

Amjad Ahmad: UPS has been a significant player in the logistics industry in the Middle East for over 30 years and continues to invest in G markets. Headquartered in Dubai, the company's Indian subcontinent, Middle East and Africa division is the largest in terms of geography, covering over 70 active countries, with most of them classified as emerging markets. This provides the company with a unique on the ground perspective on economic and business activities in the region. Today, the president for growth in emerging markets at UPS, Jean-Francois Condamine, joins us to discuss the regional economy, the logistics industry and his plans for the Middle East.

Welcome to EmpowerMe Conversations, a podcast from the Atlantic Council. This show brings you leaders from business and government that shape the future of Middle East economies. I'm your host, Amjad Ahmad, director and resident senior fellow. Let's get started. Welcome to our Jean-Francois, I want to set the scene for our audience, so can you tell us a little bit about the current state of the logistics industry in the Middle East?

Jean-Francois Condamine: Yeah, I think it's an excellent question, so I would call it the post-Covid situation that we have in this part of the world. Some key things, at least three elements, which I think needs to be highlighted. First of all, countries like Saudi, UAE, I would say, have never stopped to work and to try to fight against this pandemic that we just get. And they have even continuously developed and launched a new program. For example, the Saudi last week launched a new Transport and Logistic Strategy.

So in other words, they went from Minister of Transport to the minister of Transport and logistics strategy. So they are looking at organizing supply chain in a totally different way. And yes, Mohammed Bin Salman is looking at a different vision for Saudi on the year 2030. And for him, obviously, logistics supply chain is being a big war, which was not said or let's say not done like that before. So the vision here again for Saudi is that this country became a bit like Dubai has done many years ago, but become a hub and really the only point in between Africa, Asia, Europe and so on. So totally different approach from the Saudi government when it comes to supply chain. Apart from that they developed obviously different infrastructure. They continuously invest, which is they changed the physiognomy of airports, and they have announced that they want to cover, for example, the air cargo capabilities to 4.5 million tons in the next year to come on a yearly basis. So big changes, pandemic, yes, but at the same time, countries ever are trying to do their utmost to cope with the next phase and the next development phase for the countries and willing to play a different role when it comes to supply chain and logistics.

The civil aspect, I would think, has really boomed it's e-commerce. So e-commerce boom in Middle East recently, and really what you can see is that it's the domestic e-commerce. So it's a UAE to UAE e-commerce, but it's as well across border. And when you hit adverts back to the biggest names, which are key for Middle East, which is US, this is UK, this is Europe or Asia. And when you click with what I just said on Saudi willing to double the air cargo capacity is the reason why, because it's directly linked on top of that to the boom of e-commerce, which is quite interesting. Bear in mind that in 2018, I think we are around 24 billion dollars of revenue when it comes to e-commerce. And on 2022, the e-commerce business will be around 48, 49 billion dollars.

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So, doubling the UAE and Saudi being the biggest markets and accounting. Okay, so change in approaches from countries, different business aspects when it comes to e-commerce. But all of that obviously has to go with more sustainable solutions. So it's great to talk about hundreds of drivers on the road, but then you create congestion, then you create noise, then you create emissions. So it means that the last mile still remains problematic. So what you are going through in the US, in Europe is the same in our part of the world. So in other words, in this case, I think urban logistics needs to be done on different ways and we need to find some specific solutions. Having said that,

UPS based on this sustainability and I got some of figures recently, so UPS is really looking to be at the emission neutral by 2050, which is fantastic. And by 2035, we are looking at a 50% reduction in CO2 package, which is a big target, 100% of the facilities powered by renewable electricity and finally, 30% of air fuel being sustainable. So it means that we want to be sustainable, but we prove that we want to be sustainable by the different actions that we are taking.

So we have a new program in place. We have over 12,000 electric vehicles. We are doing all kinds of things which enable this sustainability. And will give us as well, a place to operate when it comes to Middle East, when it comes to these emerging countries, a place to operate and to create a difference when it comes to environment and being eco friendly. So, I mean, big task here, but a lot of opportunities as well. And don't forget, we host in UAE this year, Expo 2020. But I hope you heard about, which should gather millions of people and UPS during this fantastic time will certainly demonstrate capabilities when it comes to e-bikes, to E-cars, to all kind of sustainable systems, services that we can offer to big players when it comes to the events of last night. So you see it's a combination of changes into our countries, Saudi, then big boom from e-commerce, but under certain sustainability approach, which obviously you cannot be non-sustainable. That's very clear.

