

UTC Spotlight Conference



Freight Transportation in Economic Competitiveness: Trade and Investment Aspects



INTERNATIONAL
TRADE
ADMINISTRATION

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Topics

Supply chain
and global
business models

Trade and
investment,
old and new

New themes

What we are
doing

Global Business Model: Fundamentals

Global sourcing

- Requires integrated relationships at every level (production of raw materials to point of sale)

Value chain

- End-to-end
- Total landed cost

Supply chain is globalization

- Affects the cost of every product
- Determines whether firms meet global prices
- Influences where firms invest and where people are hired

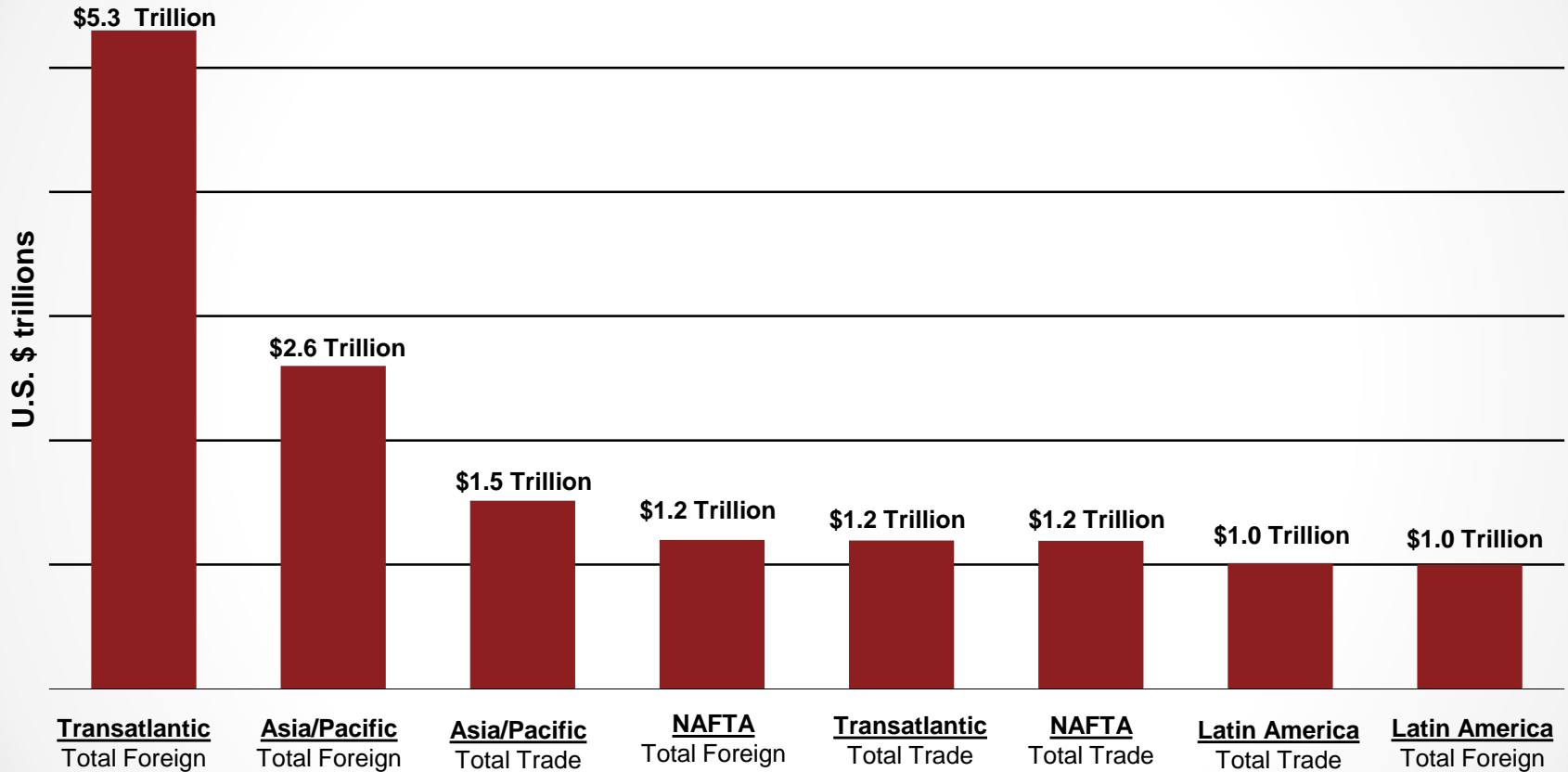
Competition

- Supply Chain vs. Supply Chain
- **INVESTMENT-driven competition**

Technology

- Telecom
- IT
- **Transport**

America's Major Commercial Arteries



Foreign Affiliate Sales: Estimates for 2011. Total Trade: Data for goods & services, 2011. Source: Bureau of Economic Analysis, from *The Transatlantic Economy 2014*, p.15 (Center for Transatlantic Relations, Johns Hopkins University, Paul Nitze School of Advanced International Studies, 2014).

But there are tensions in the model

Supply chain risk

- Length and complexity - how close to markets?
- Cost issues, exposure to fuel prices
- Concentration of key operational elements
- Sourcing risks

Resiliency

- Flexible responses to interruptions -- man-made and natural
- Security issues in operations and as a permanent cost
- Sensitivity to disturbances

Long-term drivers for global growth

Freight growth: 100% by 2030 (est.)

Growing freight share of total transportation: 70% by 2030 (est.)

