



May 10, 2013

Mr. Douglas Bell
Chair, Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Mr. Bell:

RE: Request for Comments on the Proposed Transatlantic Trade and Investment Partnership (USTR-2013-0019)

UPS supports the timely launch and conclusion of an ambitious and commercially meaningful Transatlantic Trade and Investment Partnership (TTIP), and welcomes the opportunity to contribute to the contents of such an agreement through the *Federal Register*. UPS serves as Co-Chair of the U.S. Business Coalition for Transatlantic Trade, is an active member of the President's Export Council, and has over 140 years of operations in the U.S. and EU combined. We believe the announcements of intent to initiate negotiations of a TTIP by President Obama and his EU counterparts earlier this year represented a critical milestone towards securing transatlantic prosperity.

Logistics, freight and supply chain services, as provided by UPS, are a key enabler of international trade for small, medium and large enterprises. We transport everything from small documents to aircraft engines by ground, rail, sea and air all over the world. At any given time, our package cars, trailers, and planes are carrying approximately 6 percent of U.S. GDP and 2 percent of global GDP. This gives us a vested interest not only in meeting the growing demands of consumers and our customers by continuing to grow our own business, but also in establishing a streamlined and predictable international trade infrastructure, which will enable us to serve better the competitive and time-sensitive demands of modern consumers and businesses.

The benefits of the TTIP include economic growth, job creation, and setting modern growth-friendly standards for international trade. We have estimated that **an ambitious and successful TTIP, which moves beyond tariff barriers to encompass a broad range of non-tariff, regulatory and supply chain barriers to trade could boost our trading volume by 131 million packages and support 24,000 jobs over 10 years.**

As an employer, UPS is confident that a successful TTIP will help create new jobs both at home and abroad, and provide opportunities for transatlantic cooperation in the realm of employment policy. We have estimated that every 22 packages per day that cross an international border supports one job in UPS' package operation. With more than 322,000 U.S. employees and 43,000 employees in Europe, UPS is a long-term and large-scale investor in both the U.S. and the EU job markets. Europe represents UPS' largest market and investment outside North America, giving the TTIP critical value in terms of our ability to continue investing in both economies.

The transatlantic economy is the largest and most integrated in the world, accounting for 50 percent of global GDP and \$5.3 trillion in total commercial sales. In terms of trade, the EU and U.S. account for 25 percent of global exports and 31 percent of global imports.¹ However, this trend has been declining over the last three decades. Advanced economies such as the U.S. and EU have seen their share of global exports begin to decline over recent years, whereas developing economies such as China and India continue to grow and expand their presence in international trade. The chart below goes some way to demonstrate this.

World's GDP and exports of goods and services				
	Share of GDP (%)		Share of exports of goods and services (%)	
	2001	2011	2005	2011
Advanced Economies	62.3	51.1	68.9	62.3
US	21.3	19.1	10.1	9.4
Euro Area	18.3	14.3	29.5	26.0
Japan	7.3	5.6	5.3	4.2
NIEs	3.6	3.9	9.4	9.4
Developing Asia	15.7	25.0	12.1	16.1
China	12.0	14.3	6.7	9.4
India	4.7	5.6	1.3	2.0
Excl. China, India	4.4	5.1	4.2	4.7

Source: IMF

The International Monetary Fund has estimated that by 2030 the combined economic weight of China and India will surpass that of the U.S. and EU. In this context, it is of critical importance that the U.S. and EU harness their joint economic and trading potential through the TTIP.

Our approach, therefore, to the TTIP is a holistic one. The final report of the High Level Working Group on Jobs and Growth released earlier this year identified a broad range of tariff, non-tariff and regulatory barriers to trade which the TTIP should address. UPS agrees that this is the optimal approach for an agreement between partners that already benefit from economic and political cooperation in a host of policy areas. In line with the structure proposed by the High Level Working Group, we have organized our priorities for the TTIP into the following categories: Market Access, Regulatory Issues and Non-Tariff Barriers, and Rules Addressing Shared Global Trade Challenges and Opportunities.

1) Market Access

Tariffs: UPS supports the removal of all duties on U.S.-EU bilateral trade, i.e. a shift towards a 'Transatlantic Zero' level. For UPS, we estimate that **the removal of the remaining tariff barriers alone would result in an extra 31 million packages over 10 years**. Recent studies have shed light on the evolving nature of "Global Value Chains," whereby a country's imports and exports are recognized as composite, having different parts of value added at different stages and across different geographical locations. The Organization for Economic

¹ The Transatlantic Economy Report 2013, Annual Survey of Jobs, Trade and Investment between the United States and Europe, Daniel S.Hamilton and Joseph P. Quinlan.

