

## Customs – Enabler of ACCESS

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**Harald Schönfelder, Managing Director GTS FedEx Express EMEA,  
WCO Conference, London 10-2008**

Ladies and Gentlemen, Mr. Chairman and the Organisers of WCO,

Thank you very much for the invitation and Mr. Chairman for your kind introduction. It is a privilege to speak at this event.

I have been asked to talk about 'The stakeholders' role in customs reform - our demands, benefits and input'.

The short answer is that at FedEx we believe a global economic system will ultimately bring prosperity and peace to all who are actively engaged.

We therefore seek increased ACCESS to all countries around the world, to enable our customers to compete in this global market and increasing their global movement of goods. To do this we actively engage with governments to form partnerships for balanced facilitation and controls.

Let me elaborate on what we mean by the term "ACCESS":  
ACCESS is the force that makes all forms of interaction and exchange possible between people, businesses and nations.

ACCESS is about creating new opportunities, accelerating and simplifying global connections and changing what's possible now and in the future.

ACCESS operates on three variables:

- Time – the amount of time it takes to acquire something
- Space – the distance from which things are obtained &
- Information – As levels of ACCESS rise, time and space are collapsed, and information increases.

We gain ACCESS when we reduce the time and space between us and the things we seek — people, places, goods, capital, opportunities and much more — while increasing the amount of information available about these things.

As ACCESS grows, a positive and iterative cycle begins:

The ability to make wider connections spurs innovation and entrepreneurialism, and enables gains in productivity – leading to more new connections and opportunities.

Jobs are created; prosperity rises, growth and innovation are spurred.

The network gains strength as it expands and the cycle begins again - spurring further opportunity and empowerment. Within this cycle businesses are born and expand. Markets across the globe drive job growth, fuelling innovation, and altering the fate of entire peoples and nations' growth.

Communities and nations reap the benefits, and a thirst for still greater ACCESS results. A truly global economic system is created.

Participation in the global flow by individuals and companies of all types is at an all-time high, and economic interests are becoming integrated in every channel: goods, labour and capital.

- Within hours of a deadly tsunami, lifesaving medical supplies are in the air to those in need.
- A farmer is able to track the shipment of a vital replacement part for his tractor - making its way to him in less than 18 hours - enabling him to bring in his harvest.
- It allows companies of all sizes to compete on a global scale to connect seamlessly and grow their businesses.
  - A shirt-maker in Italy is able to sell his creations on-line to anywhere in the world.
  - By purchasing a handmade Rwandan basket at a retail store in New York, one person enables many women half a world away to become entrepreneurs. By gaining ACCESS to a global market of buyers, these traditional weavers have a sustainable source of income to provide their families with everything from clean water to medical care.

While the benefits and mechanisms of ACCESS are too vast and complex to attribute to any one creator, FedEx is proud to have been the driving force behind many milestones and advances, beginning with overnight express delivery in 1973 from our hub in Memphis - connecting 25 U.S. cities, and today connecting 220 countries and territories.

Express delivery was a historic breakthrough in ACCESS, collapsing the time and distance between places and connecting people everywhere.

Through our expanding networks, anyone shipping a package can now tap into unprecedented speed and worldwide reach.

For 35 years, FedEx has been dedicated to changing what's possible and improving life for people everywhere by promoting greater ACCESS. Every day around the world, we see first-hand how ACCESS empowers people to improve their lives, their businesses and their communities.

Because we see this power, we have a unique perspective on ACCESS, and in return, FedEx is sharing its insights on this important topic to help others realize the opportunities and benefits associated with ACCESS.

As part of our commitment to help others achieve what is possible through greater ACCESS, FedEx commissioned the independent, non-profit research firm SRI International to study and measure ACCESS around the world.

The first landmark study on the subject, released in 2005, was a breakthrough in understanding the scope and importance of ACCESS, featuring the first ACCESS Index. SRI recently completed an expanded study, now ranking 109 nations on the ACCESS Index, based on nearly two dozen indicators of physical and information ACCESS. The added countries include developing nations in Africa; countries affiliated with the former Soviet Union or former Yugoslavia; and many Middle East/Gulf nations. With detailed insight on which countries have gained the most from improved ACCESS to ideas, talent and resources, the research serves as a diagnostic tool for those working to further improve ACCESS.

The four most intriguing new ideas on ACCESS from the recent research show that:

1. The impact of constantly expanding ACCESS is not incremental but exponential.
2. ACCESS-enabled collaboration is accelerating innovation.

3. ACCESS is a driving force of economic growth for countries at all income levels.
4. New manifestations of ACCESS point to the need for intelligent ACCESS.

One of the study's key indicators for ACCESS is the 'physical movement of goods' and within this indicator 'customs and border controls' play a major role.

