

Testimony of IO/STA Director Gregory Thome
House Committee on Oversight and Government Reform
Subcommittee on Government Operations
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Chairman Meadows, Ranking member Connolly, members of the Subcommittee, thank you for the invitation to appear before you today to discuss the shipment of illicit drugs in the international mail and the differences between international mail and private express shipments that relate to abuse of the mail by drug traffickers. Because of the rapid increase in highly potent synthetic opioids entering the country, the Department of State takes this matter very seriously. While recognizing that international mail is only one of the avenues that drug traffickers may try to utilize, we are concerned that the growing volume of e-commerce-linked shipments represents vulnerability, even if we do not understand the full magnitude of the threat. Accordingly, State is making concerted efforts, in cooperation with the U.S. Postal Service (USPS) and U.S. Customs and Border Protection (CBP), to make reforms to the system of global mail exchange that will improve the security of the mail stream and support interdiction efforts.

The Department of State has statutory responsibility for the formulation, coordination, and oversight of foreign policy related to international postal services and other international delivery services. In considering the policy response to the risk posed by abuse of the international mail, the differences between these two types of services are significant. In this regard, the fundamental difference between USPS and private express companies is the nature of the enterprise they are engaged in.

USPS dispatches and receives mail items from 191 foreign postal operators and has limited ability to control the international mail items it receives until they are tendered to it in the United States. Private express companies, in contrast, control collection and delivery of the items they transport, as well as the entire logistics chain in between. This difference gives express carriers clear accountability for the items they bring into the country. A second, related difference is that USPS engages in international mail exchange as the designated operator of the United States, discharging our national treaty obligations as a member of the Universal Postal Union (UPU). Private express companies' shipment of items to the United States, on the other hand, is founded only on their own business decisions. One implication of this difference is that, unlike USPS and other designated postal operators, express companies have no universal service obligation and are free to pick their customers, accepting only those they judge reliable. A third difference, which flows from the first two, is the wide discrepancy in the availability of advance electronic data for international mail relative to private express shipments. Since this data assists CBP in its targeting of items for inspection, this discrepancy is often cited as a vulnerability of international mail. In other words, as regards the collection of electronic data, express carriers can unilaterally impose data collection requirements on their overseas customers, whereas USPS cannot and must work in partnership with 191 different postal services to convince them of the benefits and security that providing electronic data will offer to all.

The UPU is the principal international venue where the Department discharges its responsibilities related to postal affairs. For this reason, I will limit my remarks to efforts underway within that body to expand the exchange of advance electronic data.

The UPU is an intergovernmental organization with a membership that comprises nearly all of the world's countries. It is the first multilateral body the United States joined and the conference that led to its establishment was an initiative of the Lincoln Administration. The UPU's mission entails guaranteeing the free circulation of postal items over "a single postal territory composed of interconnected networks." The UPU is essentially a compact between the world's nations that their postal services will deliver one another's mail according to common rules and on the basis of reciprocity.

UPU member countries gather periodically in World Postal Congresses to update and renew the UPU's Constitution, General Regulations and Convention and to make other decisions, such as the election of members of its interim bodies, including the Postal Operations Council (POC). The United States has been a member of the POC since its establishment and currently chairs one of its main committees, the Committee on Supply Chain Integration, which has responsibility for customs, security, transportation and standards. The United States also chairs the Standing Group on Postal Security, which is led by Chief Inspector Cottrell. These key roles position us very well to lead efforts to accelerate the exchange of advance electronic data in the current Congress cycle.

The UPU Congress, and the forty-member POC, write and adopt the *Acts of the Union*, which are the rules of the road for international mail exchange. U.S. delegations to UPU meetings have worked for many years to incorporate advance electronic data into the Acts and to increase the willingness and ability of foreign postal operators to provide it. Although we continue to urge a more rapid implementation, we have had significant achievements, the pace has accelerated, and our efforts are bearing fruit.

At the 25th Postal Congress in Doha, Qatar, in 2012, the United States was successful in securing amendments to Article 9 of the UPU Convention that committed each member state to adopt and implement a security strategy that "...include[s] the principle of complying with requirements for providing electronic advance data on postal items adopted by the Council of Administration and Postal Operations Council, in accordance with UPU technical messaging standards." Developing the implementing measures for this commitment has been and remains a top priority for U.S. delegations at the UPU, and we have nearly achieved that goal. With active participation and technical input by the United States, the UPU cooperated with the World Customs Organization to develop an electronic system to allow for the capture, transmission, and receipt of advance electronic data.