Cooperation and Development has estimated that intermediate goods and services represent 56% and 73%, respectively, of all trade in goods and services.

We believe that free trade through the removal of tariff barriers supports this growing network of global supply chains. Maintaining tariff barriers, no matter how low, reverberates along the value chain, and is particularly costly for small businesses, as well as related-party trade and trade between affiliates of the same company (30% of all intermediate trade is estimated to occur in this form). With U.S.-EU merchandise trade estimated at \$650 billion in 2012², removing remaining transatlantic tariff barriers will result in considerable reductions of supply chain costs, and in turn allow for a greater variety and more competitively priced range of goods and services for consumers in both markets.

Services: To fully liberalize transatlantic trade in services, and bolster growth in this critical pillar of our two economies, UPS supports a negative list approach by U.S. and EU negotiators for scheduling services commitments. In addition we support the inclusion of commitments to ensure market access and a level playing field for express delivery services (EDS), which operate under extremely time-sensitive conditions and are a key facilitator of modern supply chains. *(Please see the Customs Modernization and Trade Facilitation section of this submission for further detail on EDS.)*

In addition, it is important that U.S. and EU leaders recognize the emergence of new services, particularly in the realm of supply chain management for the pharmaceutical industry. To encourage continued innovation and the development of value added services, we urge U.S. and EU leaders to address the growing role of third-party logistics (3PL) in providing tailored warehousing, distribution and supply chain management services to the pharmaceutical industry, without direct involvement in the manufacture or sale of the products themselves.

Through UPS healthcare services and facilities, essential products and related information are delivered safely and efficiently to healthcare providers, dispensers and even patients. As a provider of such services, we recognize the important role we have in meeting the efficiency and safety needs of healthcare consumers, viewing each shipment as a patient, not a package. We would encourage the U.S. and EU to cooperate in the development of regulation which permits the efficient distribution of pharmaceutical products, benefiting industry, consumers, and governments.

There are many other services the express delivery sector relies on. These are necessary to provide our customers with the most efficient, cost-effective, and reliable service possible. These range from information technology to business services to transportation-related services. We welcome the opportunity to discuss this with you in more detail.

Investment: UPS agrees that the TTIP should enhance business opportunities both in the U.S. and EU, and encourages the integration of the 2012 U.S.-EU Joint Principles for International Investment into this agreement, to further consolidate this commitment.

Public Procurement: In the interests of promoting a transatlantic level playing field, UPS encourages the opening of new opportunities for competition between firms on both sides of the Atlantic, and we urge leaders from excluding foreign bidders from participating in government procurement.

² Quinlan & Hamilton, *Op. cit.*

2) Regulatory Issues and Non-Tariff Barriers

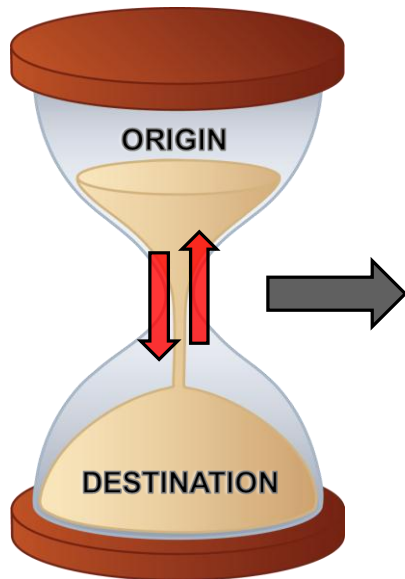
UPS believes that the TTIP should serve as a foundational framework for more concerted efforts for future U.S.-EU regulatory cooperation. While the efforts of the Transatlantic Economic Council have made significant strides towards regulatory coherence in the areas such as eMobility, the TTIP should be used as an opportunity to fully cement regulatory cooperation into the transatlantic policy-making framework. As a general principle, regulatory requirements and standards should produce tangible benefits to consumers and manufacturers both in the U.S. and EU. To this end, the TTIP should focus on achieving high quality and collaborative efforts on transatlantic regulations and standards.

