

'Trade is not a four-letter word'

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Credit: UPS

While many Americans see today's increasingly competitive global economy as contributing to the nation's economic woes, UPS Chairman and CEO Scott Davis argued in a Tuesday talk at MIT that free trade ultimately benefits the U.S. economy and employment.

“One of the problems we have is not enough recognition in the population base and Congress that trade actually creates more jobs than we lose,” Davis said. “If we're going to grow the [economy](#) and reduce unemployment, I think the biggest driver has got to be exports.”

Davis spoke to an audience of MIT students and faculty members, stressing the need for increased trade with international partners. He joined Yossi Sheffi, the Elissa Gray II Professor of Engineering Systems

and director of the Center for Transportation and Logistics (CTL), in examining the role trade, infrastructure and logistics can play in boosting — or suppressing — the U.S. economy.

Davis is a member of President Barack Obama’s Export Council, an advisory panel that will examine ways to meet Obama’s goal of doubling the export of U.S. goods and services by 2015. In this capacity, Davis says part of his job is to educate the public that “trade is not a four-letter word.”

While U.S.-based multinational companies do a “fair” job of exporting products, Davis stressed the need to help small and medium-sized companies break into the export business. Davis pointed to recently signed free-trade agreements with South Korea, Colombia and Panama as opportunities for trade relationships and new jobs.

“[The agreement with] South Korea alone will create 70,000 new jobs,” Davis said.

Planes, trains and automobiles

Despite the promise trade may hold for new jobs, Davis says it will be impossible to meet the president’s export goals unless the government makes investments in improving the country’s infrastructure. Congested highways, crumbling bridges, outdated rail systems and inefficient air traffic control all have a direct effect on trade and U.S. competitiveness, according to Davis.

“If the average UPS truck in the United States gets delayed five minutes a day, it costs us \$100 million a year,” Davis said. “And I guarantee you we get delayed every day due to congestion.”

He added that better infrastructure would lead not only to more efficient

commerce, but also a smaller carbon footprint. For example, less congestion and more efficient air traffic controls would decrease the amount of idling for trucks and planes.

As a company, Davis said UPS has invested significantly in its own infrastructure, with fleets of new trucks and planes, as well as a “rolling laboratory” of alternative-fuel vehicles. The company is currently looking for ways to decrease its environmental footprint and increase fuel efficiency.

It’s a tricky problem for a company that essentially runs on fuel. However, Davis is optimistic, and plans to explore lower-impact options, such as rail and ship.

“We spent the last 20 years speeding the supply chain up for customers,” Davis said. “The next 20 years could very well be slowing the supply chain down, for the environment.”

More than a delivery truck

This may mean going back to the drawing board to come up with new shipping solutions — a very literal scenario for UPS. The company often generates new ideas via “whiteboarding,” a brainstorming process that UPS featured in [a 2007 ad campaign](#). The commercials featured a lanky man, doodling on a whiteboard.

The doodles, drawn in brown marker, illustrated the company’s expanding shipping capabilities, from international delivery to package tracking and scheduled pickup.

“We seriously believe in the whiteboard ads,” Davis said. “We spend a lot of time with our customers at the whiteboards, doing the what-ifs, and sometimes you whiteboard all over the room, and that’s the way you

think through these things.”

This kind of pie-in-the-sky thinking has driven the company in new, unexpected directions in the past few years, Davis said. In 2004, UPS announced an unusual partnership with Japanese electronics company Toshiba. In addition to shipping Toshiba laptops, UPS would also repair them. The unorthodox decision — what was a shipping company doing in the computer-repair business? — made a lot of business sense, according to Davis. Having repair facilities with parts and labor close to shipping centers sped up the repair process, delivering laptops back into customers’ hands faster.

In recent years, the company has become increasingly involved in the health care industry, shipping pharmaceuticals and medical supplies around the world. Davis said UPS is working with companies including Merck and Pfizer to set up shipping centers in places such as Africa, where there is a need for both therapies and a direct way to deliver them.

“We’re moving really sensitive stuff that needs to be temperature-controlled, and parts that are critical for surgeries, and people on the operating table need those at 8 a.m. the next day,” Davis said. “We’ve really broadened the business an awful lot.”

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