerous reports by NGOs and labour activists have revealed workers' rights violations at Yue Yuen factories. Most of the allegations concerned abusive treatment of workers (associated with a militaristic style of management), sexual harassment, forced and excessive overtime, low wages (in many cases, less than the national minimum wage), poor safety standards, unjust employment contracts, limited access to toilets, and repression of (independent) unions.[142]

Between September 2006 and August 2007, Play Fair researchers in China carried out extensive research on working conditions in thirteen wholly-owned Yue Yuen factories, three Yue Yuen/Pou Chen part-owned facilities, and four Yue Yuen/Pou Chen subcontract facilities operating in China.[XXVI] Other Play Fair researchers investigated conditions in two Indonesian Yue Yuen factories in January 2008.[XXVII] I We present some of these findings below.[XXVIII]

Long hours and the pressure to produce

Workers at Yue Yuen factories in China regularly complained about heavy work pressure and resulting stress.

"I am exhausted to death now," one worker at a Yue Yuen owned factory in Dongguan, China, told the Play Fair researchers. She assembles shoes for New Balance. "The two of us have to glue 120 pairs of shoes every hour.... We are working without rest and are always afraid of not working fast enough to supply soles to the next production line.

XXVI. Play Fair researchers interviewed 15 workers at each factory, including at least one worker from each production department. The male/female ratio for interview subjects was approximately 3:7. All the interviews were done off site, in the community or in the rented places where workers live. We also used secondary materials including company profiles, reports, newspaper articles, internet postings, and factory advertisements.
XXVII. Play Fair researchers interviewed 11 workers (six women and five men), divided into 3 focus groups and 2 individual interviews. The workers were aged between 20 and 38, with a median age of 25. All had been working for Yue Yuen for more than one year, with the median length of service being six years, five months.
XXVIII. Note that specific factory names are not used in this section of the report in order to protect workers. Factories are indentified by a number in the endnotes, for reference purposes.

If we slow down, the next production line could be slowed down as well. The supervisors are pressuring and nagging us all the time. We are tired and dirty."[143]

High production targets force workers to cut their lunch hour short. Mid-shift breaks are often cancelled. Work that used to be done in ten hours is now expected to be finished in nine. While the factory can claim to have reduced overtime hours, as required in many brand codes of conduct, the workers are still expected to produce the same number of pieces, leading to exhaustion and burnout.

"Sometimes I don't have time to go to the toilet or to get a drink of water," said another thirty-year old woman worker. "Although we have less overtime now, it is as exhausting as before. Maybe more."[144]

In some Yue Yuen factories materials 12-hour work days were the norm.[145] The company has made efforts to control excessive overtime hours, but in these factories workers complained about much heavier work stress caused by tightened production schedules and new production systems introduced by management to offset the reduction in working hours.[146]

In a Yue Yuen factory producing, for adidas, New Balance, Nike, Timberland and Reebok (now owned by adidas) shoes, overtime was officially capped at two hours, but at the same time the lunch hour was cut in half to ensure workers could complete their quotas – effectively adding an extra 30 minutes to their day that is not compensated as overtime.[147] Workers at other factories also reported shortened lunch breaks, sometimes taking as little as ten minutes to eat so they can return to their stations to meet heightened production quotas.[148]

At six of the Yue Yuen factories that were studied in China, workers are expected to meet their production quotas before leaving work. Extra hours are not recorded as overtime so that, even while workers toil longer, on paper excess overtime appears to be controlled.[149] In three of those factories, workers were told not to punch the clock for extra hours so that no record of excessive overtime is kept.[150]

At one factory, workers reported working 2-3 hours unpaid overtime on a regular basis – on top of the 2 hours officially scheduled overtime. Workers at that factory reported receiving no days off during the peak season, a complaint that was shared by workers at other Yue Yuen factories and subcontract factories.[151] Workers at one subcontract facility don't receive any of the statutory holidays to which they are legally entitled – they remain on the job, where they work 4-5 hours overtime per day on a regular basis.[152]

Getting overtime under control seems to be a key demand of many buyers. In Indonesia, efforts to control excessive overtime were also negotiated with the union at the Nikomas facility, and overtime problems have improved on some lines. However, workers still report similar problems.

"It is true that Nike and Adidas have tried to be strict [on excessive overtime]," one worker told us. According to this worker, who has been making Nike shoes for a number of years, production targets and expected overtime hours for each day are set out in a written Overtime Order at a morning briefing. "However, there seems to be a catch," he said. "For example, when the Overtime Order states that overtime for the day is only 2 hours, then the overtime recorded is only 2 hours – even if, in reality, we worked 3 hours overtime."

