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Commercially-and-Socially-Oriented Postal Services

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“Commercially-and-Socially-Oriented Postal Services”

Abstract:

The main goal of this paper is show how postal communication service, which has been strengthened with the technology development in the last century, is nowadays commercially-and-socially-oriented very important for human life. Furthermore, I will prove how postal services become overwhelming for some not communicated, far and isolated geographic areas in developing countries, to get in touch with people and businesses from around the world. Over one hundred of Postal Operators were interviewed in Peru between 2004 and 2006, around 25% of total, which said that distance and security are not longer considered as a challenge for postal services thanks to new Information and Communication Technologies (ICT) and Internet; which in turn has facilitated (i) social communication, (ii) financial services, (iii) e-commerce and (iv) international business, bolstered by postal services. This last issue can be proved with high correlation statistics between the international postal (and courier) shipments and the exports of non traditional goods, as well as importation of goods in Peru; moreover, some international remittances from around the world are making through postal transferences. Consequently, Peruvian authorities, especially from the Ministry of Transport and Communications, must consider the importance of postal and/or courier services in the elaboration of public policies to pursuit the socioeconomic development.

Key words: Postal services, international business, communication, e-commerce

“Commercially-and-Socially-Oriented Postal Services”

I.- Introduction

First and foremost, we must acknowledge that there is in Peru as well as in other Latin American countries a scarce know about the Commercial and Communication related Postal Services (or Correos), which in fact includes domestic and international banking or financial postal services, international postal commercial shipments (commercial documents and parcels), to allow importing and exporting some goods (so called *Exporta-facil* in Peru and Brazil), or Courier services, Express Mail Services (EMS). As well as according with Information and Communication Technology (ICT) developments in last decades, we have the combination of this traditional postal service and the electronic mail, which resulted in two additional services known as *hybrid mail*, and *e-commerce*, among others.

Undoubtedly, the scarce know about postal services leads people to understand wrongly this traditional service, thinking most of the time only in traditional writing based communication as letters (personal correspondences); which is only a tiny part of the postal services. It seems that those people detrimentally believed that with the entrance of Internet and new ICTs the postal service will disappear, however, the evidence in Peru and different countries show that the traditional service is alive and strength; of course supported by the Internet.

Beyond any reasonable doubt, this ignorance could be extremely hazardous for people, especially for needed people located in isolated and far geographic areas who currently have neither access to telecommunication services nor the Internet. Moreover, causes that some governments traditionally do not give enough importance these topics too, for example Peru has its most important postal related regulations and laws since 1,991 year, when started the liberalization process of many economic sectors, and some privatization of formerly Peruvian State enterprises. Consequently, the current situation of the Postal Reform is so poor; nowadays, there is neither a special Postal Law nor a Postal Regulation Commission. In general there has not been setting up correctly the Industrial Organization of Postal Policy Preparation, as other Latin America countries.

On reflection, it is not wonder that there are different countries around the world which have these kind of postal institutions, for example United States of America (USA), European Union (EU), Australia, Israel, Brazil, etc.; to promote the development of this social and commercial oriented service. Consequently, one of the main aims of this working paper is precisely give evidences and proof how the communication postal services in Peru continues strengthening its participation in the global economic, unless the Ministry of Transport and Communications in the last decade has not given the enough importance these issues.

On the other hand, for the European Postal Commission “the postal services sector is of vital importance for commercial users and consumers alike and is considered as a service of general economic interest (SGEI). The postal markets are dynamic and quickly evolving in conjunction with the ever widening markets of communication, advertising and electronic commerce”. Furthermore, overall in the European Union, postal services are estimated to handle around 135 billion items per year, reflecting a turnover of about €90 billion or about 1% of Community Gross Domestic Product (GDP). About two-thirds of this turnover is generated by mail services. The reminder is generated by parcels and express services which are already in the competitive area (i.e., the market is fully open to competing operators)¹.

Although these services could be a good tool to reach the democratization from the increasing globalization and economic growth benefits, Peruvian government has not given them the real importance. This way this postal related paper develops main public policy proposals to improve the promotion of Micro and Small Business in general, especially its participation in the international commerce by postal shipments, according to the recently Free Trade Agreements (FTAs) that Peru has been signing with United States of America (USA), Japan, China, Korea and other countries. Those are Postal and Customhouse related Public Policy proposals in order to improve the Peruvian Industrial Organization of Postal Policy Preparation, which arguably is known by the Ministry of Transport and Communication (MTC).

¹ http://ec.europa.eu/internal_market/post/index_en.htm

Another important objective of this working paper is demonstrate how the international commerce in Peru is high correlated with the postal shipments, especially exportations of non traditional goods, as well as these shipments with importations, because of the fact that this commercial service allows exporters and importers deal better with their logistic needs, at the same time of the private Customhouse Agencies services. Furthermore, it will be proved understandable my hypothesis that the last advancements in the Communication Technologies and Internet have not meant finishing or the aftermath of the traditional postal services, especially in countries with poor infrastructure on telecommunications services like Peru; contrary this so called traditional postal service has been strengthened bolstered by technology.

This working paper has been divided in five more sections; so, in the second part (section II), I will assess some basic postal related definitions to understand the postal services, some postal related institutions and their regulations in Peru and around the world. In the third section, I will review previous postal related publications which regrettably is too poor, especially I focus on my previous edited book called “Micro and Small Exportation by Postal Shipments”; there is not more academic postal publications in Peru. The four section of the paper will consider the last statistics of the Peruvian Postal market, they are going to be reviewed taking into account official data base from the Ministry of Transport and Communications.

In the five section, I will assess the social and commercial importance of this service, not only statistically spoken, as considering some correlations between postal (couriers) shipments with international commerce, but also in qualitative terms, and showing how this *so called* traditional service allows communicate people, provides international businesses with logistic commercial channel and basic financial services. In the last section, I will consider some important conclusions and recommendations as a result of this research², in order to improve the postal related institutions and regulation, especially in Peru by the Ministry of Transport and Communication. But also those recommendations can be applied for other States around the world too which has not setup Postal Laws. Finally, in the annex of this document it has been included the

² During 2003 and 2006, I visited around one hundred of postal operators in Peru, which provided me worth information to elaborate this working paper and my previous issued book (2008). It is fair to point out that some of them operate under informality by ignorance about postal regulation.

preface of my previous publication, which was written by an international postal adviser, who was supporting a postal project in Peru some years ago.

