

International Trade and Union Pacific



BUILDING AMERICA®



Connecting People, Markets and Economies

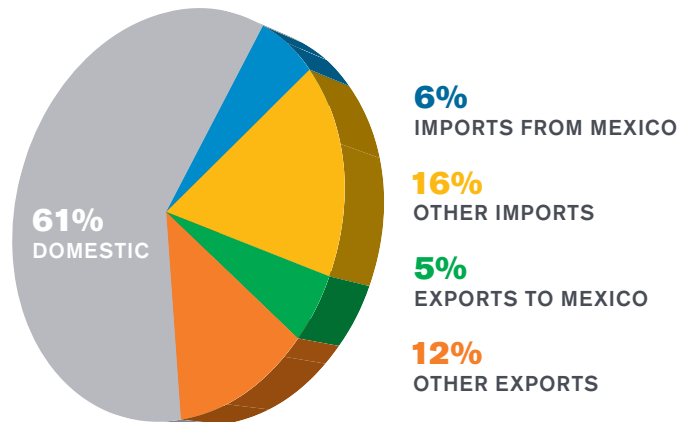
International trade benefits our society by creating jobs and opportunities for Americans. As the country's premier railroad with responsibility for safely moving the products essential to Americans' lives, Union Pacific is in a unique position to understand and demonstrate the impact of trade on business, the economy and consumers.

Union Pacific moves 70 percent of all freight rail traffic to and from Mexico, and nearly 40 percent of our shipments have an international component. In North America, rail movements between the U.S., Canada and Mexico include nearly every type of commodity railroads carry, and, for Union Pacific shipments, volumes moving north and south across the continent are virtually balanced.

The products Union Pacific ships to and from Mexico are part of larger supply chains, which support a range of U.S. jobs and workers across multiple sectors including agriculture, manufacturing, energy, and food and beverages.

Union Pacific strongly believes robust international trade is critical to America's economy. Any updated trade agreements, including the North American Free Trade Act (NAFTA), should preserve the many benefits of the U.S. trading relationship with Canada and Mexico.

2017 International and Domestic Carloads



Nearly 40% of Union Pacific's shipments have an international component – coming from or headed to Canadian, Mexican, Asian and European markets, and beyond – accounting for more than \$6 billion in revenue.

HOW TRADE SUPPORTS INTERNATIONAL RAIL-SERVED MARKETS

Trade is the simple act of buying and selling goods or services. Its origins date back before formal currency or trade laws to when individuals exchanged one set of materials or services for another. These trading partners gained value in accessing goods or services they could not otherwise acquire or because they could obtain them more economically through a trading partner.

The same is true of trade today: it occurs because we produce some goods or services at costs lower than the cost our trading partners would incur to produce those same goods or services. Increasingly, trade crosses not just our country but also international borders – which is evident when looking at the international industries Union Pacific supports:

Agricultural Products

In 2017, 35 percent of UP's agricultural products shipments were international, with nearly half of these shipments in or out of Mexico – meaning that country consumes American-produced products like soybeans, corn and wheat, and supports the American farming industry (see page 4).

Energy

Union Pacific exports coal at California and Texas ports, helping American mines participate in the worldwide energy marketplace.

Industrial

While 16 percent of UP's 2017 industrial business was international, these products are essential to America's commercial and residential infrastructure, as well as domestic manufacturing. The majority of UP lumber shipments originate domestically in the Pacific Northwest or internationally in Canada, and flow south across and into the U.S. Additionally, copper ore used in manufacturing originates on UP trains in the Southwest, and journeys across three countries before returning to the U.S. as copper wire (see page 3).

Much of UP's chemicals business originates, terminates or moves through the Gulf Coast in Texas and Louisiana, where we access a combined four international ports. About a quarter of chemicals shipments start or end outside the U.S.

Premium

Nearly 75 percent of UP auto shipments crossed an international border in 2017. Union Pacific moves finished vehicles and automotive parts, which flow north and south to and from Mexico, and east and west to and from Asia. (see page 4.)

Intermodal is containerized shipments that can move by ship, rail and truck. In 2017, more than half of UP's intermodal carloads – which include consumer products such as electronics, apparel and home furnishings – were international shipments.