Workers on Puma lines reportedly work at least three – and sometimes up to six – hours overtime each day. Workers on adidas lines also report working up to four hours overtime a day (up to 70 hours a week). In addition there is what is known as "loyalty time" where workers are expected to turn up 15 minutes before their shift starts to do exercises and clean and prepare the machines, and to work an extra 15 minutes after their shift end. This half hour in total is unpaid overtime.[153]

"Women with children are more vulnerable," said one woman working on a Puma line. "The excessive overtime takes time away from their family."

Disciplinary Practices and Verbal abuse

Many workers complained about harsh disciplinary practices and verbal abuse. A number of the factories investigated used a system of fines for workers who did not meet quality standards, sometimes fining supervisors as well, which added to the pressure on workers.[154] At ten of the factories we investigated, workers reported that verbal abuse was a problem.[155]

At one Chinese factory manufacturing for ASICS, workers that failed to meet the production quota had to write a 'psychoanalysis' report to management explaining why they could not meet the quota and to guarantee that they would do better the next day.[156] At another factory, pressure to meet quotas was reinforced through the holding of production meetings where workers that were considered not sufficiently productive were openly criticised by management in front of their co-workers.[157]

Verbal and physical abuse was also reported on the adidas and Puma lines at the Nikomas factory. One worker related an incident where a stopwatch was thrown at a worker in the Puma unit. In the adidas unit assembly workers who refuse to work overtime have been either transferred to unpleasant work in the chemicals and rubber section or made to stand up in the middle of the line for hours on end.[158]

Dangerous working conditions

Intense work pressure can also impact on workers' health. Aside from occupational illnesses related to stress – which were reported at some of the factories investigated[159] – workers also reported that even where safety equipment was provided, they tended not to use it because it slowed them down.[160]

Workers at other Chinese factories complained of chemical exposure, skin allergies and upset stomachs.[161] While some factories provided safety equipment, others did not.
In the unionized Nikomas factories in Indonesia, workers reported that safety equipment is available and warnings are posted everywhere, including information on specific chemical hazards. However, one woman on the Puma lines told Play Fair researchers that they are expected to wash their paper-based mask until it is worn out. "It is not easy to ask for a new mask. We give back the used mask, and sometimes they grumble to us before giving us a new one."

Workers at a number of Chinese Yue Yuen factories said they were pressured not to report injuries to supervisors, who would in turn face repercussions from upper management.[162] While workers in some factories were properly insured for injuries,[163] others were required to pay out of pocket for medical visits even at company-run clinics.[164] Some factories – mostly subcontractors, but including one wholly-owned facility – did not follow legal procedures for investigating, rating, and compensating workplace injuries.[165] A common problem in most of the workplaces investigated was the failure to provide all four legally required worker insurance programs: social security (pension), worker's illness and injury insurance, disability insurance, and maternity benefits.[166] In many factories, workers were not aware of whether they were covered by workplace injury insurance nor were they aware of their rights in case of accidents.[167]

Media reports indicate that insurance, social welfare, safe working conditions and wages were key issues in a March 2006 walkout by 8,000 workers at a Pou Chen factory in Vietnam.[168]

Low wages

Workers are usually paid some combination of a base wage and various bonuses based on the number of pieces completed, attendance, and other measures.

When the minimum wage in China was raised in September 2006, management in most Yue Yuen factories and subcontract facilities responded by raising the production quota and reducing production bonuses and other incentives. Some factories added new deductions from workers' compensation for housing, food, or other services.[169] In the end, despite an increase in the legal minimum wage, many workers were receiving the same or less compensation than before the increase.

When Dongguan's minimum wage was raised to RMB690/month (US$97) in September 2006, a Yue Yuen factory producing for adidas raised the production quota to 75 pairs of shoes per hour, which workers had trouble meeting. As a result, production bonuses shrunk, and many workers complained that the income they received after deductions for food and lodging was even less than before. A one-day work stoppage in October 2006 failed to reverse the decision to raise quotas.[170]

The pattern was repeated at most of the Chinese factories studied for this report. Skilled workers at one factory who could make RMB400-500/month (US$57-$71) in production bonuses previously are receiving only RMB100-200/month (US$14-$28) after their employer raised quotas.[171] As a result, their total take home salary has not increased.[XXIX]