II.- Basic Definitions, International and Domestic Postal Regulations

There is not doubt that the knowledge about the existence of both, the Universal Postal Union (UPU)³, which is a specialized international agency of the United Nations (UN), and the Postal Union of American, Spain and Portugal (UPAEP), in Peru is very poor. Both institutions are concerned about developing of postal communication services around the world, the representatives of countries members are meeting periodically around them to discuss and give technical recommendations that should have been considered by all of the member countries through their Postal Administrations. Those postal institutions include the Government Regulator (Ministry of Transport and Communications, in Peru) and the Public Postal Operator (Servicios Postales del Perú S.A. or SERPOST, in the case of Peru) for each country.

Up to end of 2008, Universal Postal Union (UPU) had joined 191 Postal Administrator countries that have banned different international postal laws that must be accepted by its members, Peru and other Latin American countries are some of them. The Peruvian State has compromised with this Organization to provide Peruvians with at least a group of basic postal services in all the national territory, but nowadays only it has been provided Peruvians with the Social Postal Service⁴. Furthermore, it is established that the Ministry of Transport and Communications is the public institution (part of Postal Administrator) that should regulate, among others, the maximum tariff or paying rate for this specific service, but actually in general the postal service have not been enough regulated for its promotion.

³ Established in 1874, the Universal Postal Union (UPU) with its Headquarters in Berne (Switzerland), is universal network of up-to-date products and services. With 191 member countries, this especial agency of the United Nations fulfils an advisory, mediating and liaison role, and renders technical assistance where needed. It sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail volumes and to improve the quality of service for customers. http://www.upu.int/about_us/en/upu_at_a_glance.html

⁴ According to Decreto Legislativo N° 685, that declared the postal services, of necessity and public utility and preference social interest.

Likewise, other relevant international institution that has been taking charge of Postal Services around of world is precisely the International Labor Organization (ILO) which has developed some answers for postal sector facts. The most preoccupation of this institution is how the technological changes, the reforms and process of privatization and liberalization, globalization, etc., can affect the employment in this postal sector, and the supply of the universal postal services⁵. Moreover, according to the importance of this commercial and social service there are other international institutions such as the World Bank and Asian Development Bank, which are supporting the postal sector reforms to improve its productivity, according with technological improvement.

On the other hand, regrettably the Peruvian Postal Regulation and its Industrial Organization of Policy Preparation is restricted and obsolete, without a modern commercial and communication oriented Postal Law to promote the development and the investments in this Communication Sub-sector. Before the last Organization and Function Regulation Law of the Ministry of Transportations and Communications (and its Reglamento de Organizacion y Funciones) of 2007, there was an explicit special Peruvian Official Postal Office called Dirección General de Servicios Postales (Postal Services General Direction). Its functions were supervising and promoting the private investment and development of the postal market, awarding licenses to operate this service, supervise the supply service quality, etc. In most of the cases its functions were similar of currently new explicit Peruvian Regulation Agencies of basic Public Services such as OSIPTEL, OSINERGMIN, SUNASS, among others.

As a matter of fact, the Peruvian postal regulation requires rapidly actualization in order to promote the development of the service, which in turn will provide all Peruvians with those commercial and social services, also to adopt other compelling and recommended services by Universal Postal Union (UPU). Indeed, to draw the policies that led out the sustainable development of the postal services in whole Peruvian places as well as for being used these postal services as a mean of communication, accessing of banking and financial system, commercial and logistic channel in international commerce, especially by people from poor, rural and insulates areas.

⁵ <http://www.ilo.org/Search3/searchOnFast.do>

The Communication and Commercial oriented Postal Services -in Peru and around the world- basically includes the procedures of admission, transportation, distribution and handing out of values through international financial postal services (postal checks, postal remittances, micro payments, values, etc.), small packages up to two (2) kilograms, postal parcels up to fifty (50) kilograms, correspondences (letters, mails, postal cards, prints, cecogramme) and other postal shipments called by the international postal agreements from Universal Postal Union. Consequently, through small postal packages and postal parcels, the so-called traditional postal communication services can support the development of Peruvian exportations (the export oriented model), and even through banking postal services help to enhance the democratic access to financial system; both are main factors to support the economic growth and social development.

The Peruvian State has compromised with the Universal Postal Union (UPU) to provide Peruvians with a group of basic postal services in all country, but in Peru only it has been provided the Social Postal Service⁶. Furthermore, it is established that the Ministry of Transport and Communications is the public institution that should regulate the maximum tariff. But actually this service has not been enough regulated, too. Consequently, it is required rapidly actualization of the postal regulations and laws in order to start the supply of those Universal Postal Union recommended services. Indeed, in order to draw the policies that led out the development of the postal services in whole Peruvian places for being used these services as a logistic channel in international commerce, especially by Small Exporting Enterprises in rural and insulates areas.

“The postal services sector is of vital importance for commercial users and consumers alike and is considered as a service of general economic interest (SGEI). The postal markets are dynamic and quickly evolving in conjunction with the ever widening markets of communication, advertising and electronic commerce. Overall in the European Union (EU), postal services are estimated to handle 135 billion items per year, reflecting a turnover of about € 90 billion or about 1% of Community Gross Domestic Product (GDP). About two-thirds of this turnover is generated by mail

⁶ According to Decreto Legislativo (Legislative Decree) N° 685, that declared the postal services, of necessity and public utility and preference social interest.

services; and the reminder is generated by parcels and express services which are already in the competitive area (i.e., the market is fully open to competing operators)”⁷.

Regarding the highly recommended modernization of Peruvian State, it is important to point out that the new Ministry of Transport and Communications administration must implement a re-organization of the Vice-ministry of Communication that must include new Specialized Postal Office (General Direction), maybe like before starting the ROF-2007. It is important to take an especial office *to design the new postal polices in the Internet age* to promote the development of the markets and the improvement of the postal services, its quality, give investors postal licenses, etc. Indeed in Peru it must be a new institution (Regulatory Agency) to supervise and control the supply of these public postal services, especially to collect and solve the complaints of the postal consumers or users; similarly that the Telecommunication Services Regulatory Agency (OSIPTEL) in the case de telecommunication complains against telecommunication operators.