3) Rules Addressing Shared Global Trade Challenges and Opportunities

Over recent years, UPS has observed the growing need of companies, small and large, to trade and compete on a global scale in order to remain competitive. Despite uncertain economic conditions in parts of the world, the U.S. and EU included, the e-commerce revolution has allowed companies to land new customers abroad regardless of their size. By leveling the playing field for establishing a business and exporting, the mobile and e-commerce booms have had a dramatic impact on the retail environment, and in turn our own business. A friction-free trading landscape is now more important than ever. To meet these shifting and growing demands, UPS has been at the forefront of developing on and delivering supply chain solutions for our customers and consumers across the globe.

In so doing, we have encountered an increasingly complex and divergent web of international trade infrastructure, most notably “at and behind the border barriers to trade,” such as inefficient and uncoordinated customs clearance and security procedures. These barriers raise costs and slow down trade at the border. The final report of the High Level Working Group recognized the complexity of global supply chains, and framed trade-related areas such as customs modernization, trade facilitation and small and medium-sized enterprises (SMEs) as “shared global trade challenges and opportunities.” The image below summarizes what UPS has identified as the main customs and trade facilitation bottlenecks in the supply chain: De Minimis, Electronic Pre-Clearance, Single Window, Timely Release, and Border Harmonization:

UPS Trade Facilitation Priorities



De Minimis

Commercially Meaningful Threshold

Electronic Pre-Clearance

Automated Processes Based on Advanced Data

Single Window

One Database for Border Clearance

Timely Release

Adoption of WCO Guidelines for Immediate Release

Border Harmonization

Mutual Recognition of Standardized Security Programs, such as C-TPAT (U.S.) & AEO (EU)

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For UPS, customs modernization and trade facilitation will be critical elements of the TTIP's success. Efficient and speedy customs processes, coordinated between the U.S. and EU, will constitute a huge step towards removing the bottlenecks found in transatlantic supply chains. By adapting to the e-commerce trend and catching up with the growing demands of international trade flows through effective trade facilitation, the transatlantic, and indeed global, economy stands to gain immensely. Reducing supply chain barriers to trade could increase global GDP by nearly 5% and trade by nearly 15%, according to a recent World Economic Forum study. Furthermore, we are confident that the resolution of one of these global trade challenges will have a positive impact towards the resolution of others e.g. simplifying customs processes will lower input costs, and enable more SMEs from the U.S. to establish a presence in the EU and vice versa. These changes in turn will contribute to a more level playing field for businesses and greater choice for consumers.

Customs Modernization and Trade Facilitation:

Raising the De Minimis Threshold for Customs Duties: UPS supports a higher, more commercially meaningful de minimis value threshold, under which customs duties and other taxes are waived. Currently, the EU de minimis value is significantly below that of the U.S., leading to barriers for small U.S. exporters. Raising and harmonizing the de minimis threshold to \$800 or an equivalent Euro value in the U.S. and EU would reduce regulatory and financial burdens on SMEs and also allow border authorities to reallocate their limited time and financial resources towards higher risk shipments.

We support the introduction of a higher, harmonized de minimis threshold, as we know that it will improve our customers' ability to take advantage of cross-border trade, particularly SMEs who might be looking to export for the first time. This overall effect will be beneficial to global

trade, stimulate economic activity, and cultivate an environment in which businesses and job creation will flourish.

Electronic Pre-Clearance: The EDS sector provides a fully “integrated” service that accelerates the process of transporting goods around the globe. UPS is hopeful that the TTIP will promote a better understanding of the unique needs of the EDS sector. In order to do so, we would encourage the inclusion of provisions for electronic pre-clearance based on advanced data for goods moving in either direction across the transatlantic border.

Single Window: Of particular importance to EDS is the centralized clearance and release of goods that arrive in the EU at a point of entry different from the EU country of destination. At present, those exporting to the EU are confronted with nationally based customs clearance agencies in each of the 27 EU Member States. The use of national clearance agents with different computerized systems provides an extremely inefficient and administratively burdensome business landscape.

UPS urges the establishment of a single window for the clearance of goods in the EU, which would allow traders to complete customs clearances for the import of shipments destined for any number of EU Member States at a single location. We encourage the EU to incorporate this critical mechanism, particularly as the EU finalizes its own Union Customs Code.

We also encourage the U.S. to finalize the development and proceed with the implementation of the International Trade Data System which creates a single window for processing goods inbound to the U.S.