Amjad Ahmad: Absolutely, I think you hit on several major themes, I want to start with these changes that you're seeing in Saudi Arabia. I'm sure you seeing the news that everyone is talking about the rivalry between the UAE and Saudi. In your particular field, do you see this new Saudi strategy as complementary or is it competing with the UAE in terms of positioning in the logistics industry?

Jean-Francois Condamine: I believe if you ask me as a as a citizen, I would say there is a clear willingness to exist as well for Saudi and competition, obviously. But bear in mind, I give you some magic figures as well. So traditionally Middle East was part of the world where you go malls and you spend Friday or Saturday in malls and you buy and you buy your lunch and you buy the mall in Dubai. The biggest mall in Dubai is open during nights. So you go there, you eat, you have coffee, and then afterwards you go and buy.

Amjad Ahmad: I've done plenty of that.

Jean-Francois Condamine: That's for sure. When I bring a dimension of e-commerce and when I told you that the figures will double and it's not a small figure, it's not a small base, these are already billions of dollars. I think there is room.

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There is room to grow. And again, I think there is a interconnectivity as well of networks which could be ground air and even in between countries, you can certainly create some more streams and revenue streams. Traditionally, you are talking about Saudi. Saudi is not an exporting country, okay, but step by step. And I think we talk about that later on. But the whole of SMB sort of female entrepreneurship and SMBs and so on, that needs to be created within the boundaries of Saudi, for example. They need some logistics. They need some supply chain. I think there is room for everyone.

Amjad Ahmad: That's right. So I think from your perspective, it seems that this is a complementary strategy rather than something that's building sort of redundancy and capacity, which is interesting.

Jean-Francois Condamine: I believe, as well. But Saudi needs to simplify again, the way they do business. So they need to transform. And I think it's a vision. I think its MBS vision very clearly.

And yes, they have to be quick, because the vision is 2030. So it's around the corner. So we need to move.

Amjad Ahmad: Absolutely, coming to that, and I think this relates to e-commerce. So I've been investing in e-commerce for seven, eight years now in the region. And it's been very challenging, I have to say, in terms of cross-border logistics going into different countries, which impacts the scalability of e-commerce companies and their ability to scale around the region. What are you seeing in terms of trends in that area? And I think Saudi has been a very challenging geography for most e-commerce companies looking to enter the market. Are you seeing changes in this aspect? Do you see this expanding in the next decade?

Jean-Francois Condamine: I see a willingness to change the way these are changes. Not yet. I think it's a step by step approach because it's a combination of different processes. So you cannot just say we open the borders. We do this, we do that. No, we can't, because we have some geopolitical risk. We have all kinds of things which needs to be taken into consideration. And I believe as well, the way you bring forward the administration and the way you transform administration. How do you bring a minister of commerce with minister of transportation and supply chain? How do they work together? How do they complement themselves? Who is reporting to on customs? Who is dealing with what? So I think what we have now is the changes and what's a pandemic brought very clearly is a change in consumption. So in other words, people and I have a magic figure in mind. I believe we have now far more people willing to buy through internet than before and one year ago, than 18 months ago. And it will continue like this. Consumers de facto will force somewhere the government to adopt. So it's a chicken and egg, but I don't know.

Amjad Ahmad: I can tell you anecdotally, we've seen this in several e-commerce startups where during the pandemic it was a dramatic increase in consumption and it continues. This is not something that sort of was a blip on the screen that disappeared. It's continuing. And I think it's only going to expand. And, of course, payments also getting a lot easier, which is helping.

Jean-Francois Condamine: Yes. And again, maybe we will talk about that with UPS. But when it comes to ease of doing business and facilitation, clearly companies have to go to digitalization and obviously huge, huge big monsters from the e-commerce that I don't want to name here have already crossed the line. And they're already what we need. We certainly and I believe it will be, again, a discussion later on, but we at UPS have certainly chosen our battle and our battle is SMBs. So small and medium businesses, we can help them. We can certainly help them to export, to import, but for sure, to develop through their digitalization. We will talk about that later on.

Amjad Ahmad: What I love about your position is that you sort of see the many emerging markets and how they operate and you have such great data on the economic activities.

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I'm curious, when you look at the best emerging markets in your division, what is sort of the similar characteristics that they have? What can other emerging markets learn from some of the great markets that you're involved in?

Jean-Francois Condamine: I think this last 18 months, so I spent eight years in this part of the world. And with 18 months to the team and to myself has been a fantastic experience. I think I can start to define the word resilience and what means resilience. When you imagine some countries in complete lockdown, when I say complete lockdown, India, Bangladesh, Sri Lanka, you name them. So they're in complete lockdown. So you imagine the police, it's at each corner of a street, it at each entry of an airport. And you can't politically you move? Guess what, in this country, the agility, the

resilience, again, is so strong, so anchored in their DNA, in their mindset, but in these countries particularly, I have seen countries last year doubling their export volumes.

