

**WRITTEN TESTIMONY OF
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BEFORE THE
SENATE FINANCE COMMITTEE
ON WTO REFORM:
MAKING GLOBAL RULES WORK FOR GLOBAL CHALLENGES
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Chairman Grassley, Ranking Member Wyden, and Members of the Committee, thank you for having me here today. My name is Laura Lane, and I am Chief Corporate Affairs and Communications Officer at UPS, and I am honored to appear before you today to testify on the future of the World Trade Organization (WTO) on behalf of UPS. UPS is a global leader in logistics, offering a broad range of solutions including transporting packages and freight; facilitating international trade, and deploying advanced technology to support the world of business through our smart, multimodal logistics network.

The subject of today's hearing is one of great importance to UPS. While headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide and every day, our almost half a million employees move 6% of U.S. GDP and 3% of global GDP. UPS is committed to continuing to find new ways to operate more efficiently, cost effectively and sustainably – for our customers, the environment, and the communities we serve around the world.

At UPS, though, we are situated at the intersection today of many different trends including changing global trade and investment flows; digital modernization that is transforming business models; and the economic effects of the COVID-19 pandemic. UPS is in a unique position given the breadth of our operations and our important role as an essential service provider in the response to the pandemic to provide insights on the WTO reforms needed and the specific policy recommendations to promote greater justice, inclusion and fairness in the multilateral trading system.

From our perspective, the WTO serves as a cornerstone of the global rules-based trading system and has helped accelerate growth and development for decades. However, the world has changed since 1995, and reforms to the WTO are needed to ensure that it remains relevant into the future. In 1948, the first year of the General Agreement on Tariffs and Trade (the precursor to the WTO), world trade was \$58 billion, and today it is well above \$20 trillion. That growth was only possible because of the trading rules that were put in place to foster greater trade and investment flows.

That growth in economic opportunity is why the WTO is so important for the American business community. 99% of global trade takes place in countries that are members of the WTO. Based on the most recent data available, 65% of U.S. trade in goods and services takes place on WTO terms, while the other 35% occurs in the countries covered under our 14 free trade agreements (FTAs). Those 14 FTAs use the WTO rules as a foundation. The WTO, therefore, creates the basis for the common set of predictable and transparent rules that allow an American worldwide company like UPS to serve our customer and consumers everywhere around the world.

As 96% of the world's consumers are outside the U.S., American exporters have benefited from having a single set of rules as they have entered new markets. And, as the world has gone digital, these opportunities have expanded as consumers anywhere in the world can now reach American companies by the click of a mouse or a tap on their smartphone. Those clicks have been especially important for people everywhere around the world abiding by stay at home orders to get through the current pandemic. If the WTO were to cease to exist, we would go back to a world where any nation could change the rules at a moment's notice, creating great uncertainty and dramatically slowing trade and investment flows.

As we have all seen, that predictability and certainty becomes even more important during a crisis. As an essential service provider facilitating the movement of critically needed supplies during the COVID-19 pandemic, we at UPS saw how important it was for countries to adopt best practices. For example, UPS saw some countries move quickly to accept e-signatures on customs documents; other countries created green lanes designated for rapid cargo-specific movements; and many countries removed or modified mobility limitations for essential workers like our heroic air cargo crews. Time is of the essence in our business, and never more so than during a pandemic where the ability to move across borders quickly saved time and more importantly, it saved lives.

As the WTO looks at potential reforms to ensure it remains an engine of growth, we would like to see that the best practices we have seen adopted throughout the crisis to facilitate the movements of goods and services become permanent realities. We need the e-commerce negotiations completed so that digital trade rules apply globally. We also need the trade rules rebalanced and modernized to become more just, inclusive and fair to support economic recovery. And maybe, most importantly, we need the US leading these reforms.

Bringing Timely Reforms and Modernization to the WTO

In many respects, justice delayed is justice denied. While I defer to those on this panel who are more expert in this area, I would argue that reform is needed to ensure that disputes are resolved more quickly. No one wants to wait longer than needed for critical PPE to be delivered; so too no business wants to wait too long for justice to be rendered in the WTO

I would also argue that the WTO needs to take a page out of the UPS shipping manifests and deliver more in a timely manner. In the 25 years since the creation of the WTO, the members have concluded only one new agreement – the plurilateral Trade Facilitation agreement. UPS strongly supported this pact, which eliminates inefficient border procedures and improves transparency via digital practices at borders.

But we have seen too many dramatic changes in the past 25 years, and the WTO has not been able to move fast enough. That's why we are strong supporters of the current Joint Statement Initiatives (JSIs), which allow trade negotiations among coalitions of willing members to occur more quickly in the WTO. These agreements allow countries to opt-in to negotiations on topics such as e-commerce; domestic regulations of services; investment facilitation; micro, small, and medium size enterprises (MSMEs); and women and trade.

Focusing on one of these, in particular, is the JSI on e-commerce, covering digital trade including data flows and data localization policies, as well as border processes for e-commerce. During the COVID-19 pandemic, we have seen how e-commerce has provided a lifeline to consumers and businesses alike. From our vantage point, the time has come for governments

and international organizations such as the WTO to foster, and not frustrate, digitally-enabled international trade.

