



# The Bottom Line

September 2019 | VOL. 7

## THE UNITED STATES THREATENS TO LEAVE THE UNIVERSAL POSTAL UNION ON OCTOBER 17

### Summary

On October 17, 2018, President Trump announced that the U.S. intends to withdraw from the Universal Postal Union (UPU), a specialized agency within the United Nations that sets the rules and rates for international mail delivery. The decision to withdraw has been widely seen as another salvo in the Trump administration's campaign against what it deems "unfair trade practices" benefiting China.

### Background

The Universal Postal Union, established in 1874, now includes 192 member states and meets every four years to set policy. The United States is protesting two UPU practices: (1) the calculation of Terminal Dues and (2) the lack of distinction between documents and goods in the international mail system. Terminal dues are the rates paid to the postal operator at destination by the postal operator at origin. The current delivery rates were set fifty years ago and govern all cross-border delivery of letters and packages weighing less than 4.4 pounds (2 kg). The United States objects to the system because the rates are not related to the actual cost incurred by the delivery postal agent, but rather on a country classification system based on individual member states' economic development and mail volumes. As a result, postal rates paid by developed countries are higher than those paid by developing countries, regardless of the actual cost of mail delivery. The practical results is that foreign shippers can pay less than half the postage for a parcel to the United States than domestic shippers do within the United States. In recent years, the terminal dues system has been the subject of increased criticism due to the rapid growth of e-commerce and the economic development of countries labeled 'emerging' in 1969. The United States has also highlighted the need for more advanced electronic customs data for shipments which contain goods rather than documents. The data requested, including shipper's name and address, consignee's name and address, and pieces and weight,

would allow customs authorities to target and screen high risk packages. This request is consistent with the requirements for cargo shipment sent to the United States. White House officials insist that this data is essential given the sheer volume (621 million pieces in 2016) of international mail sent to the U.S. which included \$800 million of opioids from China over a two-year period.

### Current Status

The United States has not singled out China as a factor behind its decision to leave, but the decision is sure to communicate the belief that China is gaming the global trade system. Although the next regular meeting of the UPU Congress would not be until 2021, the members are scheduled to convene for an Extraordinary Congress (the third in its history) in Geneva, Switzerland, on September 24-25. This extracurricular meeting is being held specifically to discuss the terminal dues system.

### Impact

A complete withdrawal by the United States from the UPU may not be possible given the role the U.S. plays in the international and global trade system. The disruption, however, would be significant if the United States made such an attempt. In the event the September congress is not successful, the U.S. will likely attempt to dictate its own terminal dues starting 1 January 2020, resulting in higher costs (estimated at 300% current rates) for anyone attempting to send mail (including citizens abroad returning absentee ballots or tax returns) to the United States. Resulting rates could benefit parcel carriers like FedEx, UPS, and DHL, whose rates are not governed by the UPU and may end up as the more competitive option.

More articles here: [Article 1](#) | [Article 2](#) | [Article 3](#)