Let us face it the current Dirección General de Regulación y Asuntos Internacionales en Comunicaciones of the Ministry of Transport and Communications has not achieved again its main oriented postal objectives and functions correctly. This Public Office of Subsector Communication must propone and evaluate the policies and regulations to promote the sustainable development of the communication postal services and universal access of them. Among other functions it must propone new postal law projects, regulations and other legal statements to develop the postal services, coordination the international cooperation programs with the Universal Postal Union (UPU) and Postal Union of American countries, Spain and Portugal (UPAEP), included its financial supporting according with Peruvian legislation, assessment the postal services market, elaborate statistics of the Postal services⁸, manage the Peruvian Postal and Philatelic Museum, etc.

Before the new and current, Dirección General de Regulación y Asuntos Internacionales en Comunicaciones (General Direction of Communication Regulation and International

⁷ http://ec.europa.eu/internal_market/post/index_en.htm

⁸ This is an important factor in the social-economic policy preparation process. Economic Policy Preparation in The Netherlands is organized in three autonomous parts: data, model and norms. The data and statistics are collected by the Central Bureau for Statistics (CBS). Den Butter, F. and Mosch, R. 2003.

Affairs) since July 2007, there was formerly the Secretaría de Comunicaciones (Communication Secretary) Office which central aim was to propose and assess the policies to promote the economically sustainable development of communication services (included postal) and their universal access, in order to improve to help improve the quality life on Peruvians. But indeed, all in all, similarly the former office could not help to improve the Postal Regulation system and their quality too.

Last but not least, it is important to point out that the regulation of the Postal Services – domestic and international- in Peru is basically bolstered in recommendations from Universal Postal Union (UPU), Postal Union of American countries, Spain and Portugal (UPAE), Ministry of Transport and Communications (MTC), National Superintendencia of Domestic Taxes and Customhouse (SUNAT/A), among other. However, with this kind of current structure within the Ministry of Transport and Communications (part of the Peruvian Postal Administrator), Peru is not likely to reach and fulfill correctly its aims and goals in those years.

III.- Postal-related-Literature Reviewing: Previous Publication

The first book written in Peru -and probably in Latin America- about the economic developing and the use of the postal services, network and infrastructure, in order to help improving the other economic activities is called “Micro and Small Exportations by Postal Shipments”⁹, it was written between 2006-2007 years. In this book the author have focused on how the postal services can bolster the Peruvian economic growth and development models, especially the participation of more Peruvians in the increasing international commerce by signing Free Trade Agreements (FTAs) between Peru and different advanced and emerging countries around the world. With the aim to including Micro and Small Business (Mypes), to sell their non traditional goods abroad and generate more international clients: exporting markets.

⁹ The book is composed for eight chapters, all of them are related themselves with the aim to assess the possibility to create an abroad Simplify Exportations System for small amount of goods through Communication Postal Services shipments, able to improve the performance of the Peruvian exportations and the economic growth. The first five chapters are in diagnosis positive analysis about the current situation of postal market and customhouse regulations, and the two following chapters are in normative way, about Public Policies proposals that should be implemented the Peruvian policymakers. In the final chapter numbered VIII, I assessed the ongoing benefits to Peruvian economy after implementing my proposals.

The book was edited and published in the beginning of the 2008 year, with the aim to provide the Peruvian Government with a set of Public Policies proposals to improve the Postal Services and International Commerce policies at the same time; especially, exportations of the microenterprises (by postal shipments). Regarding the preface of the mentioned book (see annex of this document), it was made by Juan Ianni, who is a well known American Postal Policy Expert working in different postal reforms around the world, for whom the book gives the real economic importance of the postal services¹⁰. He said that he had never seen this kind of economy assessing about postal services; as well as by representatives from Peruvian Exporters Association (ADEX); who are interested in promote the development of export culture.

The author of the book was formerly an economic adviser of the Peruvian Ministry of Transport and Communications between the years 2002 and 2007, when the Peruvian postal authorities were interested in implementing a Communication Postal Law; but regrettably it has not been passed yet. It is fair to point out that for the elaboration of the book, the author said met with around 25% of all Peruvian Postal Operators, around 100, between 2004 and 2006 years, with the aim to know their problems; which allowed asking different question about this economic activity.

Among other, one important characteristic of the Peruvian postal market operators is the scare know about postal lawful, the existence of a Postal Regulator (Ministry of Transport and Communications), as a result there is a high rate of informality to offer this public service. Likewise, most of the postal operators are familiar small businesses, which are not fulfilling labor regulation too. For instance, all postal workers and not included in the payrolls, sometimes they are not paying taxes. Indeed, this fact could be as a result that in Peru there is not *Labor Postal Law* to defend postal workers rights yet.

After issuing the book, the included postal proposals and recommendations were diffused in different means of communications (television, radio, newspaper, etc.), Entrepreneurs Societies, Peruvian Exporters Association (ADEX), Universities and other Education Institutions; additionally, these proposals were sending to the Minister

¹⁰ <http://www.unfv.edu.pe/SITE/facultades/fce/webinfopublicaciones1.aspx>

of Transport and Communications who must regulate and promote the development of the Postal Services market, and to the Minister of Labor and Employment Promotion, who was taking charge of Peruvian Micro and Small Businesses (Mypes) regulation up to the mid of 2008¹¹, moreover, take care about postal worker`s rights.

The author focused in how the Micro and Small Exporting Businesses (Mypes) can participate in the international commerce, those Mypes are Peruvian businesses who produce goods and/or services according with national rules with the aim to sell them around the world. Furthermore, nowadays those production units constitute the most group of Peruvian exporting enterprises –direct and indirectly-, who help basically the national dynamic forces of national economy, especially activities such international commerce, economy growth, employment generation, decreasing of poor rates, etc. However, those economy units are selling very few, statistically speaking the non traditional exporting goods are the most representative; this compelling situation can be caused maybe by the informality of Peruvian economy.