Given our customer base, we know a company no longer needs to be big to be global. There are an estimated 25-30 million formal SMBs in the world, which contribute up to 60% of total employment and up to 40% of national income in emerging economies, according to a World Bank report. Connectivity through the internet has enabled even micro-enterprises to sell products and services to consumers across borders. However, their full potential is unrealized if they cannot tap into new global markets.

In that regard, trade rules have traditionally been written for traders who send ocean and air containers, not small parcels. The significant growth of e-commerce in a short span of time brings us into new territory in which too many governments around the world have sought to restrict its reach based on concerns related to:

- The surge in import volume and its impact on customs staffing, as well as the ability to catch illegal and harmful packages;
- New foreign competition for domestic retailers that may not be covered by domestic sales tax or other regimes; and
- E-commerce users' lack of understanding or application of a country's existing trade rules.

While these concerns are important for policy consideration, UPS sees them as opportunities for governments to address the complexities of the process and create greater opportunities for e-commerce growth. An important area for WTO modernization and reform, therefore, should be focused on simplifying the import process for low value goods and recognition that the rules for moving ocean containers should not be the same for e-commerce packages.

The following, therefore, are practical suggestions to form the basis for a new modern e-commerce policy framework within the WTO:

- Leverage new technology solutions to reduce administrative burdens and streamline border processes for low-value shipments;
- Simplify and harmonize returns processes and duty and tax drawback procedures;
- Implement simplified VAT processes for imports of low-value goods; and
- Provide for electronic submission of customs declarations prior to arrival of goods to allow pre-arrival processing and immediate release at the border.

The digital economy and the global e-commerce boom are creating unprecedented and unique opportunities for governments and business to work together to craft an environment that will create jobs and support economic recovery, especially now as countries navigate through the economic downturns caused by the COVID-19 pandemic

Promoting Greater Trade Inclusion for Women and Micro, Small and Medium Size Enterprises

True economic recovery will depend on fostering greater inclusion in trade. In that regard, the WTO has done some great initial work on Women in Trade and MSMEs but so much more needs to be done now. Women and small businesses have been the hardest hit by COVID 19. The WTO, therefore, has a critical role to play in helping with their recovery efforts.

Despite the fact that trade negotiations open new markets, obstacles to women and minority engagement in international business render the full benefit of new trade agreements unrealized and the economic potential limited. Facilitating full engagement in trade through equal opportunities, therefore, is all about promoting prosperity that will be widely shared by all trade partners through increased exports, more jobs, greater consumer choice, and a broader, more diversified supplier network.

The fact of the matter is that SMEs and particularly women have just not benefitted as much from trade as they should. While women make up 40% of business owners in the U.S., we see globally that only 1 in 5 women-owned businesses export. The WTO has to do more to ensure that there is no discrimination that prevents women and women-owned businesses from trading globally.

UPS has engaged trade negotiators for the past year regarding ideas we have for commitments governments could make to foster greater fairness and inclusion, particularly for women. These recommendations go beyond the sharing of best practices, and include codifying anti-discrimination language in future trade agreements. We have suggested that every member can start by making non-discrimination commitments in their General Agreement on Trade in Services (GATS) schedules so that restrictions on a women's ability to own property in our own name, open a bank account to run her business or move freely across borders to market her goods are explicitly prohibited.

We also support the ongoing negotiations on domestic regulations that seek to eliminate discrimination on the basis of gender for the granting of licenses or recognition of qualifications for the provision of services. For example, in some countries, governments still will only grant licenses to be truck drivers or pilots to men. UPS believes our greatest strength comes from the diversity of our people across our network, coming from both our men and women drivers and pilots who are committed to delivering everywhere in the world. We believe that the WTO's trade rules should reflect that reality and provide that opportunity for men and women alike.

The WTO could go even further and incorporate the language in the USMCA that creates platforms to actively support small and medium sized business as they engage in trade and that includes disciplines that explicitly prohibit the ability of any of the contacting parties from discriminating on the basis of gender.

Fairness as the Basis for a Modern Trading System in a Post-Covid-19 World

Finally, on the need for fairness, the coronavirus has required extensive government intervention in markets. Going forward, therefore, WTO members will need to address better the issues of industrial subsidies and state-owned and state-sponsored enterprises to prevent market-distorting measures from negatively impacting global competition.

The WTO members also need to come up with a more modern definition of developed vs. developing country status as too many countries that were developing in the 1990s have clearly graduated to more developed country status. The Trade Facilitation Agreement provides a model for how to address this fairness question. How we address questions of the environment through the lens of fairness from a developing versus a developed country perspective is also going to be an important issue for the WTO.

Finally, we need a Director General who can deliver reforms that bring greater justice, inclusion and fairness to the global trading system. In order for the WTO to be properly positioned for the future and implement those needed reforms, strong leadership is required, not only from the Members, but also from the top of the WTO itself.

Conclusion

Tackling all of these issues will shape economic recovery and define the next generation of trade and investment opportunities for America in the world, which is why we need to invest now in reform of the WTO as an institution. COVID-19 will undoubtedly have a substantial and lasting effect on the global economy, and the WTO must be prepared with the necessary policy changes for the future.

As an essential service, UPS has a vital role in advocating for reform so that the WTO fosters a more just, inclusive and fair trade system that truly delivers economic opportunity for all. Thank you for your time today.