In February of 2016, after several years of discussions, the POC adopted regulations implementing the advance electronic data provision of the 2012 Article 9 Convention amendment and a Roadmap for their implementation. The United States now leads the steering committee that coordinates the work required to reach the Roadmap's milestones, which include final adoption of the technical messaging standard for item-level data – a goal we expect to achieve at the next POC meeting this October.

As significant as these achievements are, there are still obstacles to overcome. The main impediment to widespread exchange of advanced electronic data is the very limited ability of

most countries' postal services to collect and transmit it. The recently adopted 2017-2020 UPU Business Plan, which the U.S. championed, calls for all postal services to have the capability to exchange item-level data by the end of 2020.

The technical ability to exchange this data does not, however, translate directly into the ability to collect and enter it. Many post offices in rural areas of the developing world do not have Internet connectivity or even reliable sources of electricity, which makes collection and transmission of data for postal items extremely difficult. Even in developed countries, most postal services have been slow to invest in the required infrastructure for item-level electronic data exchange -- and few, if any, countries now have the ability to provide it for 100% of their mail requiring customs declarations.

The U.S. supports UPU-provided capacity building activities, while also advocating for more liberal policies for the use of UPU Quality of Service Fund (QSF) resources to expand funding options available to developing countries for the needed investments. Measures adopted at the most recent Postal Congress, held in Istanbul last fall, will significantly expand the pool of QSF resources by adding China and other middle income countries to the category of payers and by creating a Common Fund to support postal modernization in the least developed countries. In addition, the UPU is devoting approximately half of its cooperation budget over this Congress cycle to a project designed to position postal services in developing countries to realize the benefits of e-commerce-driven growth in postal volumes. A major focus of this program is advance electronic data.

China will not be eligible for new QSF funds after December. It could, however, potentially participate in future QSF Common Fund activities or apply to have part of its very substantial unused QSF balance allocated for an AED-related projects. India, which is emerging as a source country for synthetic opioids, remains eligible for new QSF direct funding, which it could use for AED-linked investments and is likely to benefit from both QSF Common Fund and UPU Development Cooperation projects.

These efforts are greatly aided by the fact that rapid acceleration of investment in, and use of, electronic data for customs and security will primarily be driven by the business needs of postal operators themselves. Increasingly, postal operators see that delays caused by customs processing are a major impediment to growth in the use of the international mail for e-commerce transactions. Exchange of advance electronic data is the only solution to this problem and to others ranging from the return of merchandise subject to duty to interface with mailers and transportation companies.

Another significant development with implications for advance electronic data is the momentous decision of the 26th World Postal Congress, in Istanbul in 2016 to launch the Integrated Product Plan (IPP), which aims to modernize the UPU's product offerings with an eye toward e-commerce and the changing needs of customers and supply chain partners, including customs authorities. This far-reaching effort has clear benefits for the customs processing of mail. Phase 1, which will commence in January of 2018, will introduce a new division of mail products into items containing documents and those containing goods. This split will facilitate compliance with customs requirements, in particular provision of advance electronic data, since

Phase 1 also entails a requirement for mail items containing goods to have a UPU standard bar code label, which is a critical enabling condition.

Furthermore, the regulations approved by the POC in February of last year will allow members to impose requirements for advance electronic data for items containing goods, provided these requirements take into account the capabilities of the network and the countries on which they apply. The thinking behind this limitation in the regulations is that demanding the impossible as a condition for receiving another country's mail is the same as refusing to deliver it at all. Such requirements would undermine the reciprocity that is at the heart of the UPU. Since there are, however, countries that are able to provide advance data for significant portions of their postal volume, the Acts will soon accommodate requirements that they provide it, so long as these requirements are tailored to the capacity of individual sending countries in order not to disrupt the flow of international mail.

Postal services around the world understand the need to incorporate advance electronic data into the fabric of global mail exchange, not only because the United States and other countries will begin to require it but because it is essential to the evolution of the post. This realization accounts, in part, for USPS's expanding network of pilot projects and its success in increasing the flow of advance electronic data for premium products. It also accounts for the emphasis placed on facilitating advance data exchange within the UPU's activities. Consequently, as work on the UPU Roadmap for advance electronic data progresses and IPP implementation proceeds, the number of countries able to provide data and the proportion of their mail stream that it covers will continue to grow. I assure the Subcommittee that the Department of State will spare no effort in working to accelerate this process.

Thank you Mr. Chairman. I look forward to answering your questions and those of other members of the Subcommittee.