At one Yue Yuen subcontract factory producing materials for Reebok, Timberland, New Balance and Columbia Sportswear shoe, workers are paid entirely by piece rate, which means their wage varies depending on the number of pieces completed. Workers at this factory receive on average RMB500-600/month (US$71-$86) – less than the legal minimum wage. From that, RMB155/month (US$22) is deducted for lodging in the factory's dormitories, where 12 workers occupy each room, with shared showers and toilets on every second floor.[172]

Another Yue Yuen subcontractor was paying new workers an exceptionally low basic wage of RMB290/month (US$41), and RMB490/month (US$70) for senior workers. Both rates are below the legal minimum. Some departments at this factory are paying only RMB1-2/hour (US$0.14-$0.28) in overtime compensation, again less than the legal minimum. As a result, a new worker clocking more than 100 hours of overtime and 30 days of work per month received only RMB700-800 (US$100-$114) in compensation. Workers at this factory report that, to their knowledge, Yue Yuen has never inspected the facility.[173]

XXIX. This pattern is not unique to Yue Yuen factories. Research conducted by the Thai Centre for Labour Rights at two factories producing for adidas in Thailand in August 2006 found that production targets were regularly increased, eliminating potential bonuses. Workers told researchers they wanted a stable production target (Thai Centre for Labour Rights, August 2006).

Improving conditions at Yue Yuen

Since Yue Yuen manufactures for various high profile brands, the company has had to work with a number of buyers on implementation of their codes of conduct, including Nike, adidas, Puma and New Balance. Brand pressure seems to have softened Yue Yuen's disciplinary methods. It has reportedly resulted in some improvements in levels of overtime work and dormitory accommodations for migrant labor.[174] As reported above, some factories have taken significant steps on health and safety issues, and have followed legal requirements on social security, worker's compensation, disability insurance, and maternity benefits.
Yet there still appears to be little or no progress on the issue of wages.

Why not pay a living wage?

As we have seen, critics of the idea of requiring payment of a living wage often point to structural barriers that make it difficult for any one entity in the supply chain to ensure higher wages.

The athletic footwear sector, however, has some notable structural differences that differentiate it from the apparel sector:

- It is highly consolidated. Nike and adidas control almost 60% of the retail market. In the last few years, Nike has acquired smaller brands like Converse and Umbro, and adidas has acquired Reebok. Puma in turn was bought by French luxury retailer PPR.
- Athletic footwear production relies on large, capital intensive factories that are relatively difficult to establish and relocate.
- Yue Yuen performs a large portion of sports shoe production for all the major sportswear brands.[xxx] And despite the division of labor and legal boundaries between brands and Yue Yuen, the manufacturing process is highly integrated, and relatively stable. The stability in this relationship opens the door for coordinated action on "cash standard" matters like wages.
- Both Yue Yuen and its customers are highly profitable companies.

In this highly consolidated and profitable sports shoe sector, joint action between companies like Yue Yuen and the giant brands than dominate the market to raise wage levels toward a living wage is not only desirable, but also achievable.

The fact that most of these sportswear brands are Participating Companies in the US-based Fair Labor Association (FLA) also means that joint action among buyers and their suppliers to raise wage levels toward a living wage is a practical possibility. The only things missing are a commitment to pay a living wage and the political will to achieve it.

We will return to the issue of achieving a living wage in Chapter VI and VII.

XXX. While exact figures are hard to come by, analysts estimate that 25-30% of Nike's shoes are manufactured by Yue Yuen, with adidas and Reebok each sourcing approximately 15-20% of their shoes from Yue Yuen. All three brands account for at least 40% of Yue Yuen's production. (Citigroup. Yue Yuen – Shoes to Choose. 16 November 2004). Yue Yuen itself estimates that 54% of its sales are accounted for by five main customers, with their largest single customer accounting for 22% of sales (Yue Yuen Industrial (Holdings) Ltd. Annual Report, 2007. p.27).

THE COUNCIL OF STATE GOVERNMENTS
EASTERN REGIONAL CONFERENCE

ANNUAL MEETING

Welcome / Bienvenue / Bienvenido

Dear Friends of CSG/ERC:

On behalf of the State of Maine, The Council of State Governments/Eastern Regional Conference (CSG/ERC) and the Maine 2010 Host Committee, it gives us great pleasure to invite you to the CSG/ERC 50th Annual Meeting and Regional Policy Forum in Portland, Maine, August 15 – 18.

