

# The Reform of the Terminal Due Rates System and the Dynamics of Postal Trade

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## Abstract

This paper provides entirely new evidence on the dynamics and patterns of small parcel flows over the period 2014-2024 and the role played by the inter-postal remuneration mechanism, the so-called Terminal Dues Rates, in shaping them. To do so, it combines and uses transactional-level, bilateral data on these flows from official postal operators members of the Universal Postal Union (UPU) and a new, purposely constructed dataset on Terminal Dues Rates over the period 2014-2024. As such and to the best of our knowledge, this paper represents the first attempt to systematically link the postal sector remuneration system with actual shipment volumes at this granular level. More specifically, it shows how this system affects cross-border exchanges of small packets, a segment that primarily corresponds to e-commerce. Cross-border e-commerce has emerged as one of the most dynamic components of international trade, driven by rapid advances in digital technologies and the proliferation of online platforms. As a channel that enables even small firms and individuals in developing countries to access global markets, it represents a particularly promising avenue for inclusive economic growth [UPU \(2020\)](#).

**Keywords:** postal trade, terminal due rates, e-commerce, gravity model

**JEL Classification:** F14, F15, L87, O33