This year, these countries are again doubling what they have doubled last year. How do you explain that? They have the exact same infrastructure. They have the exact same government entities, brokerage customs, but they make it happen. So what I learn here is, first of all, to be humble, because if you are not humble, you miss a step and then you understand what means resilience and diversity, obviously. So, best experience in my 31 years at UPS.

Amjad Ahmad: Fascinating, I think it's been interesting to see how different economies pivoted and sort of transformed themselves during this period.

Jean-Francois Condamine: So at the same time, I would say that we need to be very clear as well. Many economies, I mentioned that for Saudi, I mention now for UAE they have continuously transformed. So they're doing things. So, for example, in UAE recently they announced that the Chamber of Commerce, which is very powerful in Dubai, instead of having one specific head, will have three different heads. And they talk about digitalization. They talked about international. They talked about Chamber of Commerce of Dubai. But now they start to really segregate and prepare themselves for the future and to become even more international, to be more even pivotal role into the general Middle East economy. I would say even Africa being really the centric part of the supply chain for Europe, for Africa, for East Asia. So vision which enabled them to position themselves for the future very clearly. Again, a lot of digitalization of that by the government as well.

Amjad Ahmad: Right, and I think, they've sort of spearheaded this whole notion of entrepreneurship and focusing on technology and opening up the economy, and now the rest of the region is really making that a priority as well. I want to go back to the role that UPS is playing, because I do think that you've done such a great job in helping or I would say enabling SMEs to expand in the market. But let's talk about particular programs that you've embarked on that help this segment of the market, because that's really where job growth is going to come from. That's really the job engine of the region. So what is the role that you're playing today?

Jean-Francois Condamine: First of all, I think it took us a little bit of time to shift our mind from the big, huge monster to SMBs, but it was a value. As well, we did diversity here exists.

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I think I have a couple of figures that I'm looking at here now to give you. But again, I think on top of my head. We have very few. So if I take, for example, the pure UAE ecosystem, in UAE, you have 95 % of the company which are represented by SMBs, 95%. They are contributing to 53 % of the UAE GDP. 51% are selling online. But guess what? Only 20% are exporting. So in other words, you have the recipe, the figures that I gave you is a recipe for success. You have a mass of small, medium sized companies. We understand that they can sell within UAE, but they don't understand they can export. And when you bring some specific programs, we've been championed by leaders at UPS, some specific women entrepreneur program.

We have launched with the minister of commerce in Dubai, we have launched another program, which is kind of a club of exporters. So we just want that these people, and I remember a very good example here. Female exporters in Nigeria and just a quick example, just to tell you what it was, was sitting in a forum with something like 20 female exporters and for them, they were exporter. So they were based in Nigeria and they were exporters. Okay, let's talk about where you export. Their export was Benin.

So if you look at the map, Benin is a small country just close to Nigeria. And we said, where do you export else? Oh, we don't. Can you imagine the total process that needs to be taken in order to make these ladies, which, by the way, are super gorgeous, super attractive, super agile, we need to try to help them to structure the approach to become a carpet exporters in US. Do you understand what it means when it comes to packaging, advertising, brand awareness, Custom and Export Documentation's, bills, power of attorney, all kind of things, so it's what UPS is capable to bring.

Through these different programs, women entrepreneurs, club of exploiters, our solution teams as well, we are capable to really teach them. And I think we can really use this word teaching, it's teaching them for what matters to them and what matters to them, in fact, matters to UPS as well, which is a good filter when you think about it. Everything that we are doing around that will certainly help this 95 SMB's percent in UAE will help them to understand that the value is in export and that they can create a lot of value.

They can open many channels, they can work obviously Internet, but they can work as well retail, they can do whatever. Just make them feel the power of the supply chain or the power of smart logistics at UPS. I don't know if you know at UPS we are kind of two percent of the GDP, the daily basis. So it's quite an important figure. Can we transfer this feeling, this knowledge to them through everything that we are doing at UPS, that's the question, and what we are doing every day?

Amjad Ahmad: Actually, you really surprised me with this percentage. I actually thought it was a lot lower. So I'm impressed to see that 20 % is exporting. But I am curious to hear if you think the export trend is really going to continue, because I think that is really a key point in igniting SMEs not only in the UAE but Saudi, Egypt. If they have the capability to export to many more countries, then they scale faster.

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They're able to attract more investors and so on and so forth. So I think this is a really, really important point about exporting outside of your own geography.

