



The Universal Postal Union: A Discussion with Director General Bishar Hussein

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The Universal Postal Union (UPU), a specialized agency of the United Nations comprised of 192 member countries, plays an important role in international commerce. It sets the framework for rates and regulatory requirements for the international shipment of mail and postal packages.

In 2019, the United States had threatened to leave the UPU unless there was substantial reform in terminal dues, the fees that postal services pay one another for delivery of inbound documents and small packets (merchandise) weighing up to two kilograms (4.4 pounds).



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[Bishar Hussein](#), the UPU’s Director General, has had a long and distinguished career as a diplomat. Under his leadership, at an Extraordinary Congress, the UPU found a solution that received unanimous support among members to the issues that the U.S. raised in 2019. Among the issues that the UPU is now addressing is potential membership for non-postal members.

The Lexington Institute’s Paul Steidler spoke with Director General Hussein about the Universal Postal Union, its importance, and its future. The discussion follows.

Paul Steidler: What is the Universal Postal Union (UPU) and how does it help facilitate international mail and package delivery?

Director General Hussein: The global postal network provides a wide range of products and services to the citizens of the world and is considered as an essential infrastructure for the social and economic development of societies and nations in the world.

In this context, the UPU is an intergovernmental organization with 192 member countries, whose mission is “to stimulate the lasting development of efficient and accessible universal postal services of quality in order to facilitate communication between the inhabitants of the world”. Established in 1874, in Bern, Switzerland, it is the world's second-oldest international organization, and, since 1948, it has been a part of the United Nations (UN) system, operating as a specialized agency.

The UPU fulfils three main functions:

- It is a unique forum that builds consensus and convergence, bringing together governments, regulators, designated operators (DOs) and other stakeholders from 192 countries with a view to sharing experiences and identifying multilateral solutions to global and regional challenges.
- It is a provider of affordable technical solutions that can support postal operators and other market players in their efforts to increase operational efficiency.
- It is a knowledge center capable of fostering capacity development and knowledge and information sharing, and of providing high-value-added research and analytics to all stakeholders interested in using big data on 192 countries to seize the opportunities offered by global trends, such as the growth of e-commerce.

In this context, the UPU is responsible for the international treaties and standards that govern the exchange of international postal services. Its rules and regulations encompass parcels, packets, documents, letter mail and payment services. It also sets the rates that designated operators (DOs) pay each other for the delivery of inbound international mail. The organization also plays a critical role in the development of technologies that support the effectiveness and interoperability of the postal supply chain.

The organization also has well established collaborations with important stakeholders like the World Customs Organization (WCO), International Civil Aviation Organization (ICAO), International Air Transportation Association (IATA), Inter-governmental Organization for International Carriage by Rail (OTIF), International Federation of Freight Forwarders (FIATA), International Narcotics Control Board (INCB) and other border security agencies, all of whom have interests in cross border exchange of goods.

Last but not least, the UPU supports the provision of financial and remittance services to billions of un-banked people in the world.

Paul Steidler: What have been the biggest challenges that the UPU has faced over the past 10 years and how have they been addressed?

Director General Hussein: Over the past few decades, the demand for what the UPU has to offer has continuously increased, together with the variety and the depth of products and services that it provides. Traditionally, the organization was structured to facilitate the efficient exchange of cross-border mail and to manage treaties to regulate the terminal dues system (for the settlement of cross-border postal exchanges). However, over time, the UPU has progressively morphed into a multi-functional organization serving a greater range of stakeholders.

Nowadays, the organization serves governments, DOs and, to a much lesser extent, other wider postal sector players. It also has the potential to appeal to an even wider audience, by banking on its uniqueness as the only truly global organization of the postal sector that can set international postal standards, measure their implementation electronically, analyze corresponding trends, provide information and communication technology tools, and constitute a platform to discuss and negotiate multilateral agreements on postal matters.

In this environment, challenges for DOs abound, such as digital substitution, the changing profile of mail-delivery networks, liberalization, privatization, and underinvestment in the postal network. There are also numerous opportunities, from contributing to the insertion of small-and-medium-size enterprises (SMEs) in international trade networks and the use of postal infrastructure for public policy objectives.