At the same time, it is also important to point out that these Peruvian Micro and Small Businesses (Mypes) as well as own account workers, among others in Latin America, are in the informal economic sector because of the fact that basically they (i) do not have access to formal credit and financial system akin to Hernando de Soto previously said (*The Other Path*, 1989), besides, as far as memory goes, due to the fact that they (ii) do not have easy access to international markets to export their products and services economically sustainable, and last but not least (iii) they can not participate easily in the Governmental Purchases to sell their products and services to public institutions. These last two topics (second and third subjects) are scarce assessing and researching in most of the working papers by Economist researchers around the world.

Consequently, Peruvian Micro and Small Enterprises (Mypes) unfortunately are exporting in average less that 3% of our total exportations, which in turn generates many questions about the causes of this extremely tiny and hazardous participation in international trading. Probably Peruvian Micro and Small Business need better logistic services to help them send their products to international markets? In order to improve

¹¹ Nowadays, this activity is part of the Ministry of Production`s functions.

this compelling informal sector, reduce its informality indexes¹², increasing its participation in international commerce, developing export-oriented manufacturing industry policies, improving the per-capita GDP, its productivity, etc. Consequently, other of the main aims of this document is precisely showing how small exporters can be benefited from good Postal Service networks, which in turn can help them to solve their logistic channel problems.

There are other kind of restrictions that can led those Mypes currently do not participate in international commerce, because if they want to participate in this activity, those Mypes must comply with different national and international requirements. For example, they must be formalized, fulfilling national government rules of different Ministries, Office of Domestic and Customhouse Collection Taxes (SUNAT/D), Municipalities, and other such as exporting capacity, and requirements related with international clients and external markets. The international clients are importing our Mypex products according with their own requirement parameters, which most of the time they are more compelling than domestic clients. The empiric evidences show that after starting to sell their production in international markets and increasing their selling income and number of workers, they increased and become medium enterprises.

On the other hand, such as other developing South American countries Colombia, Chile, and Brazil (this so called emerging country), the participation of the Micro and Small Businesses (Mypes) in Peru is economically and socially important. For example, they participate with more than 42% of our Gross Domestic Product (GDP), more than 98% of total production units are Micro and Small Enterprises, all of them are producing non traditional products with noticeable aggregate value, they generate more than 60% employees, formal and informal, etc. Consequently, the mentioned book and this paper is very important because both provide international and domestic readers with information of the Peruvian Communication Postal Services, which is incredible scarce known by Peruvian policymakers, too.

In one of the last chapter of the regarding book the author has assessed the main benefits that will report the implementation of all Public Policies proposals for Peru; thus, it is

¹² It is statistically demonstrated that in Perú the 74% of employment is informal. Instituto Nacional de Estadística e Informática (INEI), Lima - 2009.

possible that Peruvians can reach better exporting culture, increase the number of Exporting Micro and Small Businesses (Mypes), to expand and diversify their exporting products and international markets, increase the selling production of goods and services, especially, non traditional products, reduce the logistic cost of our international commerce. Beyond any reasonable doubt, all of them in the long run can permit to improve the Peruvian Balance of Payments Current Account. Furthermore, there is not doubt that these postal public policies related proposals will allow Peruvian postal operators (private and public) to revalue their current postal network services, to improve the quality of the different postal services, etc.

Last but not least, it is fair to point out that in the last years some of the proposals have been implemented slowly, especially those related with customhouse regulations, but the Peruvian Government needs to be aggressive to implement and adopt all the proposals developed. There is no doubt that better development of Postal Services like *Exporta-facil*, will permit that more Micro and Small Business can benefit from the Free Trade Agreements that Peru is signing around the world, and provide better postal services quality; moreover, to cut down the high rate of informality of those Mypes.

IV.- Peruvian Postal Market Statistics

Basically, this section reports in details the situation of Peruvian Communication Postal Services market, according to official statistics from Ministry of Transportations and Communications, the activities of postal operators, private and public, the postal traffic for each kind of postal services, and reviewed the main international postal regulation, included the Universal Postal Union (UPU) recommendations, among other topics. This section is developed in accordance with the second chapter of the cited book “Micro and Small Exportations by Postal Shipments”.

In the Commercial and Social Communication Postal Subsector there are a high number of providers, different investors, domestics and international ones, small and big postal business; furthermore, there is public investment through the public firm *Servicios Postales del Perú Sociedad Anónima (Serpost)*, established as Official Postal Operator by Legislative Decreto N° 685 which is the public operator according to international

postal legislation from Union Postal Universal (UPU), it is considered part of Peruvian Postal Administrator which has the obligation to provide people with basic postal services so-called universal postal services.

Table N° 1: Postal Operators

POSTAL LICENCES REGARDING GEOGRAFIC AREA	Total (Dec. 2008)	Total (Nov. 2010)	% Evolution
International	95	84	-11.58%
National	310	398	28.39%
Local (Lima-Callao)	31	29	-6.45%
Local (Provincial)	11	8	-27.27%
Regional	56	67	19.64%
TOTAL	503	586	16.50%

Source: Ministry of Transport and Communications

According with table N° 1 we have few huge postal operators with domestic and international investment, most of them are provided national and international postal services, and a lot of small postal operators only with domestic capitals, which provided basically local, regional and national postal services. According to official statistics and Peruvian business regulation most of them are included in the limits of Micro and Small Enterprises (SME) Law, more than 80% are SMEs.

This way and taking into account the National Register Book of Postal Licenses¹³ Peru has more than a half thousand of operators who have a special authorization of the State to provide Peruvians with these basic communication related services since 2008. In one hand, we have few huge investors who offer national and international postal services, which attend important part of the market, with entrepreneur customers; they are competing each other basically considering the quality of their services: time of hoping and security. On the other hand, we have a group of small postal operators who attend the residual demand of the market, those operators are competing each other basically by taking account the prices of their services and geographic scope.

According to official statistics from Ministry of Transport and Communications, on December 2008, there were 503 Private Postal Operator licenses in different scopes local province (2,19%), local Lima y Callao (6,16%), regional (11,13%), national

¹³ Whose administration is under the Ministry of Transport and Communications.

(61,63%) and international (18,89%); in addition, we have Serpost. Regarding the Postal Agencies (outlets) there are in average 3.000, 654 from public enterprise Serpost, the other from private operators. Before, there were 2.171 private postal outlets agencies and 889 Serpost postal outlets for the admission and hand over postal shipments for public by the end of 2006, as we can see in the table N° 2. It is statistically demonstrated that this is the largest network of offices or agencies for public attention in Perú.