MORE THAN 3,200 OF OUR 10,000 CUSTOMERS SHIP INTERNATIONALLY.

America's rail industry is deeply connected with trade. According to the most recent data from the U.S. Surface Transportation Board and other government and industry sources, in 2014 international trade accounted for an estimated:

42% of all rail shipments

35% of annual rail revenue

50,000 rail industry jobs, worth more than \$5.5 billion in annual wages and benefits

TRADE AT WORK FOR AMERICA

Unquestionably, some level of job dislocation occurs due to international trade. A recent Ball State University study determined that just 12 percent of job losses can be attributed to negative trade balance, with the remaining 88 percent attributed to technological advance. Trade also creates jobs: according to the U.S. Chamber of Commerce, more than 5 million jobs are attached to the increased trade ushered in by NAFTA with more than 14 million jobs supported by U.S. trade with Canada and Mexico overall. These jobs span the country and a range of industries – many served by Union Pacific.

Copper, lumber, autos and beer are four industries of Union Pacific-hauled products that illustrate the interconnected economies of the United States, Mexico, Canada and other international markets.

Copper

The concentrated ore extracted in Arizona, Nevada and Utah must be smelted to make copper – but the world's primary smelting locations are in Asia. Union Pacific hauls the concentrated ore from the U.S. Southwest headed south, crossing the international Nogales gateway into Mexico. The product then leaves North America at the Port of Guaymas destined for Asia, where it is smelted. It eventually returns to the U.S., re-entering the country's West Coast ports as copper cathodes, which are then made into copper wires for construction and manufacturing.



Lumber

Union Pacific's lumber shipments originate primarily in the Pacific Northwest or Western Canada and move throughout the U.S. for use in new home construction, repairs and remodeling. The majority of lumber imported from Canada is classified as softwood, which includes Canadian spruce, Douglas fir, Hem fir and pine. America relies on international sources for this lumber, importing from Canada about 30 percent of all lumber consumed in the U.S. Union Pacific hauls our customers' lumber products after connecting railroads bring the product through international gateways in Eastport, Idaho; Superior, Wisconsin; and Vancouver, BC; as well as via domestic rail interchange in St. Paul, Minnesota.



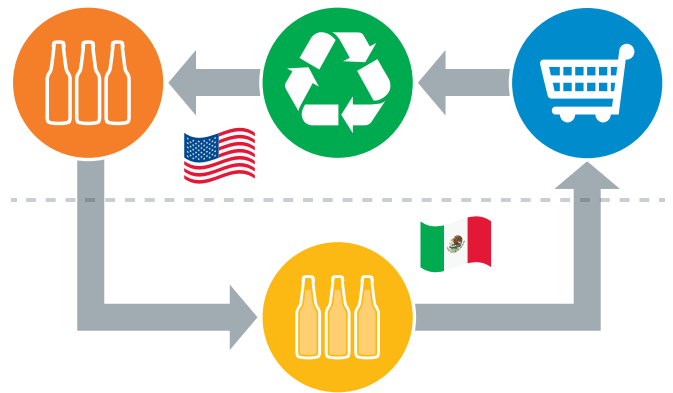
Automotive

As the country's largest automotive carrier west of the Mississippi River, Union Pacific hauls sedans, trucks, sport utility vehicles and vans, as well as the various auto parts used to manufacture them. It's not unusual for a vehicle hauled by UP to include parts manufactured in the U.S. and then shipped to Mexico where they are assembled into the finished vehicle, which eventually lands in American car dealership showrooms.



Beer

In Kinney County, Texas, Union Pacific supports jobs and prosperity on both sides of the border. In 2015, Union Pacific opened a \$40 million rail facility that prepares rail cars to meet food-grade guidelines. The rail cars depart Texas for Mexico, where they are loaded with imported beer. The beer is shipped back to the U.S., where UP takes it at the border and delivers it for use in U.S. consumer markets. Once the beer is consumed and the bottles are recycled, we then ship crushed glass back to the bottle manufacturing plant in Texas, which uses the material to produce the finished bottles that wind up in Kinney County. And the cycle continues from there.



UNION PACIFIC PORT ACCESS AND BORDER CROSSINGS