The theme of this year's annual meeting is:

Repowering the Northeast: Innovative Jobs, Energy and the Economy.

The CSG/ERC Annual Meeting and Regional Policy Forum is the largest gathering of state elected and appointed officials in the Northeast.

The concurrent policy workshops will address economic and other critical policy issues relating to agriculture, criminal justice, Canada/US relations, education, energy and the environment, health, international trade, and transportation. In addition, we will build on the success of last year's policy agenda with another Executive Panel, which will include Governor's and Canadian Premiers.
The CSG/ERC Annual Meeting is family friendly!

We offer two full days of social and educational activities for spouses/guests and juniors/teens. As an added bonus, juniors and teens register for free. For the youth, activities will include visits to the Children's Museum of Maine, take a trip back in time aboard Maine's Narrow Gauge Railroad and York's Wild Kingdom. Spouses and guests will enjoy a whale watching excursion, lobster boat cruise, and of course, shopping at L.L. Bean in beautiful Freeport village.

There has never been a more significant time in our history to gather to share ideas, concerns and solutions.

Please join us this August in Maine for an enriching CSG/ERC Annual Meeting and Regional Policy Forum.

We are committed to making this event truly informative, as well as an enjoyable time to experience the many wonders of Maine in the summertime for all attendees.

- Click here for our preliminary business program agenda!
- Click here to download our 2010 Annual Meeting and Regional Policy Forum registration brochure!
- *Click here to register online!*

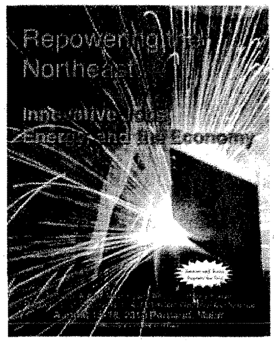
Sincerely,

Senator Philip Bartlett
Maine
CSG/ERC Co-Chair

Representative Nancy Smith
Maine
CSG/ERC Co-Chair

ANNUAL MEETING

50th Annual Meeting and Regional Policy Forum



On behalf of the State of Maine, The Council of State Governments/Eastern Regional Conference (CSG/ERC) and the Maine 2010 Host Committee, it gives us great pleasure to invite you to the CSG/ERC 50th Annual Meeting and Regional Policy Forum.

This year's annual meeting will be held in:

Portland, Maine
August 15 - 18, 2010

John Zogby

Leading U.S. pollster John Zogby will be CSG/ERC's luncheon speaker on Monday, August 16.

Zogby, Chief Insights Officer of Zogby International Research, LLC will give his thoughts on the upcoming midterm elections and how the current political climate could impact those elections. Zogby remains, by all accounts, the hottest pollster in the United States today.

Zogby is the author of The New York Times bestseller *The Way We'll Be*, an extensive and insightful analysis of American's thoughts, feelings, and beliefs. Continuing to put his finger on the pulse of America, Zogby creates a portrait of the trends that will drive our society in the future.

Zogby holds degrees in history from Le Moyne College and Syracuse University and has taught history for 24 years. In addition, he was a member of the Board of Trustees of Le Moyne College and received the distinguished Alumni Award in 2000.

- Click here for our preliminary business program agenda!
- **Click here to download our 2010 Annual Meeting and Regional Policy Forum registration brochure!**
- ***Click here to register online!***

- ***And click here for our online housing registration form for the Holiday Inn by the Bay!***

THE COUNCIL OF STATE GOVERNMENTS/EASTERN REGIONAL CONFERENCE
2010 Annual Meeting and Regional Policy Forum
Preliminary Business Program
UPDATED 6/16/2010

Saturday, August 14

1:00 PM – 6:00 PM Lobby	**Conference Registration**
2:30 PM – 4:00 PM Casco Bay Hall	**Strategic Planning Committee Meeting**
6:00 PM - 9:00 PM	**Special Off Site Evening Event** ERC Executive Committee, Host State Committee and Corporate Contributors ***Saltwater Grill (by invitation)***