In Perú, and maybe around the world, the number of these postal outlets (contact point) is higher than others retail infrastructure or network; furthermore, they are typically located in every portion of the country, regardless of geographic isolation or economic condition. On reflection, in some small as well as far towns, the local postal office is both the center of government activity and the focal point for social contact; moreover, establishing a window of the world for local entrepreneurs who wish to determine where their goods are marketable (Ianni, 2008).

Table N° 2: Postal Outlets (offices) by Peruvian Region 2006

Region	Private¹	SERPOST²	Region	Private¹	SERPOST²
Amazonas	44	21	Lambayeque	90	24
Ancash	72	39	Lima	484	255
Apurimac	52	3	Loreto	71	11
Arequipa	107	47	Madre de Dios	25	6
Ayacucho	60	6	Moquegua	48	25
Cajamarca	121	21	Pasco	38	7
Cuzco	78	139	Piura	143	35
Huancavelica	33	6	Puno	76	33
Huanuco	61	24	San Martín	80	18
Ica	87	53	Tacna	42	4
Junín	138	45	Tumbes	42	20
La Libertad	136	37	Ucayali	43	3
			Total	2,171	889

1 Source: Dirección General de Servicios Postales – Ministry of Transport and Communications

2 Source: SERPOST S.A. Includes its own and the thirdly, up to May of 2006.

Regarding the number of postal operators, it is also fair to point out that after two years, ending 2010, the Postal licenses given by the Ministry of Transport and Communications were 586 (see table N° 1), its structure was: 14,33% providing international services, they can offer different services to send postal shipments around the world, 67,92% national services, to send shipments in the national territory scope,

6,31% local (regarding Lima, Callao, and other departments) and 11,43% regional scopes (more than one department); those have important social connotations. As we can see, Peru has the advantage of having a lot of private operators after the liberalizations of their postal market since early 1990 years, in the Fujimori first stage governance, with huge private investment coming from national and international investors.

Likewise, regarding a brief comparison of the Postal traffic statistics between 2004 and 2005 there is an important increasing in the different segments, as you can see at table N° 3, included postal letters shipments; those results are very different, against some formerly predictions be supposed decreasing of this traditionally used service. The total numbers of postal traffic economically sustainable have increased by more than 25%, in the 2000s years, especially, without precedent rates in the segment for parcels, in the business to customer (B2C); according with the growth of international trade and e-commerce activities. These ravishing results are similar in the Postal Payment Orders (Remittances) because more people are moving around the world to get better paying international jobs and send remittances their families living in Peru through postal services too.

Table N° 3: Postal Traffic by type of service 2004 - 2005

Type of postal shipments	Quantity		Participation (%)		Variación %
	2004	2005	2004	2005	
Letter	118.268.922	169.964.707	43,16	42,94	43,71
Printed	133.572.922	174.809.094	48,75	44,16	30,87
Fax Postal	56.266	9.731	0,02	0,00	- 82,71
Small Parcels (up to 2 kg.)	8.529.342	34.545.235	3,11	8,73	305,02
Postal franchise	55.056	45.533	0,02	0,01	- 17,30
Parcels (since 2 to 50 kg.)	12.710.450	14.282.030	4,64	3,61	12,36
Postal payment orders (remittances)	809.156	2.171.577	0,30	0,55	168,38
TOTAL	274,001,677	395,827,907	100%	100%	44.46

Source: National Annual Survey of Postal Service Operators 2004, 2005 - MTC

Regarding the last National Annual Survey of Postal Operators developed by the Ministry of Transportations and Communications in coordination with the Instituto Nacional de Estadística e Informática (Statistic National Institute), in 2004, the Gross Domestic Product value was 1.033 millions of New Soles, increasing of 22.7% respects

to 2003. It supposed that in 2005, the survey was incomplete, because of the fact the number of postal operator has increased (see table N ° 1), as well as the total Peruvian GDP, so we hope that the GDP Postal Value must increase too. The direct employment created by those operators is higher than those values according to my last estimation; it reached more than 60,000 for 2008.

Table N° 4: Economic Postal Indexes (New Soles)

INDICATORS	2003	2004	2005
Gross Domestic Product (thousand)	842,157	1,033,356	526,186
Intermediate consumption (thousand)	198,063	203,833	156,105
Agregate Value (thousand)	644,094	829,523	370,081
Direct employment ^{/1}	9,549	10,873	9,587
Technical coefficient	23.5%	19.7%	29.7%
Productivity coefficient (New Soles)	88,193	95,039	54,885

Source: National Annual Survey of Postal Service Operators 2004, 2005 – MTC

/1 It does not include personnel of thirdly service enterprises.

V.- Importance of Postal Services

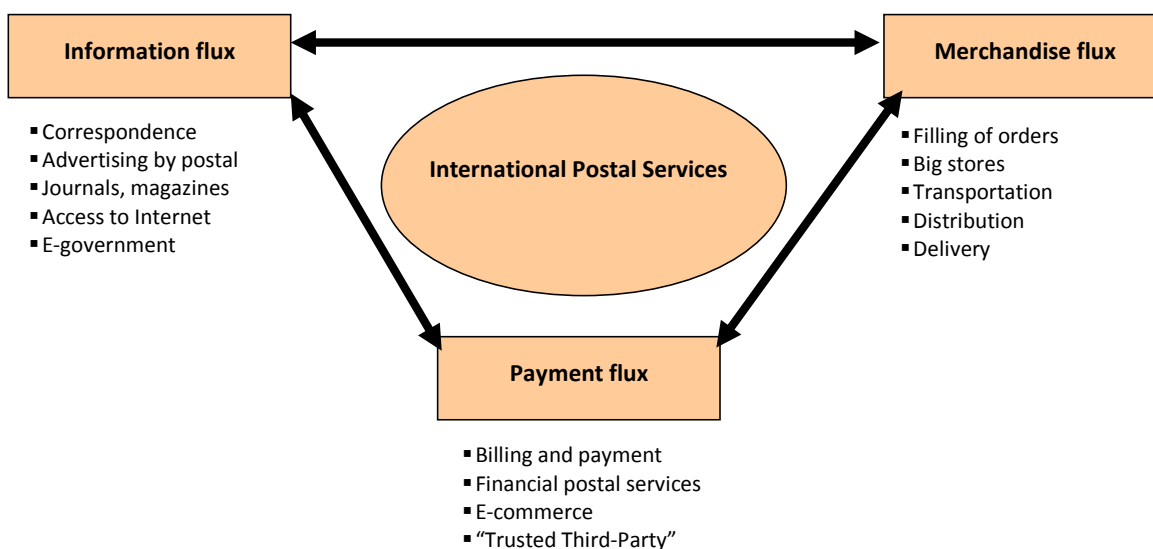
According to the official statistics presented in the previous section we can see that postal services in Peru continue lived and stronger than in the past, especially in the series of Small Parcels (up to 2 kg.) and Parcels (since 2 up to 50 Kg.), the increasing is high which means that productive and commercial activities are bolstered by this kind of communication service. This is part of the explanation about why postal service is quite important for Peru's social development; overall this service will permit to develop the electronic business (e-business), electronic government (e-government), hybrid mail and the democratization of access to financial system; indeed it also provides us with basic communication services in many Peruvian rural areas, especially, for poor people, among other benefits.