From a macroeconomic perspective, we see that 30% to 40% of global GDP stems from trade, a substantially higher percentage than just a few decades ago. This trend is inevitable, especially when it comes to high-value goods. Supply chains have become much more efficient — they are truly inventory in motion.

If you have ACCESS to that inventory in the form of information while it travels across the globe in a FedEx plane, then you don't really need warehouses.

Although companies of all sizes have benefited, what is incredible is the extent of the opportunity for smaller companies. By understanding the possibilities small companies are using ACCESS to enormous advantage, and growing more than at any point in history.

Small businesses are the backbone of the world's economy. Those entrepreneurs — from the shirt maker in Italy to the basket weaver in Africa — want a worldwide reach.

For small businesses to be able to focus their energy on their products and not on shipping packages, we have designed our services to keep things quick and easy.

We are often described as integrator, combining many different functions under one roof. FedEx:

- Is the largest all-cargo airline in the world with an unmatched network connecting 220 countries,
- Is among the largest customs brokers in the world,
- Is among the largest software houses in the world, developing for example software to ensure custodial control of our shipments for our customers and customs, and applications that help customers shipping needs.

We have more than 290 000 people across the globe dedicated to making ACCESS to goods a trouble-free, regulatory-compliant and fast experience for our customers.

If you agree with the view that an essential part of trade is the ability to move merchandise from production to consumer - you could say that we are trade enablers.

With our systems and procedures in place across the company and the consolidation of functions into a seamless service-provider, we have custodial control over all of the steps from shipment pick-up to delivery into the consignee's hands – That is, except one crucial piece.

One key difference between trading domestically within one country and globally across countries is that borders have to be crossed. In general, the controls at borders are managed by customs.

I would therefore argue that customs is a key enabler of ACCESS to the movement of goods.

I would further argue that customs authorities can enable their countries trade & economic prosperity or become a barrier to that prosperity by either facilitating or hindering ACCESS to world markets.

To be the best enabler of trade for our customers, FedEx is therefore extremely keen to work with customs authorities around the world to find that right balance between facilitation and control.

Wherever possible and invited we will work together with authorities to define the best procedures, balancing trade facilitation, control and the collection of duty and taxes.

Speaking of balancing I should note here that in the EU for example, the express industry represents over 30% of all formal declaration volume, however with commercial values of lower than 5000\$ for 90% of shipments, we could argue that the actual resulting duty & tax 'revenue' is not in proportion to the work it takes customs to process these shipments – balancing effort with return.

To ensure our own regulatory compliance and custodial control we have invested a significant amount in automation systems and safety and security processes and equipment.

To support customs with balancing trade facilitation and control we have made our automation systems available to customs in many countries, to update and perform automated shipment selections. These selections are invisible to our staff, based on selection criteria customs can decide and change at their ease at any time. All we see is that a shipment was selected for physical examination. This enables true risk management controls and security intelligence, allowing valuable customs resources to conduct a focussed approach versus a 100% physical inspection rate.

To give you two more concrete examples – of many around the world - of our engagement:

- I. In Guatemala, through the express industry association, we have been instrumental in helping the finance ministry and its customs branch to implement certain provisions of the WCO's Revised Kyoto Convention. In particular:
  - a. The simplified customs declaration for express shipments
  - b. An expedite form of clearance
  - c. A centralized system of payment of Duties and Taxes
- II. In Peru, through the express industry association, we have been supporting the Peruvian national tax administration and its customs service to implement new Customs Law containing provisions of the WCO's Revised Kyoto Convention, the WCO Immediate Release Guidelines, and the U.S.-Peru Trade Promotion Agreement. In particular we helped:
  - a. Negotiating industry-specific provisions in the US-Peru TPA.
  - b. Lobbying passage of the US-Peru TPA in the US Congress.
  - c. Drafting the industry-specific provisions in the new Customs Law, the Trade facilitation Law, and additional ad-hoc regulatory bodies.

With the increased need for security and safety protection against terrorism, the right balance of trade facilitation and control has become even more important. If we do not find well balanced solutions of ACCESS for legitimate trade , that allow customs resources to focus on the true risk, we could argue that terrorism has succeeded, by bringing the global economy to its knees purely by ourselves limiting ACCESS as a defence.

Enabling ACCESS to global trade starts with the willingness of countries politicians and customs organisations, and requires excellent coordination of the many projects sponsored by the donor community.

Projects that may sponsor conflicting interest can bring more chaos than good in the end. It will be difficult to focus on import duty and tax collection for short term increases in revenue,

while expecting the same customs administration to facilitate ACCESS, which is aiming at increased economic prosperity in the medium term.

At FedEx it is our interest to see countries prosper and increase their ability to compete in the global markets.

Our customers look at us to provide them global ACCESS.

We will therefore continue to work with governments and customs organisations to find the best balance to facilitate ACCESS for legitimate trade while maintaining acceptable levels of control.

Thank you very much for your continued support & dialogue.