Sunday, August 15

8:00 AM – 6:00 PM Lobby	**Conference Registration**
8:30 AM – 9:30 AM Vermont	**Annual Meeting Committee Breakfast Meeting**
10:00 AM – 12:00 PM Vermont	**Executive Committee Meeting**
12:00 PM – 2:00 PM Casco Bay Hall	**Northeast States/Eastern Canadian Provinces and Executive Committee Joint Luncheon** **Topic: Canada/U.S. Relations** Speakers: Name Place Holder
2:00 PM – 5:00 PM Connecticut	**Innovations Screening Panel** The CSG Innovations program identifies projects on the cutting edge of public policy. The Selection Committee will hear and vote on presentations from this year's contenders. Stop by and listen to great ideas.
2:15 PM – 4:30 PM New Hampshire	**ERC Canada-U.S. Relations Committee Meeting**
2:30PAM – 5:00 PM Kennebec – 2nd Floor	**Eastern Trade Council Board Meeting**
6:00 PM – 7:00 PM	**Canadian Reception** *(Sponsored by Canadian Consulate)* ***Portland Museum of Art***
7:00 PM – 10:00 PM	**Welcome to Maine" - Opening Event** *(everyone invited)* ***Portland Museum of Art***

Monday, August 16

7:30 AM – 5:00 PM Lobby	**Conference Registration**
8:00 AM – 9:30 AM	**Concurrent Committee/Task Force Breakfast Meetings**
Connecticut	**Agricultural and Rural Policy (NSAAS) Committee** **USDA's Role in Empowering the Economy** For agriculture and rural community economies, the impact of federal efforts can be immense. This open discussion session focuses on funding and regulation changes at the USDA and FSA that will impact state legislators. Speakers: Jay Phinizy USDA Farm Services Agency NH State Director Jack Tarburton USDA Rural Development MD/DE State Director Name Place Holder APHIS Administrator Name Place Holder FDA Administrator
Rhode Island	**Criminal Justice Committee**
Cumberland – 2nd Floor	**Education Committee** **Combating Excessive Absenteeism in Public Schools** A description of recent studies and efforts designed to reduce absenteeism, one of the primary factors leading to poor performance and dropout of public school students. Speakers: Name Place Holder
Somerset – 2nd Floor	**Environment/Energy Committee**
Oxford – 2nd Floor	**Health Committee**
TBA	**ERC Canada-U.S. Relations Committee** **The State of U.S. – Canada Trade Relations in the Age of Obama** This session will explore the status of cross-border travel and trade as the economy begins to rebound, assess on-going efforts in Congress to enact protectionist measures, and examine concerns over costly and duplicative border procedures.
Massachusetts	**Transportation Committee** **Transportation Policy Committee Meeting:** The committee meeting will focus on a review of the status of federal surface transportation legislation and its impact on the ERC; the possible crafting of resolutions. An update will be provided on the All Electronic Tolling effort.

8:00 AM – 5:00 PM Kennebec – 2nd Floor	**Eastern Trade Council Board Meeting**
8:30 AM – 9:30 AM Casco Bay Hall	**General Breakfast** *(everyone invited)*
9:45 AM – 10:00 AM Vermont & New Hampshire	**Welcoming Session** **Honor Guard** **Presiders:** Senator Philip L. Bartlett CSG/ERC Co-Chair Representative Nancy E. Smith CSG/ERC Co-Chair **Welcomer:** The Honorable Nicholas Mavodones, Jr. *(invited)* Mayor of Portland, ME
10:00 PM – 12:00 PM Casco Bay Hall	**Opening Plenary** **Governor's / Premier's Panel** **Keynoter:** Vinod Khosla, Founder of Sun Microsystems *(invited)* **Panel Moderator:** Susan Sharon, Deputy News Director Maine Public Broadcasting Network Speakers: Name Place Holder Name Place Holder
12:15 PM – 2:00 PM Casco Bay Hall	**Luncheon** **Keynoter:** John Zogby, President/CEO Zogby International Research
2:30 PM – 4:30 PM Connecticut	**Concurrent Policy Forums** **Agriculture and Rural Policy (NSAAS) Committee** **State Responses to EPA Chesapeake Bay** The U.S. Environmental Protection Agency is working with its state partners to set restrictions on nutrient and sediment pollution of the Chesapeake Bay through a regulatory tool called Total Maximum Daily Load, (TMDL). This TMDL will be the largest and most complex ever developed, involving six states and the District of Columbia. How will this initiative impact the ERC member states?

Can States Take Ownership of the Sustainability and Animal Welfare Issues?
The term "sustainability" is beginning to transform the food industry, with environmental, economic and social factors all evaluated throughout the food supply chain. Rather than letting advertisers and food marketers define this term for states, how can states take control of the movement in Maine, or New York or even the Northeast?