Additionally, I have showed that the adequate Postal Services can help us to strength our economy and Gross Domestic Product (GDP) mainly in three important Peruvian economic sectors: firstly, international commerce, especially for micro exportations,

secondly, Micro and Small Enterprises (Mypes) incentives, and third, in the postal service operators sector too. This study was detailed development in the previous publication (Briceño, 2008), related with Brazilian Exportations experiences and proposals to improve our international trade of microenterprises by postal shipments.

As Juan Ianni said in the preface of the mentioned publication, postal networks provide us with the most comprehensive service infrastructure for the three principal business flows, namely: (i) information, (ii) goods, and (iii) funds; see graph N° 1. Furthermore, while postal services have traditionally been thought formerly as a mean for transmitting hard copy information, they are increasingly being used for both to transmit cash through funds transfers, money orders, remittances and other well know financial instruments, and to transport high value, time-sensitive information from senders to recipients. Some postal operators have diversified even further and are utilizing their vehicle fleets to offer cargo transportations and other logistics services to major shippers. Postal operators are thus becoming truly “one stop commercial shops” for business customers who can order, pay for, and receive goods and services through the Post¹⁴. Now we can see three different general aspects that Postal Services provided us:

Graph N° 1: Transformation to “Commercial postal outlets”



¹⁴ Ianni, Juan. Preface. “Micro y Pequeñas Exportaciones por Envíos Postales”. Lima – Perú, 2008.

Financial Postal Services

The basic financial postal services to assure payment flux are other kinds of facilities scarce know in Peru and other countries, too. So, there is another good way to allow the access of financial system with banking postal services through the wide postal network expanded around Peruvian territory (more than 3,000). Among these kinds of services we have national and international postal money orders, micro commercial payments, micro credits, taxes payments, pensions payments, government transfers, etc. that have not been developing yet, unfortunately. Definitely these services will contribute that all Peruvians, especially poor people and people who live in far areas, can reach the democratization of access to financial system that has been considered an important factor to explain the development of a country. According to official statistics from Peruvian Ministry of Transport and Communications, the postal money order –domestic and international- was offered by postal operators who had a special official license, in the international, national and local scope (Lima-Callao).

International postal money order is used by many Peruvian migrants around the world to send remittances their family who live in our country, those people traveled to oversea with the aim to find better future for them and their relatives. A good portion of the salary that they earn working in different jobs and countries to support Peruvian relatives (siblings, parents, grandparents, uncle, aunts and cousins, etc.), is sending through Peruvian international postal operators who have connection or maybe branches in different countries. This way, commercial and communication postal services can help Peru to attract fresh international money (U. S. Dollars and Euros) to support Peruvian families, however this is another less explored facility of this service in the middle of the global financial crisis that the government has not promote yet. We should not forget that for every migrant worker who could lose his job, and has been his/her pay cut in international wealthy cities, or could not send money for other causes to our country, there are most of the time Peruvian relatives and friends thousands of miles away who also suffer a lot.

According to the World Bank, the remittances –the money that migrants send back to their own countries- could fall as much as 5.7 percent this year (2,009), this could produce decreasing of families` living standards, and maybe generate political

instability in some poorest and developing countries, especially where could not be possible that families can replace the money that migrants remittance provided. But the rewarding Postal Commercial and Communication Services can help Peruvian migrants to send money with more facilities and less cost to their Peruvian family, especially worried migrants that are trying to absorb themselves the income shock and will sacrifice to send steady amounts to Peruvian home.

Electronic business (e-commerce)

Against some pessimist viewers, but more for their misunderstanding and own ignorance, the best way to show how technology bolsters the development of traditional postal services (traditional mail) is this specific sort of postal service so-called e-commerce, which is supported by the postal offices network. “One part of this new market comes from the eBay effect and other similar concepts taking root on the Internet. Another aspect encompasses single shopkeepers and craftsmen once accustomed to selling, repairing, exchanging, or transforming items in the local marketplace. Many have recently added a Web window display and are beginning to ship regularly, but they seldom use express services.”¹⁵

There is not doubt that postal industry in many countries is capable to provide people with integrated logistic solutions to attempt manage (i) good flux, through its network of postal outlets, fulfilling the manage of (ii) information flux, through modern Technologies of Information and Communication, and (iii) money flux (with the modern financial system); which in turn can allow Peruvian business to reach a highly competitive position by offering e-commerce services after connecting to Internet, currently.

“The postal services sector is of vital importance for commercial users and consumers alike and is considered as a service of general economic interest (SGEI). The postal markets are dynamic and quickly evolving in conjunction with the ever widening markets of communication, advertising and electronic commerce. Overall in the European Union (EU), postal services are estimated to handle 135 billion items per

¹⁵ e-commerce parcel. POSTA Tecnologia Internacional. September, 2006.

year, reflecting a turnover of about €90 billion or about 1 percent of Community Gross Domestic Product (GDP). About two-thirds of this turnover is generated by mail services. The remainder is generated by parcels and express services which are already in the competitive area (i.e., the market is fully open to competing operators)”¹⁶.