Jean-Francois Condamine: Yeah, but again, I think it's directly linked to the cultural approaches. I'm just thinking about one article, which is Arabic perfumes. Every time I'm bringing Arabic perfumes to some friends said, "Wow, where did you get that?" "I got that in Dubai. I get that in Lebanon. I get that in Jordan." And this is only one vertical. So when you think about perfume, you think about incents. You think about garments. You think about specific dish dash. It's again, it's about creativity, it's about enlarging the vision and giving the vision to these people. As simple as that.

Amjad Ahmad: I want to hit on a segment of SMEs that you're not necessarily enabling them to export, but more the technology startups, and I know you had this partnership with AstroLabs to work on logistics startups because we're starting to see a big trend in logistics startups given the regional hub and some large companies choose to compete with startups. Your approach was actually to partner with them. So talk to me about that strategy. And what do you see in terms of the logistics startup scene in the region?

Jean-Francois Condamine: Yeah, so you talked about these AstroLabs projects, so we contacted 94,000 companies, if I don't mistake and we have a finish line where we gather some leaders, some winners, and we were looking at specifically on some solutions. So the geocoding trying to control and correct addresses when it comes to last mile. So really trying to again address what we discussed at the beginning, when we said about the last mile deliveries and problems, how do we make sure that the problematic is globally? How do we make sure that we deliver right the first time? And enabling this type of technology through startups for us has been fruitful, has been fun.

We have a lot of fun with these people. But more importantly, we extract as well a couple of these companies and we are able now to bring them to UPS and think like them and really bring adherence to their new projects and bring them again to UPS. So, it's UAE, but it's not in there, I mean, we are doing things specifically in India where same thing, we are bringing startups because who knows better, India or Mumbai deliveries or Mumbai difficulties and deliveries than the startup which is located in South Mumbai and we will try to deliver and create another escalation program in order to deliver right the first time, an Indian company. Do you think I'm capable to do that by myself? Let's work with the people from the ground. Let's work with the people who knows.

We have the infrastructure and we have the sense of the country they are living in. And so that's it. It's all about UPS and I think openness as well of UPS. Big monster, yes, but we can tailor-made approach with the help of again SMB, so startup SMB, as simple as that.

Amjad Ahmad: When you look at logistics technologies, what are the things that are exciting you in the next decade? I mean, what are the things that you guys are focusing on to say this is something important that we need to pay attention to?

Jean-Francois Condamine: For me, this is, again, what we have touched upon, again, unsustainability, it's completely sustainability driven Carbon Neutral. This is what we have to produce. So solar panels, drones, I mean, drones is kind of difficult as well in some parts of the world. We can do it very, very well. I don't know if you are aware, but we deliver some blood samples in Africa, for example, through drones.

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Delivering a package will still remain A to B and doing it right the first time. That's for sure. But afterwards, can we do it with as less as possible damage to the environment? How can we be so much sustainable that people goes, I want to use UPS, because they reserve environment. So for me, sustainability above and beyond all kind of the technology to process the packages to sell packages, whatever the case may be, sustainability is a key role.

Amjad Ahmad: So do you see sort of an all-electric lead at some stage or the region?

Jean-Francois Condamine: I believe so, but a lot of e-car as well and e-bicycle and all the kind of things. When you go to Paris, when you go to London and so on, you start to see a lot of them already. And it's working very, very well. And people like it very much.

Amjad Ahmad: Well, it's great because you're helping the environment and staying healthy at the same time. So it's very useful here. My last question is, again, I think you have such a unique perspective in seeing what's happening on a macro level. What changes would you like to see specifically in the region in the short term? I mean, I know there's been a lot of changes that you've discussed, but what are some of the things that you think would be important to tackle for some of these countries? And I think as it pertains to helping to increase GDP and activities and economic activity.

Jean-Francois Condamine: Compliance. It's key that we have to be, we, and they said we have to be 100% compliant. So, for a long period at UPS, we said people first and I completely adhere to this one. And I believe now it's more something like compliance first. And we don't put people single, but we put people at parity with compliance, I would say, but no, don't get me wrong. We will gain in transparency, in invisibility, in honest business, in between countries and compliance is a must. Compliance is a key. And this month we have a compliance month at UPS. We launched it this morning. And if we can achieve that, we have a sustainable organization. We have a digitalization. On top of that, I think we are making some very good moves for the future.

Amjad Ahmad: Well, great with that, Jean-François. Thank you so much for your views and your time, and we welcome you any time at the Atlantic Council. So I hope to see you again soon.

Jean-Francois Condamine: Thank you very much.

Amjad Ahmad: All the best.

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