Rhode Island	**Criminal Justice Committee**
Cumberland – 2nd Floor	**Education Committee** **Winners and Losers in the "Race to the Top** Why have certain states like Delaware succeeded in the nation-wide competition for $4.35 billion in federal stimulus funding? Northeastern state policymakers will analyze the region's "race to the top."
Somerset – 2nd Floor	**Energy/Environment Committee** **Advancing the Clean Energy Economy in the Northeast** How can states ensure the efficient development of a national transmission system that fosters clean-energy projects in the region? This workshop will explore recent efforts to accelerate regional clean-energy projects that offer significant opportunities for generating economic growth.
Oxford – 2nd Floor	**Health Committee** **Federal Health Care Reform: Where Are We?** Come learn the latest on national health reforms. Hear how it will affect consumers, providers and your state budget.
TBA	**ERC Canada-U.S. Relations Committee** **Infrastructure, Goods Movement and Jobs – Re-Energizing the Greater Region** The poor condition of physical infrastructure in the region is well documented. This session will tackle the relationship between infrastructure and cross-border economic vitality with a focus on goods movement and energy.
Connecticut	**Transportation Committee** **Transportation Finance and Bridges and Bridge Systems** The iconic structures of the region's major bridges are essential to commerce – but region's transportation infrastructure is aging. Restoring, replacing and renewing the system, throughout the region's unique geography is a significant challenge. How can the region maintain its vital transportation infrastructure?
4:45 PM – 5:45 PM Massachusetts	**ELA and Toll Fellows Reception**
6:00 PM – 7:30 PM Vermont & New Hampshire	**Delegates Reception**

Tuesday, August 17

7:00 AM – 4:00 PM	**Conference Registration**

Lobby

8:00 AM – 8:30 AM Port of Call Lounge	**Nominations Committee Meeting**
8:00 AM – 9:00 AM	**General Breakfast** *(everyone invited)*
9:00 AM – 12:00 PM Connecticut	**Concurrent Policy Forums** **Agriculture and Rural Policy (NSAAS) Committee** **Northeast States Association of Agriculture Stewardship Open Legislative Meeting** Annual NSAAS meeting and roundtable discussion of Northeast Legislative advances and issues.
Rhode Island	**Criminal Justice Committee**
Cumberland – 2nd Floor	**Education Committee** **School District Consolidation: Lessons from Maine** A review of the results of Maine's attempt to achieve greater economies and efficiency by implementing a legislative mandate to consolidate small school districts.
Somerset – 2nd Floor	**Environment/Energy Committee** **9:00 AM – 10:45 AM: Delivering the Promise of Energy Efficiency: Creative Strategies for Lowering Energy Costs and Creating Jobs** Speakers will discuss innovative state and municipal policies that hold the potential to catalyze energy-efficiency gains in residential and commercial buildings, and serve as an engine of job creation. **11:00 AM – 12:00 PM: Roundtable on Innovative State and Provincial Legislation/Programs** Officials from several states and provinces will share their creative strategies for tackling a range of energy and environmental challenges.
Oxford – 2nd Floor	**Health Committee** **Volume to Value: Quality-Based Health Care Purchasing for Policymakers** Learn how your state/province can move from a health care system that rewards over-utilization of services to one that pays for value. Hear about payment reforms from other states and other payers. **Patient-Centered Medical Homes: Coordinating Care to Improve Health** Proponents argue that Patient-Centered Medical Homes will reduce costs, enhance quality and attract primary care providers. Hear about this growing trend from states that are implementing them.
Vermont	**Canada-U.S. Relations Committee**

Tuesday, August 17 (cont.)

Kennebec – 2nd Floor	**Economic Development**

States Pioneer Successful Foreclosure Prevention Strategies
Initially limited to predatory mortgages, the tough economy and increased unemployment have caused a spike in foreclosures throughout our communities. Learn about successful foreclosure diversion programs in Connecticut and Maine involving mediation and consumer counseling and advocacy.

Speakers:
Chet Randall
Pine Tree Legal Services

William N. Lund
Bureau of Consumer Credit Protection

Roberta Palmer (invited)
Judicial Branch Foreclosure Mediation Program

Representative Sharon Treat, ME

Representative Doyle Niemann, MD (invited)

Massachusetts

Transportation Committee
Intercity Passenger Rail
What is the status of federal and state funding efforts, for intercity passenger rail? What is the role of the station as a local economic development tool, as well as the roles of Amtrak and VIA? This session offers policy makers and executive branch officials a chance to gain a clearer insight into the outlook for this emerging mode.