Timely Release: In the context of the TTIP, UPS urges U.S. and EU leaders to build on existing World Customs Organization (WCO) guidelines for the immediate release of consignments by customs and adopt a common position i.e. for goods moving between the U.S. and EU, customs authorities should grant “immediate release to all consignments, provided that the conditions laid down by customs are met and that the necessary information required by national legislation is communicated at a stipulated time before the consignments arrive.”³ Using the existing principles established by the WCO as a guideline will also limit divergence on a global scale.

Border Harmonization: The U.S. and EU, through close cooperation between U.S. Customs and Border Protection and their EU counterparts, have already made significant progress in the realm of security including the recent mutual recognition agreement on our trusted trader programs Customs and Trade Partnership Against Terrorism (C-TPAT) and Authorized Economic Operator (AEO). These are positive steps for trade facilitation, and UPS has welcomed such efforts.

Nevertheless, we have identified a number of areas for further development. In order to build on the foundational efforts of the C-TPAT-AEO Mutual Recognition Agreement, UPS urges the U.S. and EU to develop a commercially meaningful Mutual Recognition program for Trusted Traders. We believe that this can be achieved through legislative and operational changes, as well as by developing a coherent incentive structure as described below. Furthermore UPS believes that the U.S. and EU should achieve a common approach on air cargo security regimes, and the security of the international operations of air cargo carriers bringing shipments into the U.S. or EU from third countries, as amplified below.

³ [WCO Guidelines for the Immediate Release of Consignments by Customs, 03/2006.](#)

i) Trusted Trader Programs: UPS encourages the complete implementation of the mutual recognition between the U.S. and EU trusted trader programs. This is necessary to overcome recent challenges caused by different interpretations of the scope of the agreement. The TTIP should provide for operational facilitation of the U.S.-EU Mutual Recognition Agreement. This can be achieved by ensuring that a trader who is certified in one program would be automatically certified in the other, without the need to file a separate application. In addition, information requirements should be harmonized, particularly in cases where an export declaration on one side is matched by an import declaration on the other. Finally, permitting single validation and revalidation visits for AEOs, the results of which would be accepted by both the U.S. and EU, would save unnecessary cost and duplicative efforts.

Going forward, it is also important to ensure that the agreement is implemented in a manner that provides concrete benefits and incentives to certified entities, such as automatic known consignor status for cargo security, fast track processing through customs, permission to provide required documentation post-release, and an incentive structure of fewer inspections for fully compliant traders. In addition, the U.S. and EU should work together to establish account-based customs processing for Trusted Traders, as opposed to transaction-based collection of customs duties.

UPS encourages the U.S. and EU to make it easier for SMEs to use Trusted Trader programs. Current requirements of these programs make them prohibitively costly for many SMEs. Simplifying the requirements and reducing costs will encourage SMEs to join Trusted Trader Programs.

ii) Air Cargo Security: UPS welcomed the June 2012 Air Cargo Security Agreement between the U.S. and EU as a useful model for recognizing air cargo security regimes of shipments originating in different jurisdictions. In order to improve the resilience of this model to withstand future threats, the provisions in this agreement should be strengthened through steps to harmonize regulations based on the new International Civil Aviation Organization Annex 17 framework. To reach this target, UPS recommends that U.S. and EU agencies engage in regulatory dialogue, to develop a harmonized approach to establish air cargo security regulations and procedures that include a common definition for high risk cargo, common standards for accepted security equipment and screening methods, common requirements for staff training, common definitions of secure shipper programs and improved intelligence sharing. This would lead to a strengthening of the mutual recognition of both programs.

In addition, the U.S. and EU currently have different approaches toward the security of the international operations of air cargo carriers bringing shipments into the U.S. or EU from third countries. The U.S. approach is based on Emergency Amendments and specific measures for cargo identified as high threat, whereas the EU has adopted the Air Cargo or Mail Carrier operating into the Union from a 3rd country airport (ACC3) program, which is based on airport, operator specific designation and validation, and verification of screening entities and other players in the supply chain. It also includes specific measures for “high risk cargo,” a term for which the U.S. and EU have not adopted the same definition. UPS encourages efforts to harmonize these approaches.

