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Got Mail? It Could Get Expensive...

We have had plenty of distractions lately with the trade war with China, Brexit, Section 232 tariffs.... But did anyone notice that the U.S. Postal Service (USPS) might leave the Universal Postal Union (UPU) on October 17? Big deal you say? It could cost you or your partners up to 300% in increased global postal fees to the U.S.

What's the UPU? The UPU sets the rules for international mail exchanges in the form of a treaty. It was established in 1874 and is comprised of 192 member countries. It serves as the primary forum for cooperation between postal service providers to ensure a universal network of up-to-date products and services.

The treaty sets fees that national postal services charge to deliver mail and small packages from other countries and gives poor and developing markets lower shipping rates than developed nations. The UPU treaty specifically gives favorable terms to items shipped from developing countries weighing under 4.85 pounds, which has benefited many small companies as well as massive businesses such as eBay and Amazon with cheap light-weight items. In addition, the UPU treaty has given Chinese merchants a huge advantage by providing a \$170 million annual subsidy (based on 2017 volume) to ship products directly to U.S. homes.

The U.S. State Department has submitted a proposal to withdraw from the UPU over a one-year period and wants the U.S. to "self-declare" international postage pricing and to decide on subsidy levels, if any. During the one-year withdrawal, the State Department will negotiate "bilateral and multilateral agreements" with individual postal authorities.

If the UPU agrees to the proposal by the September 30 deadline, the U.S. will leave the Union 17 days later. The self-declare regime would begin in 2020.

According to some sources, the effect of the exit of the U.S. would be a rate increase of at least 300 percent on postal parcel traffic to the U.S. Courier services such as UPS and FedEx will definitely benefit from the withdrawal. And some shippers might have to turn to ocean container shipping to keep their costs low which will cause a longer shipping cycle.

For now, it's just a waiting game to see what actually happens. Based on the current U.S. administration's tactics of 'negotiating a deal' we could see some abrupt last-minute decisions. We recommend getting an estimate on small parcel international shipping expenses to the U.S. you currently incur to estimate what a 300% increase would look like and make sure your Finance department is aware of these potential increases next year.

Hopefully we've shed some light on this hot topic. Let BPE Global know if we can help you with any of your trade compliance needs. BPE Global is a global trade consulting and training firm. Julie Gibbs is a Director of BPE Global. You can reach Julie by email at julie@bpeglobal.com or by phone at 1-415-595-8543.

