



## Michael L. Ducker on Access in the Connected World

The world's economies have become increasingly entwined and complex over the past half-century, and the trend toward ever more connectedness is irreversible. "We believe globalization is going to march inexorably forward. After all, the desire of people to connect to more of the world can be traced back to ancient times, when humans were driven to travel and trade," said Michael L. Ducker, president, international, of FedEx Express, the express delivery company of FedEx Corp.

However, current economic conditions are a threat to the modern era of globalization, Ducker warned the audience during his presentation at the opening plenary session at the University of Miami Global Business Forum Jan. 15 - 16, 2009. "What's vital to economic growth is a greater level of access to goods, services and ideas," he said, and he stressed the importance of finding solutions to obstacles that stand in the way of that goal.



FedEx has expanded to 228 countries over its 35-year history and now delivers an average of 3.4 million packages and 12 million pounds of freight through FedEx Express every day. FedEx Ground moves another 3.3 million packages, and FedEx Freight delivers 80,000 shipments on a typical day. The company has achieved those milestones "by harnessing the power of the connected world," Ducker said. "We are in the business of making products and businesses accessible to almost anyone, anywhere at any time."

Defining access as "the ability to connect," he pointed out that people need all kinds of access — to other people, places, markets, businesses, goods, ideas, research, capital, technology and more. Access is particularly important to people in developing nations, Ducker said, illustrating the point with a story about thousands of Rwandan women who are now able to export their unique artwork to an enormous new market thanks to an online sales channel and the connectivity with buyers that FedEx services provide.

In an attempt to understand the scope of economic and social implications that access provides to both developed and developing nations, FedEx about five years ago commissioned SRI International, an independent research firm, to study and measure access. SRI created an index ranking 75 nations on two dozen indicators related to access (trade, transportation, telecommunications, etc.), and concluded that access is a driving force of economic growth for countries at all income levels but especially for small, resource-poor nations. As access increases, gross domestic product rises, and the latest version of the study, released last year and

covering 109 countries, shows that the correlation between access and GDP has increased by 26 percent since 2005.

While there is no doubt that global connectivity and trade help drive the growth and development of nations, businesses and people, real threats to that access exist, Ducker acknowledged, the most obvious being the economic climate. Developed countries collectively face the most severe recession since at least World War II, while the World Bank predicts that the record \$1 trillion in net capital flows to emerging economies in 2007 will be cut in half this year. “Global trade volumes will decline for the first time since 1982 — before most of the students at the University of Miami were even born,” he said.

The most recent SRI study highlights several key trends about the current economic environment that foreshadow “very real and potentially very significant” challenges, Ducker said. Two of particular concern are protectionist sentiment, which may be growing, and heightened security measures, such as tightened customs regulations.

“From my perspective, protectionism in all forms is one of the primary barriers to access today,” he stated, pointing to incidents such as tariff increases enacted by Russia (on automobiles) and India (on steel) just days after a November meeting at which G20 and APEC (Asia-Pacific Economic Cooperation) members pledged to refrain from raising trade barriers for a year. Protectionism is also manifesting itself in other areas, such as the U.S. congressional rebuff of free-trade proposals for Colombia, South Korea and Panama last year, pressure from advocacy groups to reopen negotiations on NAFTA, pressure from organized labor on outsourcing, and “buy American” requirements for defense appropriations. “From energy to textiles, protectionism is alive and well” and presenting challenges to those who support open markets, Ducker said.

In addition, the free flow of goods is often impeded by international customs practices, which have been tightened in many countries due to security concerns. Describing such practices as “inconsistent, burdensome obstructions” and “a slow drain on trade [that] erodes the competitive advantages of geographic proximity,” Ducker maintained that cumbersome and contradictory customs regimes “are the greatest non-tariff trade barriers in the world.” He noted, for example, that some companies have reverted to the costly practice of stockpiling inventory at the U.S. borders with Canada and Mexico for contingency planning purposes due to fear that shipments might miss a required delivery window because of customs practices, slowdowns or security measures.

Overstressed transportation systems are compounding the challenges of a just-in-time supply chain that now stretches across multiple countries and continents. It is imperative that infrastructure improvements be sufficiently funded across the board and that tax moneys earmarked for such projects not be diverted to other uses, Ducker argued. In areas such as Latin America, poor infrastructure jeopardizes economic competitiveness, he said, citing a World Bank report. On average, Latin American countries spend less than 2 percent of GDP on infrastructure, driving logistics costs up to 15 percent to 34 percent of a product’s value, versus about 10 percent in more developed economies.

While challenges to the continued growth of global access are real, Ducker maintained that

solutions can be found, and that it's important for nations, businesses and individuals to stay focused and work collaboratively on turning those challenges into opportunities. "I spent a lot of time in Asia, and the Chinese symbol for risk or danger and opportunity is exactly the same," he said. Elimination of trade and investment barriers that inhibit growth and negotiation of free trade and other investment regulatory agreements that give countries, particularly developing ones, access to needed capital, products and services will go a long way toward achieving that goal, he added. "But most important — and this one is key — we have to turn outward, not inward."

*By Michael J. McDermott*

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