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Headline: WHY THE GLOBAL ECONOMY IS HERE TO STAY

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Twice before in this century, globalization seemed to be the wave of the future. In the two decades before World War I, international flows of money were tying Europe ever closer to America, Asia, Africa, and the Middle East. Stock markets were booming on both sides of the Atlantic, and banks and private investors were busily diversifying their investments from Argentina to Singapore. But by 1914, nationalism, bad economic policies, and war brought these trends to a brutal halt. In the 1920s, foreign investment and international commerce took off again. But soon, the factors that killed the first wave of globalization reemerged, shattering growing global linkages.

Is there something deeper and more durable about globalization in the late 1990s? Can this third attempt at globalization withstand the meltdown in Asia, sky-high unemployment in Europe, stubborn poverty in Latin America, and soaring trade deficits in the U.S.?

You bet. War is remote, and central bankers have learned a lot from their mistakes. Today, globalization has become a permanent and irreversible part of economic life. This is not just because of the phenomenal growth of world capital markets reflected in the power of a Merrill Lynch & Co. or a George Soros. More important, by far, is the integration of the latest information technology into corporate strategies. Globalization is different in the 1990s because it is being driven by the first truly global companies.

Federal Express Corp. both epitomizes this trend and is a major force behind it. Delivering some 2.8 million packages in 210 countries each day, FedEx is pushing globalization faster and deeper, not just because it is adding more planes and routes but because it is using information technology to reengineer its clients' worldwide supply and distribution systems. In the process, global sourcing and sales are becoming an ever more integral part of these companies' way of operating.

Indeed, FedEx has become the global logistical backbone for many of its corporate customers. It manages their worldwide inventory, warehousing, distribution, and customs clearance, using state-of-the-art technology. It can

help a client assemble and make products with near-perfect precision by securing supplies from Penang to Peoria in the most reliable and cost-effective way, while squeezing unnecessary mass out of expensive inventories.

FedEx can perform these functions because it can electronically track where any shipment is at any given moment, and it can guarantee on-time delivery. Clients feel comfortable reducing inventories, which they previously held in large quantities as insurance against the variability of delivery. For many companies, it's a short step from that to working with FedEx to plan their entire global supply systems.

The core of FedEx' global strategy is to use information technology to help customers take advantage of international markets. In fact, FedEx sees itself more as an information-technology company than as a transporter of goods. Today, more than two-thirds of FedEx customers handle orders and deliveries online. "We decided years ago," says Chairman and CEO Frederick W. Smith, "that the most important element in this business is information technology, and we have geared everything to that philosophy-- recruitment, training, and compensation. Fail-safe precision is the key to it all."

FULL SERVICE. One of FedEx' oldest and most far-reaching supply-management relationships is with National Semiconductor Corp., which has facilities in the U.S., Europe, and Asia. FedEx manages its global warehousing and distribution systems, reducing National Semi's total logistics cost from 3% to 1.9% of revenues between 1993 and 1996. Another example is Dell Computer Corp., which has eliminated its costly distribution infrastructure and relies on FedEx to coordinate the assembly of computers and their customs clearance and shipping from a manufacturing center in Malaysia to customers in Japan and Taiwan.

The marriage of information technology and transportation is a major reason that links among national economies have become so much tighter. In past phases of globalization, governments were the driving force, lowering trade barriers and stabilizing currencies. Today, the pressure to make the world one market is coming less from capitals than from companies. International corporate linkages are becoming resistant to occasional flare-ups of protectionism. In fact, what FedEx illustrates is not only that today's

globalization is qualitatively different from its predecessors but also that it is now truly irreversible.

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