Given the rising challenges and opportunities in the sector and mounting pressures on funding, the UPU has attempted a number of changes over the years. In 2004 it created the Consultative Committee (CC) in order to give a voice to other stakeholders in the sector. It has also expanded its value proposition to encompass a wide range of products and services for DOs, assisting them in the improvement and expansion of their activities. In doing so, it has accumulated a vast amount of data and knowledge about the postal sector. Furthermore, it has consistently increased its reliance on extrabudgetary funding in order to compensate for the effects of the zero nominal growth rule weighing on the organization's regular budget.

More recently, the threat by a major founding member to withdraw from the organization triggered the 2019 Extraordinary Congress, where the UPU-based rules for international settlement of cross-border mail were significantly altered. The change included an adjustment of the remuneration framework, with the aim of reflecting the structural changes in the nature of mail, which has increasingly moved away from social to commercial communication, and therefore from universal service obligation-related considerations, under the impulse of e-commerce.

Nevertheless, these adjustments may not have been sufficiently proportional to the magnitude of the transformations that have impacted the postal sector in an environment of digital disruption, with an increasing demand for UPU services. Indeed, the organization's main risks today still revolve around relevance and funding. With a total

annual budget that is equivalent to less than 0.02% of the total operating revenues of DOs worldwide, the UPU would need a substantial increase in investment to respond in a timely manner to the needs expressed by its traditional stakeholders. Its lack of interaction with wider postal sector players also means that the organization does not serve the entirety of the market, thus depriving it of additional sources of revenue and relevance.

Paul Steidler: Why is an Extraordinary Congress to consider membership for private sector organizations important?

Director General Hussein: For many years, the postal sector in most countries was run entirely by a single operator, formally the designated operator (DO) in the UPU context, and also known in various countries as the “Post” or the “Post Office”. This single DO was usually part of government and was in charge of covering the universal service obligation (USO). However, with the advent of liberalization and privatization and the concurrent surge in e-commerce, the boundaries of the traditional postal sector have been completely transformed, with DOs no longer covering the bulk of the market. As their market share decreases (76.7% for letters, 39.9% for express and 35.5% for parcels), DOs are relegated to low-growth segments.

In spite of these transformations, wider postal sector players have mostly remained outside the operational activities of the UPU, potentially holding the organization back from maintaining its universal nature. Indeed, although many governments, especially in advanced economies, have liberalized their domestic markets and even privatized their historic postal operators, the latter are the only ones that have real access to UPU products and services and are allowed to participate in the organization’s decision-making process. This is at odds with the transformations undertaken by other sectoral agencies in the UN system, all of which have expanded their representativeness to a wide range of stakeholders operating in their respective industries.

Against this background, numerous UPU Congress decisions and positions from member countries since the Seoul Congress in 1994 have expressed the need for reforms to strengthen the global postal network under the UPU umbrella, giving a voice to other important players in the industry, and promoting synergy among all players. More specifically, the push for reforms has been inspired by the need to ensure a clear separation between governmental and operational dimensions in the organization’s decision-making process, in particular when it comes to the structure and composition of the UPU’s bodies.

In 2018, the risk of a major withdrawal by a founding member contributed to the acceleration of the UPU’s transformation agenda, as it revealed how critical it was for the organization to address its long-term risks of relevance and funding. In the same vein, one year later, as the UPU prepared to enter the 2021–2025 cycle, the topic of opening up the UPU was actively taken up by the Council of Administration (CA), which formed a dedicated task force (TF) to look more closely into the matter.

The first results of the TF’s work were presented to the CA in February 2020. They included the outcomes of a large-scale consultation of postal sector stakeholders and of a

high-level forum specifically dedicated to this topic, both of which enjoyed an unprecedented level of participation from all constituencies of member countries and highlighted the considerable interest in the topic of opening up the UPU.

As it concluded its February 2020 session, the CA decided to give the TF a mandate to continue its work between March and August 2020, with the aim of presenting a proposal to the 27th Congress on three main areas: institutional change, opening up of products and services, and a timeline for implementation. The 27th Congress was postponed to August 2021 owing to the COVID-19 pandemic, but the TF continued its work.

Eventually, the TF prepared a proposal that suggested “to hold an Extraordinary Congress in 2023, particularly in order to address the examination of proposals associated with the further opening up of the Union to wider postal sector players, as well as other urgent postal sector issues”. This will be the opportunity for member countries to decide on how exactly wider postal sector players can be integrated into the organization.

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