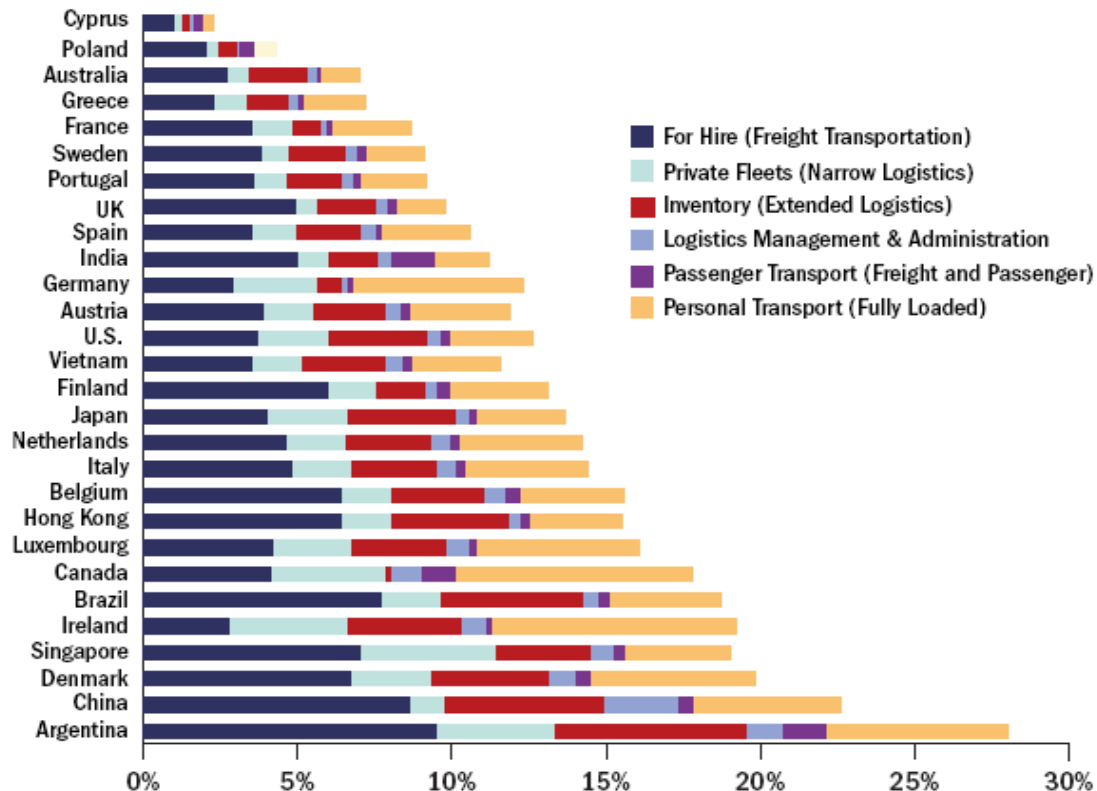
Rising international middle class

Drive to modernize supply chain systems

- Reduce costs and GDP share
- Improve flow of goods to markets
 - *Example: cold chain systems for pharmaceutical and agricultural exports*

Supply Chain Spending: Transportation and Logistics

Costs as a Percentage of GDP for Selected Countries



Source: Boston Strategies International; *The Transportation Challenge*, U.S. Chamber of Commerce, April 2008

Freight Policy

Policies to improve freight movement

- Freight corridor planning
 - Integrated across and between modes, holistic view
 - Where located in government?
- Performance measures
 - What to monitor for speed, reliability, safety, security
 - Data available? At what cost?
- Safety
- Environmental issues

Trade and investment priorities as drivers

- Routes for import and export of product
- Basis for increasing attractiveness as a destination for investment

Element of strategic competitiveness

- Canada, Europe, United States, and many other countries

Supply chain on the trade policy agenda...

Consensus on supply chain's priority

- Need to align policy with global business reality

Prominent issue but various policy approaches:

- WTO/Doha Round - Positive list
- NAFTA -- Sector and investment chapters
- FTAs- Broader and more sector and investment chapters
- APEC - Trade facilitation and customs

WTO Trade Facilitation Agreement

TPP, TTIP, TiSA negotiations

Strong trade enablers

- With transparent and high level of commitments for numerous services activities, including financial and investment **services**, **distribution services**, **IT and computer services**, **express delivery and logistics services**, and **environmental services**.

...that look like this: iPhone 6



New issues affecting trade

Border management

- Revolution in border processes - immediate gains
- **WEF report from 2013** -- quantifies potential, shapes debates - **WTO TFA**