12:00 PM – 2:00 PM
Casco Bay Hall

Luncheon
Keynoter:
Dr. Elliott Fisher *(invited)*
Director, The Center for Health Policy Research

2:15 PM – 4:15 PM
Massachusetts

Training Workshop
Facilitator: Pam Vaccaro
Hear Pam Vaccaro's practical suggestions on how to increase balance in your life. While you wear many hats in your political and private lives, this program will offer you ways to enhance the accomplishment that comes from a focused life.

2:30 PM – 4:30 PM
Kennebec – 2nd Floor

Budget and Tax Roundtable

2:15 PM – 5:15 PM
Cumberland/Kennebec
Lincoln – 2nd Floor

Product Stewardship: Coming Soon to a Legislature Near You!
Speaker: Representative Melissa Walsh Innes

Tuesday, August 17 (cont.)

6:00 PM – 7:30 PM

2011 Nova Scotia Reception *(everyone invited)*

	South Portland Community College
7:30 PM – 10:00 PM	**2010 Maine State Dinner** *(everyone invited)* ***Lobster Bake – South Portland Community College***

<u>Wednesday, August 18</u>

7:30 AM – 8:00 AM Somerset – 2nd Floor	**Closing Business Session**
8:30 AM – 10:00 AM Ballrooms (CT/RI/VT)	**Farewell Breakfast for Delegate/Spouses** **Speaker:** Dr. Vincent Covello *(invited)* Founder and Director of the Center for Risk Communication
8:30 AM – 10:00 AM Ballrooms (NH/MA)	**Farewell Breakfast for Junior/Teen Delegates**

Business Program Overview

Plenary Sessions

Monday
9:45 AM – 12:00 PM
Opening Ceremony/Governors and Premiers Panel
Keynoter: Vinod Khosta (invited)
Founder, Sun Microsystems

12:15 PM – 2:00 PM
Luncheon
Keynoter:
John Zogby
President/CEO of Zogby International Research

Tuesday
12:00 PM – 2:00 PM
Luncheon
Keynoter: TBA

Agriculture

Monday
8:00 AM – 9:30 AM
USDA's Role in Empowering the Economy

2:30 PM – 4:30 PM
State Responses to EPA Chesapeake Bay
Can States Take Ownership of the Sustainability and Animal Welfare Issues?

Tuesday
9:00 AM – 12:00 PM
Northeast States Association of Agriculture Stewardship Open Legislative Meeting

Criminal Justice

Monday
8:00 AM – 9:30 AM
Topic: TBD

2:30 PM – 4:30 PM
Topic: TBD

Tuesday
9:00 AM – 12:00 PM
Topic: TBD

Economic Development/International Trade

Sunday
12:00 PM – 2:00 PM
Northeast States/Eastern Canadian Provinces and Executive Committee Joint Luncheon:
Canada/U.S. Relations

Monday
8:00 AM – 9:30 AM

Economic Development/International Trade – (con't)

Monday
8:00 AM – 5:00 PM
Eastern Trade Council Board Meeting

2:30 PM – 4:30 PM
Infrastructure, Goods Movement and Jobs – Re-Energizing the Greater Region

Tuesday
9:00 AM – 12:00 PM
States Pioneer Successful Foreclosure Prevention Strategies

Education

Monday
8:00 AM – 9:30 AM
Combating Excessive Absenteeism in Public Schools

2:30 PM – 4:30 PM
Winners and Losers in the Race to the Top

Tuesday
9:00 AM – 12:00 PM
School district Consolidation: Lessons from Maine

Energy & Environment

Monday
8:00 AM – 9:30 AM
Topic: TBD

2:30 PM – 4:30 PM
Advancing the Clean Energy Economy in the Northeast

Tuesday
9:00 AM – 10:45 PM
Delivering the Promise of Energy Efficiency: Creative Strategies for Lowering Energy Costs and Creating Jobs

11:00 AM – 12:00 PM
Roundtable on Innovative State and Provincial Legislation/Programs

2:15 PM – 5:15 PM
Product Stewardship: Coming to a Legislature Near You!

Health

Monday
8:00 AM – 9:30 AM
Topic: TBD

2:30 PM – 4:30 PM
Federal Health Care Reform: Where Are We?