Exports by Postal Shipments: International logistic services

But not only there is the banking postal services in Peru, and other countries, there are international commercial postal services, through small postal packages and postal parcels shipments the postal communication services can support the development of Peruvian exportations and the economic growth. Thus, according to the importance of our country to take an economic model based on exportation goods, the postal industrial vision should be bolstered logistically the Small and Medium exporters, the diversification of exporting products to increase sustainable the number of exporting markets, among other, in order to increase the value of Peruvian global exportations. Especially, in the current context of international trading agreements with different countries around the world, international financial crisis, etc., the export expansion benefits are different and should be reach by our Micro and Small Business (Mypes) and public in general.

Consequently, the network of Peruvian Communication Postal Services with more than 3,000 Postal Offices (Postal Outlets) could provide Micro and Small Exporting Business with interesting easily logistic solutions for this problem and permit them participate in the Free Trade Agreements that our countries are signing around the world, for example with United States of America (USA), China, Canada, Singapore, Thailand, Chile, and other that we are being negotiated.

According to my previous publication (Briceño, 2008), postal network lets exporters to improve and diversify their exportation markets, exportation goods, off course, help people to improve their exportation culture. Indeed, the international postal service outlets could compete in the right way with Private Customhouse Agents (Agentes Aduaneros), by the end of the year 2009, those were only 270, and the rate of increasing

¹⁶ http://ec.europa.eu/internal_market/post/index_en.htm

between 2006 and 2007 was only 14%. Certainly, this evolution and facts about the private institutions are very poor if Peru wants to be seen as leading in international trading logistic channels¹⁷; additionally, if this country plans to get more competitiveness.

Some countries that have been increasing up to some years higher, have established a special information network for postal operation. For example, China which has been increasing the highest rate in the world (around 10 percent annual), the postal services not only has the network of postal banking services with complete functions, but also the State or public postal enterprise has signed different cooperation agreements with commercial and service enterprises for supporting them in logistic operations of recollection and distribution of goods. Thus, this traditional communication mean is an important factor that will allow strength our international commerce, physic and electronic, through the postal service is permitted to satisfaction of logistic market necessities of recollection (or admission), transportations, distribution and hand out (and circulation) of goods and inputs for being exported abroad markets; for instance, different countries around the world have implemented a especial model to foment their small exportations by postal services, for example, Brazil, Peru, Uruguay, etc.

The International Trading by Postal Shipments: Statistic correlation evidences

A quick review of statistic correlations between international trade made by postal (Courier) shipments (US\$ FOB) and global international trade, with quarterly time series data of 2,000 years show important results for improve related-public policies (see table N° 5). Definitely, those statistics results strengthen the previous assessment about the importance in the Peruvian economy of the postal services (included Courier services), the correlation between micro and small exportations by postal shipments (courier) with exportations of “non traditional” products is 0.52 which means significance, because of the fact postal service is using necessary to send commercial exhibitions abroad, furthermore to export small amounts of “non traditional” products;

¹⁷ It is important to point out that the report Connecting to Compete: Trade Logistics in the Global Economy, known as Logistic Performance Index, issued by the World Bank wrongly does not consider the postal services (includes carriers and express mail services) as channel logistic.

however, in the past wrongly some of these shipments were considered without commercial value by Peruvian Customhouse-postal Regulation.

On reflection, the correlation between those export shipments and exportation of “traditional products” is small, only 0.41; this fact strengthen the previous explanation about that bigger traditional exporters do not use this logistic channel to send their products -minerals, agric, fishing, etc.-, to sell abroad. So, according to statistic effects, as well as the importance of the traditional products in the Peruvian international exportation framework, with 77.2% of participation in the total exportation (in the 2,000 years), the correlation between “exportation by postal shipments” and “total exportation” is insignificance, only 0.42.

Table N° 5: Correlations between courier trade and global trade in Peru

Between:	Correlation:
ExCou*ExNoTraditional	0.52
ExCou*ExTraditional	0.41
ExCou*ExTotal	0.43
ImCou*ExNoTraditional	0.95
ImCou*ImTotal	0.94
ImCou*ExTotal	0,90
ImCou*ExTraditional	0.41
ExCou*IndixePBI	0.31
ImCou*IndixePBI	0.85

Sources: Superintendencia Nacional de Administración Tributaria (SUNAT)
Peruvian Reserve Central Bank (BCRP)

On the other hand, taking into account the importations by postal (couriers) shipments, the statistic correlation will be more interesting and significance, we can see that the correlation between these activities with exportation of “non traditional product” in Peru reached 0.95 in the 2,000 years, the highest and most significance; which means that this postal logistic channel is important for the exportation dynamism of “non traditional products” in our country. Precisely, this results because of different inputs to elaborate “non traditional” products in the Peruvian industries are imported by this

especial communication and logistic channel; as well as this Courier importations have the same high dynamism with Peruvian global or total importations, showing an index of 0.94 as a statistic correlation.

Furthermore, the postal (courier) shipment “importation” and the “total exports” are high correlated too, around 0.90, while those importations with exportation of “traditional products” do not, this last coefficient reaches only 0.41. Those results can show different facts, for example, the small quantitative participation of the international commerce by postal shipments in the Peruvian global international commerce, but qualitative speaking has significant participation for the international commerce dynamism, especially in the exportation of “non traditional products” and total importation; which in turn allows better performance of the economic growth. In fact this can be totally proved when assessed the correlation between micro importations by Couriers with the Index of Gross Domestic Product (base 1,994), this new statistic index reached 0.85. Of course, this statistic assessment could have been more profoundly if there were better postal official statistics. Consequently, this part of international commerce needs more and special attention by those public institutions which regulate Customhouse and Postal Services¹⁸, to help bolster quality of people life.

VI.- Main conclusions

All in all, and in spite of the new Information and Communication Technologies (ICTs) developments such as telecommunications and Internet, the postal industry has stilled to strengthen and increase its pervasive importance in the new world economy, especially in the international postal traffic in the last years. The technology development has implied new challenges, new business opportunities and action scopes for traditional postal services, showing clearly importance complementation with Internet. Let us not forget that different business people have said that Postal service has found an important friend in the Internet¹⁹.

