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Trump takes first step to withdraw from international postal union

White House, manufacturers say current system aids Chinese rivals

(Updates throughout with Sanders statement, Muth quotes.)

U.S. e-commerce companies including Amazon.com Inc. and shippers like FedEx Corp. and United Parcel Service Inc. stand to gain from the Trump administration's move today to withdraw from an international postal agreement.

The U.S. will pull out of the agreement unless the governing body that regulates foreign mail acts quickly to end the highly subsidized rates that allow e-commerce businesses in countries such as China to undercut American competitors, White House officials said.

That would open the door for large shipping companies like FedEx and UPS to compete with the U.S. Postal Service on a level playing field. It also would help online retailers like Amazon fend off cheap foreign competitors.

American manufacturers trying to sell goods domestically through e-commerce would likewise benefit if subsidies were lifted.

"This is a big deal for manufacturers," said Patrick Hedren, vice president for labor, legal and regulatory policy at the National Association of Manufacturers.

But some U.S. exporters have argued against withdrawing from the Universal Postal Union, fearing rates charged by foreign postal services could rise in retaliation and make their products less competitive abroad.

Members of the International Mailers Advisory Group, including DHL e-commerce, have advocated for a negotiated solution within the postal union. DHL is owned by Deutsche Post AG.

A letter of denunciation is being sent to the Universal Postal Union, or UPU, today notifying it of the U.S.'s intent to terminate the agreement, White House officials told reporters this morning on a conference call.

The notification takes one year to go into effect and the U.S. hopes to negotiate new postal rates in the meantime, the officials said.

The subsidy flows through the below-cost rates—known as terminal dues—that foreign postal services pay to the U.S. Postal Service to deliver small packages lighter than 4.4 pounds, which encompasses most e-commerce.

The president concurs with the State Department's recommendation to adopt self-declared rates for terminal dues as soon as practical, and no later than Jan. 1, 2020, said a statement by White House Press Secretary Sarah Huckabee Sanders.

Exporters hope that rather than exiting a middle ground can be found and the U.S. can remain in the UPU, said Kate Muth, executive director of the International Mailers Advisory Group.

More than rates, the UPU sets operational systems, standards, and automatic payment systems for international mail. "There's broader implications than just the terminal dues if you pull out of the UPU," Muth said in a phone interview.

The biggest worry is the new uncertainty, which makes it difficult for businesses to know how much they can ship, Muth said. Also, the current standards around processes and who defines what is a letter or packet could all change in a bilateral or multilateral negotiation, she said.

There is also a fear that outbound or export prices will go up, because it is likely that if prices are tied to a self-declared rate that countries in Europe and Scandinavia with higher domestic costs will raise their prices, Muth said.

“We continue to hold the position that the U.S. should remain in the UPU—that this is an extreme move by the administration to pull out of the UPU because we didn’t get what we wanted at the last” UPU meeting “around terminal dues,” Muth said.

Sen. Bill Cassidy (R-La.), who has sponsored legislation (S. 2638) to end the subsidies from terminal dues, applauded the administration’s move.

“President Trump is standing up for American workers and companies who are being hurt by this outdated, unfair international agreement on shipping rates,” Cassidy said in a statement.

If the U.S. can resolve the rate issue within a year, it can easily rescind its notification of withdrawal, a White House official said. In the meantime, the U.S. will engage with countries around the world on this issue, the official said.

The administration’s strategy is to get to a point where it can self-declare its postal rates, another official said. The U.S. would prefer to stay within the UPU because it provides benefits, he said.

Domestically, the U.S. is starting the thorough, legal regulatory process of self-declaring rates, which could take effect in as early as six months, another official said. Delay could come from arbitration, which is possible under the UPU framework, he said.

The notification of withdrawal was sent as two key policymaking committees of the UPU were holding meetings that began Oct. 14 in Bern, Switzerland.

The action follows the failure of a U.S. delegation to win a rule change at the September UPU meeting to reimburse the U.S. Postal Service fully for the costs of domestic delivery.

In August, President Donald Trump issued a presidential memorandum directing the U.S. delegation to ensure that rates charged for delivery of foreign-origin mail don’t favor foreign mailers over domestic mailers.

“The anticompetitive nature” of the Universal Postal Union “has concerned the U.S. government since the Reagan administration,” said Robert Taub, chairman of the Postal Regulatory Commission.