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TESTIMONY TO THE SENATE FINANCE COMMITTEE HEARING ON

"Perspectives on the 2007 Trade Agenda"

MARCH 8, 2007

10:00am Dirksen Senate Office Building

Thank you Chairman Baucus, Senator Grassley and distinguished Senators of the Finance Committee. I truly appreciate the opportunity to share my thoughts on a topic very dear to me-U.S. trade policy. As some of you know, I've dedicated most of my life advocating and facilitating global trade and I remain fully committed and convinced that nations and their citizens grow richer and prosper through trade. That is why I strongly support renewal of broad trade promotion authority for multi-lateral and bi-lateral trade negotiations.

Renewal of the Trade Promotion Authority and the Trade Adjustment Act are essential if the U.S. is to maintain its competitive position in the global economy.

I believe Congress can and should work together to find a bi-partisan consensus in support of TPA that will enable the U.S. to continue to lead the world in trade promotion and to create more jobs and better lives for all Americans. We must succeed in this effort because if we fail the consequences will be severe.

Failure to renew TPA would deny the U.S. the opportunity to reap the substantial benefits of the Doha round. At a minimum those benefits would likely be deferred for many years.

Second, if TPA is not extended and the Doha Round is shelved, important agreements like those now under negotiation with Korea and Malaysia would be delayed or lost. Furthermore, with the U.S. sidelined by its lack of negotiating authority, our international competitors will aggressively negotiate preferential trade deals for their goods and services, putting U.S. companies at a significant competitive disadvantage.

Europe, India, China, Korea and the countries of the ASEAN region are already moving in the direction of preferential bilateral and regional trade agreements.

Finally, failure to renew TPA will give a signal of retreat from the leadership role in the world trading system which the U.S. has played throughout the post-war era. No important development in the international trading system has ever taken place without

that leadership. And, rightly or wrongly, if we fail to renew TPA our trading partners will blame the United States for the failure to advance trade liberalization.

As the main architect of the post WWII international trade regime, the United States has been a strong proponent of trade because we knew, as the worlds' most productive and competitive economy, that we had much to gain from trade liberalization.

Trade accounted for 20% of the overall growth in the U.S. economy in 2005. Over the past 10 years trade has raised U.S. GDP by nearly 40% and the U.S. added over 16 million jobs during that same period. Today, U.S. annual incomes are \$1 trillion higher, or \$9,000 per household due to increased trade liberalization since 1945.

Trade increases consumer choice and lowers prices. It spurs economic growth and innovation and creates jobs. We need to keep these truths in sight as our economy evolves into a high-tech, services-driven economy. Few people fully understand or appreciate the importance of the service sector to the American economy.

The services sector, which represents 77% of U.S. GDP and employs 80% of U.S. workers, is one of our greatest competitive strengths. Services form the critical infrastructure of modern economies and they account for about half of the price of every manufactured product that we buy. The value of U.S. services exports, \$414 billion in 2006, is five times greater than the value of our agricultural exports. We have a \$73 billion surplus in services trade. This is cause for celebration.

Health care, financial services, Information technology, engineering, construction and of course transport and logistics are a few examples of globally competitive American industries that are providing high paying, challenging and rewarding jobs.

Investment abroad by services companies yields real benefits here in the U.S. At FedEx we have about 14,000 jobs in the U.S. strictly dedicated to supporting our international operations.

But, in truth all FedEx employees benefit from our international operations. International growth makes FedEx a stronger, more dynamic company and our future is closely linked to expanded global trade. For many U.S. companies international expansion is the key to continued growth and vitality.

So it is clearly in our national interest to open services markets around the world to U.S. service providers. That is why a strong result from the services negotiations in the WTO Doha Round is so vital to our country's economic future.

Of course, protecting the interest of our domestic farming community is important to our national interest, but so is the need to remain competitive in a global marketplace for goods and services. It is imperative that Congress and the Administration find a balanced solution to the agricultural subsidies issue and then push aggressively to complete the Doha round.

Even if we achieve a breakthrough on Doha within the next several weeks it will take several months to formalize that agreement. TPA extension therefore is essential to completing this agreement.

I also know that Congress and the Administration are working hard to find a bi-partisan approach to addressing labor and environmental issues in our bilateral trade agreements. I am confident that Congress and the Administration can find an acceptable formula that allows the U.S. to continue to open markets and ensure expanded economic opportunities for the American worker.

In my view the solution to economic dislocations and adjustments associated with trade and technological advancements is to work harder to open foreign markets to U.S. goods and services while ensuring that the American work force is well trained, adaptable and fully equipped to take on the new jobs that trade provides. That requires that we improve our education and vocational training programs and facilitate greater job mobility.

We also need strong trade enforcement to ensure that we are getting the full benefit of the trade agreements that we sign. I believe that all of these issues can be achieved within a new comprehensive American trade policy.

Companies, like FedEx, who benefit from trade have a role to play promoting America's free trade agenda. We need to do our utmost to equip our workforce to succeed in the global economy and to share the gains that trade provides.

FedEx is doing its part. We sponsor welfare-to-work programs in at-risk communities. We provide on the job training and educational assistance to improve our employee's core skills and abilities.

In cooperation with the U.S. Department of Commerce, we conduct workshops and symposiums around the country to help entrepreneurs and small business owners discover new international markets for their U.S. products, as well as providing technical assistance in complying with and benefiting from the various free trade agreements that Congress has already ratified.

Of course our investment in the FedEx global express delivery network facilitates U.S. exports and competitiveness by providing

American businesses with unmatched access to markets around the world.

Finally, last year we devoted over 66,000 paid hours training to our U.S. employees on the importance of our international business. We want everyone at FedEx to be an active supporter of America's trade agenda.

America stands to gain much from free trade. America's people and its companies continue to be the most competitive and innovative in the world - we can and will win in the global marketplace given the opportunity. Thank You.