- **Single window**: Transform customs processing, data, security

Energy revolution

- Immediate, long-term **stresses on transport networks**
- Capacity requirements
- Environmental justice

3-D printing

- New patterns in manufacturing, what is shipped, nature of logistics
- Role of IT systems

Larger container ships

- Capacity issues at ports, dredging, port infrastructure
- Panamax and beyond, new freight routes

Data flows, big data

- IT revolution building in transport and supply chain
- Data sources, adequacy, costs

WTO TF Agreement provides link to broader agenda...

Multilateral agreement

- Int'l coordination—Via national points of contact (USTR for the US)
- Statements of principle to guide larger policy, specific disciplines
 - Transparency, pre-approvals, de minimis values, points of contact, more
- Capacity building
- Encourage single window
- Effective on ratification by 60% of 155 members

Our agenda

Strategic objective

- Supply chain and infrastructure now a strategic objective
- **Cutting transaction costs and processing time**
- Heavy reliance on private sector: ACSCC and NFAC

Single window

- Part of strategic plan, private sector engagement, BIEC, ACSCC
- Operations at bureaus, cost analyses for supply chain
- **Transform border operations**

North America

- NALS, HLED commitments - supply chain focus
- North America as export platform, investment destination

Inward FDI

- SelectUSA program - assist investors in joining the US economy

Data flows, big data

- IT revolution coming to transport and supply chain
- Data sources, adequacy, costs

Conclusions

It's all about the markets and technology

- Match policy -- domestic and international -- to commercial realities

How you can help

- Explore economic impact in global supply chain, role of transportation

Complex, interrelated problems that require holistic solutions, focused on the needs of the users

Critical to global economic and trade performance

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