As an additional layer in Air Cargo Security processes, UPS advocates the use of Advance Data Risk assessment and urges leaders to develop a common U.S.-EU approach in this area. UPS believes that the U.S. Air Cargo Advance Screening (ACAS) program’s terms of reference would serve as the most appropriate basis for such cooperation. UPS believes it is essential to

prevent diverging transatlantic regulations, by developing common requirements for data on each shipment, common protocols in communication with carriers and forwarders, and common risk criteria.

Competition Policy, State-Owned Enterprises, Localization Barriers to Trade

The TTIP presents a valuable opportunity for the U.S. and EU to cooperate in their efforts to combat anti-competitive practices in third countries. U.S. and EU companies face innumerable difficulties when operating abroad as a result of ineffective or nonexistent safeguards for competition. UPS recommends a joint U.S.-EU declaration to uphold effective competition policy, and continue to nurture a global level playing field.

For our sector, government policies which favor state-owned enterprises (SOEs) and state-supported enterprises (SSEs) are extremely damaging. These entities, sponsored as national champions, create major competitive distortions in markets around the world. The importance of promoting competitive neutrality with SOEs and SSEs is particularly important for time-sensitive or “express” delivery providers when competing with national (or formerly national) postal services. Similarly, state owned or sponsored entities should not be allowed to use advantages in the provision of universal service mail requirements to unfairly compete in the provision of package delivery services. UPS also encourages the U.S. and EU to use the TTIP to establish a shared policy in their respective markets as well as towards third countries.

Small and Medium-Sized Enterprises

TTIP provides extremely important benefits for SMEs. While larger corporations have the capacity, resource and network to manage some inconsistencies in international regulation and supply chain barriers to trade, these challenges will at times either “make or break” smaller companies, which often opt-out of exporting as a result. UPS is committed to enabling increasing numbers of SMEs to expand their network globally through our services. We do this by providing tailor-made supply chain solutions designed with the needs of small businesses in mind. The TTIP presents an invaluable opportunity to simplify the transatlantic trading landscape, making international trade an accessible and realistic prospect for all, and this dimension should be taken into account in all facets of the agreement.

The TTIP in a Global Perspective

As negotiations commence and progress in the coming months, UPS encourages both U.S. and EU leaders to remain conscious of the potential gains to be made through the conclusion of a far-reaching TTIP. Through customs modernization and trade facilitation, the removal of tariff and non-tariff barriers, regulatory alignment, and a commitment to continued cooperation, the TTIP will enable the U.S. and EU to engage more effectively with third countries, providing an impetus for the successful conclusion of other critical agreements such as the WTO Trade Facilitation Agreement, the Trade in Services Agreement, and the Trans-Pacific Partnership. With operations in over 220 countries and territories, and a vested interest in bilateral, multilateral and plurilateral trade agreements, the potential for the U.S. and EU to define the future path of the global trading system by setting exemplary standards in the TTIP is of critical value to UPS and our customers.

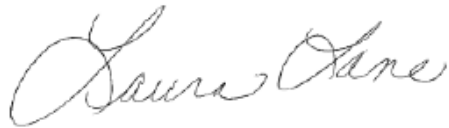
Conclusion

UPS believes that global commerce will grow in both size and complexity in the coming years. As it does, the need to simplify and synchronize the terms of trade and harmonize the international regulatory environment will become increasingly important. The TTIP is an ideal way to initiate this process, and despite the stumbling blocks which negotiators may encounter, the positive potential of the TTIP for both sides should serve as an impetus to develop workable solutions, with the input of stakeholders where necessary.

Our vision is to bring the world's businesses together through synchronized commerce. By leveraging our global network to coordinate supply chains, distribution systems and order management cycles, we allow our customers, big and small, to compete in an expanding global economy. A commitment by transatlantic policy makers to develop trade facilitation through all trade agreements, and particularly the TTIP, will allow UPS to achieve that goal, and play our part in the future successes of international trade.

We stand ready to provide further constructive input, or answer any questions USTR may have in advance of and throughout the negotiation process. Please do not hesitate to contact Dantai Smalls, Vice President, Public Affairs (dsmalls@ups.com Tel: 202-675-3349), should you have any questions.

Thank you,



Laura Lane
President, Global Public Affairs, UPS

UPS (NYSE: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. Headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide. UPS handles more than 6% of US GDP and 2% of global GDP daily. The company can be found on the Web at UPS.com and its corporate blog can be found at blog.ups.com. To get UPS news direct, visit pressroom.ups.com/RSS.