Tuesday
9:00 AM – 12:00 PM
Volume to Value: Quality-Based Health Care Purchasing for Policymakers

Patient-Centered Medical Homes: Coordinating Care to Improve Health

Transportation

Monday
8:00 AM – 9:30 AM
Transportation Policy Committee Meeting

2:30 PM – 4:30 PM
Transportation Finance and Bridges and Bridge Systems

Tuesday
9:00 AM – 12:00 PM
Intercity Passenger Rail

Professional Development

Tuesday
2:15 PM – 4:15 PM
Training Workshop
Facilitator: Pam Vaccaro

- Home

CSG Event

CSG 50th Annual Meeting and Regional Policy Forum

Portland, Maine * August 14-18, 2010 * Holiday Inn By the Bay
Space is limited. Rooms will be sold on a first come, first serve basis. Housing application deadline is Friday, July, 9, 2010. After this date, rooms will be based on availability.

Note: The conference rate and accommodations may not be available after July 9, 2010.

CSG HOUSING

Portland, Maine * August 14-18, 2010 * Holiday Inn By the Bay

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Note: The conference rate and accommodations may not be available after July 9, 2010.

Attendee's Name *

First Last

Organization

Office/ Alternate Contact

Address

Street Address

Address Line 2

City State / Province / Region

Postal / Zip Code Country

Phone Number

- -

####

E-Mail Address *

Holiday Inn By the Bay | Portland, Maine
Room - $195 + 7% tax = $208.65 per night

Hotel Arrival Date *

MM DD YYYY

INSTRUCTIONS

Reservations held the following ways:

ONLINE: www.csgeast.org
Select Meetings, then Online Registration

E-MAIL:
Completed form to: info@epicintl.net

FAX:
Completed form to: 480.990.2522

MAIL:
Completed form to:
CSG Reservations c/o EPIC International
8399 E. Indian School Road, Suite #105
Scottsdale, AZ 85251

DEADLINE
Reservations must be made by July 9, 2010 in order to guarantee conference rates.

CONFIRMATIONS
CSG Reservations will send you a notification of receipt of your rooming request. A confirmation will be sent from the hotel directly via e-mail. Please review all information for accuracy. If you do not receive a confirmation or have questions, please call us at: 866.703.6288 | 480.994.4434 or e-mail to info@epicintl.net.

You will receive your confirmation number via e-mail from the hotel directly, approximately 2 weeks prior to your arrival.

ROOMING
All rates are per room and do NOT include 7% occupancy tax (subject to change). Room type cannot be guaranteed, however we will do our best to honor all requests. Hotel will assign specific rooms upon check-in, based on availability.

GUARANTEE
All reservations require a guarantee. **Reservations must be guaranteed with a credit card for one night's room and tax.** Reservations will NOT be processed without a credit card guarantee. All changes and cancellations must be made directly with EPIC International through August 12, 2010.

** NOTE - Your confirmation will be e-mailed to you 2 weeks prior to your stay**

For all reservations, changes or cancellations made on or after August 12, 2010, please contact the hotel directly. If you have questions, please call EPIC International at 866.703.6288 | 480.994.4434.

- Home

Maine International Trade Center meeting with Ambassador Kirk on August 5, 2010

CTPC members in attendance: Rep. Rotundo, Paul Volckhausen, Sarah Bigney, Wade Merritt and Michael Hiltz. Others in attendance: Janine Bisaillon-Cary, Dana Eidsness, Jeffery Porter (U.S. Export Assistance Center), Perry Newman and four other participants

Rep. Rotundo gave a brief introduction of the commission and its activities.

Ambassador Kirk statements:

- USTR wants to have more dialogue with local groups and all sides of the debate.

- The current global economic circumstances is good for trade and is a way out of hard economic times without raising taxes

- On this trip to various states he is looking to find common ground between those who are pro trade and those who have concerns about certain aspects of trade agreements

- USTR wants to resolve issues with the Panama/Columbia/Korean trade agreements so they can be finished soon. In the future USTR will work on TTP.

- Ambassador Kirk stated that by federal law, USTR cannot enter into a trade agreement that gives foreign investors special rights over U.S. investors. He didn't understand the concerns people have with investor provisions giving foreign investors "special rights." Members of the commission followed up on his answer trying to focus on the ability of foreign investors to have disputes tried before tribunals outside of U.S. law but the Ambassador did not respond directly to that point.

- Ambassador Kirk has added a number of healthcare advocates to his advisory groups to make sure health care issues are not overlooked.

- Ambassador Kirk will look into how members get appointed to IQPAC and said state consultation is the best way for states to communicate with USTR.

- Ambassador Kirk said he would continue to improve the trade model to address concerns.