

**Testimony of Mariana Huberman
Owner, The UPS Store #5259**

Before the House Committee on Small Business

Ready to Export: Small Business Policy Recommendations for USTR

June 26, 2013

Thank you Chairman Graves, Ranking Member Velazquez, and members of the Committee for the opportunity to appear before the House Committee on Small Business to discuss small business recommendations for international trade negotiations. My name is Mariana Huberman and I have been an owner of The UPS Store #5259 in Washington, D.C. since 2005.

The UPS Store network is the world's largest franchisor of retail shipping, postal, printing and business service centers. Today, there are nearly 4,700 independently owned The UPS Store locations in the U.S., Puerto Rico and Canada. And I am proud to say my UPS Store is ranked in top 30 of these Stores.

When I decided to open my Store, I wanted to provide excellent customer service and provide critical business services that were lacking in my neighborhood. My staff knows the names of most of our customers and they know ours. We really consider ourselves to be vital partners in their growth and success.

Every day my staff and I deal with small business owners looking to grow their businesses both domestically and internationally. It is our job to make their jobs easier – whether by navigating complex customs rules when shipping their international packages, providing a business mailbox to ensure they don't miss an important shipment, or printing their marketing materials to grow their business footprint – it is also our goal to become an integral partner to each of them and help them access the global marketplace. However, these customers face a number of challenges when looking to export.

For example, we have a couple of art galleries and a number of self-represented artists who are clients. We ship their artwork all around the country and we also work to ship it all around the globe, but we run into trouble when shipping to Italy because, customs regulations require that the Italian Ministry of Arts perform a mandatory inspection of all the artwork which could delay the delivery for a minimum of 10 days.

Another customer sells non-prescription vitamin supplements and has a difficult time getting those delivered overseas because some countries, like Australia, require import approval from the Department of Health and in Germany, the

supplements can only be shipped to a German pharmacy with a German doctor's prescription and copy of the pharmacy order. To ship to the Ukraine, you not only need a doctor's prescription, you also have to list the contents in English and Latin and then their intended purpose in Ukrainian!

We have a customer who is a potter and sells her items online. We tried to ship a set of coffee mugs to New Zealand and ended up not doing it because we needed to provide a Heavy Metals Certificate or have the items subjected to testing by the New Zealand Ministry of Health.

We even ran into a problem when a customer wanted to send some clothing to a children's charity in South Africa. Once we got everything ready to go, we found out that used clothing was not acceptable into South Africa and that full duties would be applied to any of the unworn items – for items being sent to an orphanage!

When one of these business owners ships an item overseas, we try to determine before we start processing their packages if they are going to be held up in Customs or not. While we cannot control things like customs duties, we try to inform our customers of the current regulations and restrictions before shipping their items. Once the packages arrive at their destinations, we work with UPS and their overseas Customs contacts to clear their merchandise as quickly as possible. It is good to have a partner like UPS to help facilitate trade for our customers but even they continue to face challenges in the Customs arena, like the ones I mentioned, and any improvements to these systems would benefit our customers. Particularly since UPS operates one of the world's largest, most sophisticated, intermodal transportation service networks and is one of the world's largest customs brokerage firms.

Why American Small Businesses Need New Trade Agreements

The United States is the world's largest and most competitive provider of services, with a trade surplus of more than \$150 billion last year. But around the world, U.S. services firms are not able to compete fairly because of entry barriers, discriminatory treatment, and a general failure to keep international rules aligned with new technologies and the realities of modern business practices. Small businesses are least able to cope with these barriers and outdated rules.

The digital revolution, especially the development of the Internet, has made it possible for small businesses to provide our services to foreign countries. But small businesses do not always have the resources to break down the barriers that they face. We need the U.S. government to negotiate and enforce fair international rules in services and customs procedures.

As a result of the Internet, small businesses can advertise our products and services across the globe at negligible cost. We can receive payments from our customers across the Internet. We can determine the various requirements and standards in foreign markets from the various websites. And, of course, we can ship our products directly to foreign customers by UPS and other express delivery companies.

Small entrepreneurs can realistically aspire to serve foreign markets without having to be physically present in those markets. However, this only is possible if there are international rules that enable these small businesses, and the services firms such as UPS that serve them, to move their information, products, and services freely across borders.

It also is essential for small businesses that governments be required to publicize their various regulations, product and service standards, and customs rules, and to provide due process for dealing with compliance issues.

Fortunately, there are several international negotiations underway in which the U.S. government can eliminate barriers and create new international rules that will greatly expand the opportunities for small companies and professionals from the United States.

Two important trade negotiations for small businesses are taking place in Geneva, Switzerland.

Negotiations on Trade Facilitation in the WTO

The first is the negotiations in the World Trade Organization (WTO) on what is called “trade facilitation”. These are the procedures and rules at the border that determine how efficiently and economically goods can enter a foreign market. This is extremely important for the small business customers of UPS and other express delivery companies.

Small businesses cannot afford to have their products delayed in being delivered to their foreign customers because they won’t get paid until the customer receives its merchandise. While some large companies may have the financial resources to wait for payment, small businesses rarely have that ability.

Also, small businesses do not have the resources or the ability to fight discrimination or other forms of unfair treatment by foreign customs officials. There needs to be predictable, enforceable, and fair treatment for the exports of small U.S. businesses.

Efficient and speedy customs processes, coordinated between the U.S. and its global trading partners, will constitute a huge step towards removing the bottlenecks found in global supply chains. By embracing the opportunities of e-

commerce and meeting the growing demands of international trade flows through effective trade facilitation, the global economy stands to gain immensely.

Chokepoints at the border, such as costly customs procedures, inefficient facilitation programs, and burdensome regulations, reduce the critical predictability of the supply chain, and as a result can have the same stifling impact on trade as tariffs.

Negotiations on the Trade in Services Agreement (TISA)

New international rules are needed to reflect all the changes in the world since the last set of international rules for services were established twenty years ago by the World Trade Organization in the General Agreement on Trade in Services (GATS). The United States recognized this deficiency and teamed last year with other countries to initiate negotiations on the Trade in Services Agreement (TISA). The purpose of these negotiations is to increase access to international markets for services firms and to establish new rules for services. These negotiations now include 50 countries accounting for over 70 percent of world trade in services.

The TISA negotiations could be most helpful to small businesses in the United States by establishing open markets and non-discrimination for the U.S. services companies upon which U.S. small businesses depend. Among the services which facilitate the exports of small businesses are: express delivery, electronic payment services, information and communications technology services, retail services, and insurance services. If these services are not able to operate freely in foreign markets, then small businesses in the United States will not succeed in reaching the 95 percent of consumers who live outside the United States.

Other Negotiations

As the United States negotiates the trade facilitation in the WTO and the TISA, it also is negotiating a comprehensive trade and investment agreement with the European Union, the so-called Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) with eleven countries around the Pacific Rim.

In both these negotiations, it is important that the U.S negotiators seek the same high-level of ambition as they are seeking in the two sets of negotiations in Geneva (Trade Facilitation and the Trade in Services Agreement).

Conclusion

Small businesses are the lifeblood of the American economy, and services are the central nervous system on which small businesses depend. They cannot penetrate foreign markets without an array of services to support them. And

those services must have free access to foreign markets and non-discriminatory treatment within those markets.

Given the several negotiations on new international rules, it is timely for the Committee to be holding its hearing today on small business recommendations to the incoming U.S. Trade Representative and the many agencies that participate in these negotiations.

Thank you again, Chairman Graves and the Committee, for giving attention to these issues of vital importance to the expansion and prosperity of America's small businesses and their employees.