

Written Testimony of Mr. Amgad Shehata  
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Before the  
United States House of Representatives  
Committee on Foreign Affairs  
Terrorism, Nonproliferation, and Trade Subcommittee  
The Trans-Pacific Partnership: Outlook and Opportunities  
August 1, 2013

Chairman Poe, Ranking Member Sherman, Members of the Subcommittee, thank you for the opportunity to testify on the benefits of the Trans-Pacific Partnership (TPP) agreement to the U.S. economy.

I am testifying today on behalf of UPS and our nearly 400,000 employees working in the United States and around the globe. In 1907 an enterprising 19-year-old, Jim Casey, borrowed \$100 from a friend and established the American Messenger Company in Seattle, Washington. Messengers ran errands and delivered packages in response to telephone calls received at their basement headquarters. They made most deliveries on foot and used bicycles for longer trips.

A lot has changed in the 100 years since. The American Messenger Company became United Parcel Service, which eventually grew into the world's largest package delivery company. Today, UPS is a global leader in logistics offering a broad range of solutions including the transportation of packages and freight; the facilitation of international trade and the deployment of advanced technology to more efficiently manage the world of business. UPS operates in 220 countries and territories with a fleet of nearly 100,000 vehicles. UPS handles more than 6% of the U.S. GDP and 2% of the global GDP every day. And, while UPS operates the 7<sup>th</sup> largest airline in the United States, we still make some deliveries by bicycle in places around the globe.

There is little doubt that the flourishing of cross-border commerce -- first throughout the United States and then in foreign markets -- facilitated the growth of UPS from its humble beginnings. Indeed, the creation of new trade lanes and elimination of trade barriers has allowed UPS to become what it is today - a global transportation network with a global workforce, servicing the global needs of our customers.

In today's economy, however, growth has been stagnating, both in the U.S. and globally. One of the fastest ways to stimulate a weak economy is through international trade. Trade promotes economic development which, in turn, creates jobs. In fact, international trade currently supports approximately 38 million American jobs.

With 95% of the world's consumers living outside of the United States, new trade

agreements like the Trans-Pacific Partnership are critical to providing U.S. businesses greater access to the global marketplace.

The TPP agreement's importance to the global economy stems from its recognition of some of the fastest growing regions in the world. With Japan's recent entry into the negotiations alongside the likes of Singapore, Vietnam, and Malaysia, a successful TPP would be the most commercially significant Free Trade Agreement (FTA) ever negotiated, representing a third of the world's trade and 40% of global GDP, strategically integrating North American supply chains with the Asia Pacific.

Through this agreement, the U.S. seeks to boost U.S. economic growth, double U.S. exports, and support the creation and retention of U.S. high-quality jobs. The U.S. also hopes to capture new disciplines for 21st century trade issues such as cloud-computing, competitiveness, state-owned and state-sponsored enterprises, regulatory coherence, labor, and environmental impacts.

### **UPS's Goals for the TPP**

Free trade agreements such as the TPP offer real, tangible benefits to UPS and our customers. As a global transportation company, UPS is expected to benefit greatly from the growth in trade. In our experience, with every new FTA, UPS's export volume to a particular market increases on average over 20% in the first year. We expect the regional free trade agreement of twelve economies representing a third of global trade to generate up to \$78 billion in exports for the United States alone by 2025 (Peterson Institute study, 2012). This additional volume will allow us to more efficiently utilize cargo capacity which will in turn allow us to be more globally competitive.

Of course, it's not enough to fill planes with goods if one cannot quickly get shipments to customers, freely establish as a foreign company, hire your own people or confidently invest in these countries. In foreign markets, we face a highly regulated transportation sector, complex border procedures, and incoherent domestic regulations which effectively prevent us from providing the best and most competitive service to our customers. Through the TPP, we expect to secure critical commitments on market access, customs & trade facilitation, and regulatory disciplines which will allow us to compete on a level playing field. Through the TPP, we also hope to put in place mechanisms to address gaps in trade policy that have the effect of distorting or disadvantaging supply chains. All too often, US companies face challenges in foreign markets requiring synchronicity of multiple agencies to address issues. We see this increasingly in the healthcare space where health regulation, logistics, and even tax policy are starting to intersect. And because the TPP is expected to be a template for future markets in the Asia Pacific to join, it is more important than ever to address these issues today.

In today's global economy, businesses are linked together through a web of interconnected, predictable, and efficient supply chains. Inputs come from all over the world to create products with the greatest value for the consumer here in the US or for eventual export. Limiting cross-border friction will boost the global competitiveness of U.S. businesses and reduce costs across our highly-integrated operations. And best of all, these improvements in efficiency and regulatory coherence do not have to compromise supply chain security, and in fact can improve it by leveraging new technological advancements.

The most promising aspect of the TPP agreement is that, if realized, it will be a high standards agreement where minimal products or policies are excluded in the various sectors and trade is increased among all partner countries – all boats will rise.

### **Conclusion**

Small businesses are the lifeblood of the American economy, and services are the central nervous system on which small businesses depend. SME's cannot penetrate foreign markets without the support of a competitive and fluid supply chain network. They must have free access to foreign markets and non-discriminatory treatment within those markets.

Given the TPP's ambition for market access and setting global gold standards, it is timely for the Subcommittee to be holding its hearing today. At this critical point in the global economic recovery, it is imperative that the U.S. continue to demonstrate leadership in advancing a global trade agenda. We must oppose demands to accept protectionism. We cannot afford to turn the clock back on international trade, particularly the growing Trans-Pacific market.

After the 18<sup>th</sup> round of negotiations this month in Malaysia, we are enthused by the vigor that the U.S. and all other parties are attempting to close open items within the remaining chapters and successfully conclude negotiations this year.

Thank you again, Chairman Poe and the Subcommittee, for giving attention to these issues of vital importance to the expansion and prosperity of America's economy through a comprehensive and commercially meaningful trade liberalization agreement.