



**Statement for the Record of Patrick L. Thomas
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**COMMITTEE ON WAYS AND MEANS
Hearing on President Obama's Trade Policy Agenda**

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UPS appreciates the opportunity to submit comments to the Ways and Means Committee on the importance of global trade. As the world's largest logistics and transportation company, UPS knows the importance of trade to the U.S. economy. On average, UPS delivers 15.1 million packages and documents each day, more than six percent of the U.S. gross domestic product (GDP). UPS serves every address in the U.S. and more than 220 countries and territories worldwide with approximately 400,000 employees. Every 22 packages per day that cross an international border supports one job in UPS's global package operation.

With reduction of barriers to trade, UPS offers U.S. companies, both small and large, the tools to take their products and services global. In other words, trade means more opportunities for the U.S. economy.

Our mission is to enable our customers to reach their target markets, as our customer's businesses grow so does ours. To this end, UPS is pleased to work with Congress and the Administration to ensure U.S. companies have the opportunity to compete globally on a level playing field.

Trade Liberalization

Free trade agreements (FTAs) increase market opportunities and grow competitiveness on a global scale. It is our experience that this is particularly true for U.S. FTAs and their impact on the market reach and competitiveness of U.S. companies. UPS's export volume has increased 28 percent to countries with which the U.S. has brokered FTAs.

UPS supports the pending FTAs with South Korea, Panama and Colombia. These agreements will increase market access, modernize and expedite customs procedures and help to level the playing field, especially when competing against foreign state postal operators.

UPS is encouraged by our Nation's efforts to negotiate a Trans-Pacific Partnership (TPP) Trade Agreement. With multilateral trade between the U.S. and Asia growing at a

substantial pace, the need for a TPP is of great significance and opportunity to our customers. A successful TPP will address trade facilitation concerns as a key component in improving market access. Our industry often finds that, in addition to tariffs, non-tariff barriers routinely hinder efficient access to international markets. To make matters worse, regulations and changes in protocol and standards are often unpredictable. Well-crafted and enforced trade agreements help solve those problems.

Services must be included in all trade negotiations and agreements. Services are the backbone of the U.S. economy, providing 78 percent of our Nation's economic output. Transportation, logistics and distribution services such as those provided by UPS, are imperative to commerce and an integral aspect to the international reach of U.S. businesses.

Trade Facilitation

A recent UPS survey of its customers found that the top reasons for not exporting include the complicated nature of customs compliance, tariffs, duties and taxes and bureaucratic obstacles of the associated forms and required documentation. These regulatory barriers combine to discourage companies from expanding their business abroad and creating jobs at home.

It is crucial that the U.S. pursue policies of trade facilitation that will remove barriers to entry and improve the efficiency of the global economy. The U.S. Government should work multilaterally and bilaterally to encourage the modernization of practices that expedite the customs clearance process with our trading partners.

When shipments are unable to clear customs quickly, global trade decreases. Each additional day a shipment spends in transit, decreases international trade by at least one percent. A one-day improvement in transit time in the U.S. could result in \$28.9 billion per year in increased international trade.

With 96 percent of consumers living outside of the U.S., many in developing nations, it is important to help build international economic and market capacity. UPS and the express delivery industry has partnered with the World Bank in order to improve efficiency and ensure predictability for our customers. Our efforts include automating their customs processes which will not only make them more efficient, but will increase transparency and eliminate the element of corruption. These improvements allow foreign consumers better access to goods and give exporting companies reliable access to important emerging markets.

Trade Promotion and Access to Capital

In addition to removal of trade barriers, the U.S. Government needs to ensure that its companies are not at a competitive disadvantage to foreign companies concerning trade

promotion activities. Strong public-private partnerships are paramount to helping more American companies engage in trade. The federal government should continue to enhance the resources available to trade promotion agencies such as the U.S. Commercial Services (USCS) and the Export -Import bank which have a proven track record of helping businesses reach new markets.

For example, in 2007, UPS developed a strategic marketing partnership with the USCS to promote federal trade programs to our customers. This effort proved so successful that in 2010, UPS launched with USCS the New Market Exporter Initiative – Beyond One Campaign. The objective of this initiative is to leverage UPS’s partnership with the USCS to help single-market exporters sell to additional international markets. Over the last three years of this partnership, UPS has counseled more than 18,000 customers regarding the Commercial Service’s offerings. UPS and the Commercial Service have convened more than 70 export-related seminars. The USCS is able to help identify potential markets for many of our customers, and we add our shipping and logistics expertise.

In response to the 2010 National Export Initiative, UPS and USCS are developing a suite of special programs to help further boost exports. These programs include a UPS landing webpage and industry specific pages, special pricing on bundled services, and assigning personnel specifically to handle companies looking to expand to new markets. Even with these efforts and the work done by the USCS, businesses still face numerous challenges to exporting. UPS works with companies to overcome these hurdles; however the government has a role to play in easing these burdens, too.

U.S. companies face additional challenges securing financing for exports. At UPS, we realize the importance of access to credit which is why UPS’s financing arm, UPS Capital Corp., is a leading user of Export-Import Bank loan programs. In 2009, UPS Capital funded over \$88 million dollars in loans backed by the Ex-Im Bank. UPS Capital is also working with the Small Business Administration (SBA) to develop an offer of Export Working Capital loans. These short term transactional loans allow small businesses to finance the goods they are exporting.

Bilateral Investment Agreements

Openness to foreign investment has provided significant benefits to the U.S., and to other countries regardless of their level of development. The U.S. has concluded approximately 50 Bilateral Investment Treaties (BITs) that promote open and transparent investment climates abroad, while ensuring that U.S. investors receive the same non-discriminatory treatment given to foreign investors in the U.S. Investment chapters in our recent free trade agreements provide similar treatment. The record clearly suggests that U.S. investment abroad stimulates additional exports from the U.S. Therefore, it is critical that we preserve the attractiveness of the U.S. to foreign investors.

UPS would like to thank the Committee for holding this important and timely hearing. We commend the Committee's pursuit of promoting American exports and focus on growth through trade. UPS strongly supports all efforts to increase global trade and stand committed to assist in achieving these goals.