¹⁸ In the Peruvian case the Superintendencia Nacional de Administracion Tributaria (SUNAT) and the Ministry of Transport and Communication (MTC), respectively.

¹⁹ Hafner, Katie. Postal Service finds a Friend in the Internet. “New York Times” Newspaper. August 02, 2006.

The importance of postal services in Peru, not only is related with the international commerce like we noticed in the last years with the implementation of *Exporta-fácil* (easy and fast exportations by postal services and less customhouse regulations), but there are other advantages the public should use. In different countries postal services is supporting the development of electronic commerce (e-commerce), the hybrid mail, the Tele-fax, postal banking, but in Peru technically speaking, these services are few used. We must not forget that in each country the Postal agencies (outlets) are relevant part of commercial infrastructure, social life of a country and labor market²⁰.

The international studies about economic growth, exportation, and different reports have taken for granted postal services related economic activities, they do not consider postal services as logistic channel for international trading, indeed there are important statistic correlations between those variables, for example between non traditional exporting goods and those exported by postal (couriers) shipments, as well as between importing goods by postal shipments (couriers) with non traditional exporting goods.

Such as other South American countries, Colombia, Chile, and Brazil, the participation of the Micro and Small Enterprises in Peruvian Economy is very important, nevertheless, as a matter of fact they have notorious problems, for example they are in the informality and subterranean economy sector and their exportations in average represent only 3% of our total exportations. This tiny participation oriented problem in international markets means that Peruvian “Micro and Small Enterprises” need better logistic postal services in order to send their products to international markets.

Definitely, the number of “postal operators” and “postal outlets” have been increased very quickly after postal market liberalization, in Fujimory`s first government period, in 1991, to allow participate private postal operators; additionally, when the ex Dirección General de Correos of the formerly Ministry of Transport and Communications, was divided in two parts. The government established the Dirección General de Correos (as a regulator), as a special Official Postal Office of the Ministry of Transportations and Communications, and the public enterprise *Servicios Postales del Perú S.A.* (as the Official Postal Operator).

²⁰ Campebell, James. “A Review of Postal Laws in Leading Postal Reform Jurisdictions”

The Ministry of Transport and Communication historically have not given the real importance of this communication service, especially since 2007 when the Peruvian authorities closed the Dirección General de Servicios Postales; however, it is an explicit function of this Ministry, especially the Sub Ministry of Communications (Viceministerio de Comunicaciones) supporting the development of this service, its provision with quality and reasonable prices (rates).

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ANNEX:

PREFACE OF THE BOOK “MICRO AND SMALL EXPORTS BY POSTAL SHIPMENTS”

Postal networks provide the most comprehensive service infrastructure for the three principal business flows, namely information, goods, and funds. Furthermore, while postal services have traditionally been thought of primarily as a means of transmitting hard-copy information, they are increasingly being used both to transmit cash through funds transfers, money orders, remittances and other financial instruments, and to transport high value, time-sensitive information from senders to recipients. Some postal operators have diversified even further and are utilizing their vehicle fleets to offer cargo transportation and other logistics services to major shippers. Postal operators are thus becoming truly “one stop commercial shops” for business customers who can order, pay for, and receive goods and services through the Post.

This diversity of commercial business services and options is further strengthened through the universal coverage provided through postal networks. In most countries no other communication, transportation, or retail infrastructure provides the same number of contact “points” that are available from postal services. Furthermore, postal outlets are typically located in every portion of a country, regardless of geographic isolation or economic condition. In some small towns, the local post office is both the center of government activity and the focal point for social contact.

This is extremely important for small and medium sized businesses that are frequently located outside of major urban areas and require dependable and reasonably priced advertising, financial, and transportation services. Local post offices also are increasingly providing Internet access, thus establishing a “window” on the world for local entrepreneurs who wish to determine where their goods are marketable. The same post office can also serve as the “door” through which such entrepreneurs can ship goods and receive the materials needed to sustain their businesses. This two-way access can be an effective tool in leveling the economic playing field between businesses producing and shipping massive quantities of goods and small enterprises that deal in more limited quantities.

These competitive advantages are perhaps most important in the fastest growing portions of the postal market, namely express (expedited) mail and parcels. The mail mix continues to get “faster” and “heavier” as traditional mail and periodical volumes level or in some cases even decline while volumes for express mail and parcels, particularly in the international market, grow at unprecedented rates. The growth of international trade and e-commerce activity and ongoing reduction in trade barriers will continue to spur this activity in the coming years, particularly in the business to customer (B2C) market segment for parcels, which will continue to be an important mainstay of catalogue and Internet based ordering and fulfillment activities.

The Professor Briceño’s book focuses on the role of parcel traffic within this rapidly evolving and increasingly valuable postal world. “Exporting Parcels” provides a comprehensive and exhaustive analysis of how the potential benefits described above can be realized by improving and expanding the postal parcel business. These benefits

would accrue not only to individual businesses utilizing more efficient and responsive postal networks, but also to overall economic growth and to the wider distribution of this growth among all economic strata. As the author describes in very detailed terms, the wider use of postal networks can also “add value” to postal collection and distribution systems and lower the cost of maintaining them on a national basis.

This document provides an excellent overview of the linkage among Mypex, postal networks and import/export capacities, customs regulations, transportation facilities, and licensing regimes. It shows how simplifying and strengthening these linkages can help develop the national economy and spread the economic benefits of this growth to a wider and more diverse spectrum of the population. It also notes that the postal network can help reach regions that are not fully served by other collection, transportation, and distribution networks.

Professor Briceño has previously written on a wide range of postal topics and in this study has been able to utilize this rich background of research to focus on the specific issue of how the postal parcel industry can serve as a growing conduit for exporting goods. The progression of the chapters and of subjects from macro issues such as trade agreements to specific issues and the discussion of their interdependency is very instructive. The example of Brazil as an exporter of postal parcels is excellent not only in this context but also as a general example of how postal networks can be developed to better serve both mailers and overall economic growth.

Professor Briceño has very carefully described the close interrelationship and mutual dependence of national economic growth and postal development. This treatment of postal issues from an economic perspective has generally been missing from most postal studies tend to focus on the technical aspects of the postal industry. By considering the numerous economic factors impacting the Post, Briceño has been able to develop a document that is not simply valuable for postal stakeholders, but also for postal policy makers.

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