



U.S. Customs and
Border Protection



FAQ's

What exactly is Mutual Recognition?

Mutual recognition are activities and processes associated with the closing of an arrangement between U.S. Customs and Border Protection (CBP) and a foreign customs administration. This allows for the exchange of membership information and recognizes the compatibility of each other's Authorized Economic Operator (AEO) program. A mutual recognition arrangement (MRA) indicates that the security requirements or standards of the foreign AEO program, as well as its verification procedures, are the same or similar to the Customs Trade Partnership Against Terrorism (CTPAT) program's. Mutual recognition allows the companies of one AEO security program to receive benefits comparable to those conferred to companies participating in the other AEO program.

The essential concept of mutual recognition (MR) is that CTPAT and the foreign customs administration's AEO security program have established a standard set of security requirements. It allows one AEO program to recognize the validation findings of the other program. This leads to a series of benefits to both customs administrations and their authorized economic operators.

The goal of MR is to link international AEO partnership programs to create a unified and sustainable security posture that assists in securing and facilitating global trade. MR promotes end-to-end supply chain security based on program membership.

Is MR as a concept recognized by the World Customs Organization (WCO)?

Yes. Under the WCO's SAFE Framework of Standards "Customs administrations are encouraged to develop partnerships with business and between each other to secure and facilitate trade. Further, it calls upon customs administrations to work with each other to develop mechanisms for MR of AEO validations and authorizations, MR of customs security control standards and control results and other mechanisms that may be needed to eliminate or reduce redundant or duplicated efforts." In other words, everyone works together to increase security and trade.

The SAFE Framework is structured with two supporting pillars: Customs-to-Customs and Customs-to-Business. The concept of MR is reflected in the Customs-to-Customs pillar. That is, the ability of customs administrations to work together to improve their capability to detect high-risk consignments and expedite legitimate cargo. This cooperation between customs administrations assists the Customs-to-Business pillar by providing standardized security requirements of their AEO programs.

Who has the United States signed mutual recognition arrangements with?

To date, CBP has signed twelve MRAs:

- **New Zealand** - June 2007 – New Zealand Customs Service’s *Secure Export Scheme* Program - SES
- **Canada** - June 2008 – Canada Border Services Agency’s *Partners in Protection* Program - PIP
- **Jordan** - June 2008 – Jordan Customs Department’s *Golden List Program* - GLP
- **Japan** - June 2009 – Japan Customs and Tariff Bureau’s *Authorized Economic Operator* Program - AEO
- **Korea** - June 2010 – Korea Customs Service’s (KCS) *Authorized Economic Operator* Program - AEO
- **European Union** - May 2012 – EU’s Taxation and Customs Union Directorate’s (TAXUD) *Authorized Economic Operator* Program – AEO
- **Taiwan** - November 2012– Directorate General of Customs, Taiwan Ministry of Finance’s – *Authorized Economic Operator* Program.¹
- **Israel** – June 2014 – Israel Tax Authority’s *Authorized Economic Operator* Program – AEO
- **Mexico** – October 2014 – Servicio de Administracion Tributaria (SAT) - *Authorized Economic Operator (AEO) Mexico*.
- **Singapore** – December 2014 – Singapore Customs’ *Secure Trade Partnership* Program - STP
- **Dominican Republic** – December 2015 – *Authorized Economic Operator* Program – AEO
- **Peru** – September 2018 – *Authorized Economic Operator* Program - AEO

Does CBP Plan to sign additional mutual recognition arrangements?

Yes. CBP is working with various customs administrations with the goal of reaching MR.

Have other customs administrations around the world signed MRA between themselves?

Yes. Customs administrations around the world have signed MRAs and/or agreements which may ultimately lead to the globalization of supply chain security and compliance standards. This is very important for those companies seeking true global supply chain security and compliance benefits. There are over 50 MRAs that have been signed between AEO programs with another 35

¹ This MRA is signed between the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO) in the United States. CTPAT and Taiwan AEO are the designated parties responsible for implementing the MRA.

being negotiated. Additional information about MRAs and global AEO programs can be found on the WCO's Compendium of AEO Programs Report.²

What does it take to achieve MR with the United States?

Many factors are considered before CBP engages with a foreign customs administration towards MR. However, there are four prerequisites that must be met before CBP begins to formally discuss MR with a foreign customs administration:

1. The customs administration must have a full-fledged operational partnership program in place - - not a program in development or a pilot program.
2. The AEO program must have a strong validation process built into its program.
3. The AEO program must have a strong security component. AEO programs that are compliance only would not be eligible.
4. The customs administration must have a Customs Mutual Assistance Agreement (CMAA)³ in place and in force with the United States.

What are the steps required to achieve MR with the United States?

CTPAT pursues MR in multiple stages

1. Evaluation – In addition to meeting the four prerequisites, CBP evaluates additional factors before engaging another customs administration in MR. This would include, but not limited to: import/export volume of trade, maturity of the AEO program, political will, risk, etc. Information may be requested to help evaluate the necessary steps towards starting a joint work plan.
2. Joint work plan (JWP) - A JWP is a document that lays out the path towards MR between the two customs administration's AEO programs. A JWP shows commitment from both programs, requires high level support, and lays out detailed steps towards MRA. At the completion of a JWP, CBP will determine if an MRA is feasible and should be pursued.
3. Identification of Benefits - Potential MRA partners should think about what benefits an MRA would provide. For the United States, those benefits have included but are not limited to:
 - Reduced costs to government and to business due to fewer validations in partner countries;
 - Efficiencies to companies by reducing “ship-to-shelf” times through more timely customs release;
 - More efficient solutions of issues through increased contact with CBP's supply chain security specialists.

² <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/aeo-compendium.pdf?db=web>

³ <http://www.cbp.gov/border-security/international-initiatives/international-agreements/cmaa>

4. Program and Criteria Comparison - A side-by-side comparison of program security requirements and overall processes and procedures. This determines if the programs align on basic principles. During this stage, CBP also requests data from the AEO program – such as eligibility requirements; statistics; trade participation; number of program personnel; and any other data that may help CTPAT understand the other program better to determine if the AEO program is compatible. Also, CBP will compare the minimum security criteria requirements for membership.
5. Validation Observations – Potential MRA partners must observe each other’s validation processes to ensure compatibility. This ensures there’s an approach to validations and that the security criteria is being reviewed. These observations are not to evaluate the companies but to evaluate the AEO programs. There are no set number of observations that will occur but they should include different business entities that belong to the program, including, importers; consolidators; transportation sectors, etc. A complete understanding of the appropriate criteria for each business sector must be observed.
6. Formalization & Negotiation – After the JWP is complete, and both customs administrations determine that a MRA would be helpful, the formal MRA process begins.
 - One MRA partner sends a proposed text and the other responds with detailed comments, noting areas of consensus and those that need to be resolved.
 - The MRA partners will then meet or have conference calls to resolve differences until a draft is achieved.
 - Internal reviews of the draft are conducted to ensure consistency with legal and policy obligations of each partner.
7. Signing the MRA - An MRA that recognizes the compatibility between CTPAT and the foreign partnership program is signed by the senior leaders of each customs administration.
8. Implementation - The programs develop operational procedures for information sharing. This includes how data flows securely between CTPAT and the foreign participating AEO MR partner through secured official channels.
9. Maintenance - The final step in the MRA process is continual engagement. The partners must be vigilant to ensure that the MRA and accompanying procedures remain relevant. This requires periodic review, consisting of meetings to discuss program updates, validation observations, etc.

Does MR address both security and customs compliance issues?

Currently, MR is based solely on security. Specifically, it is based on the foreign customs partnership programs having similar security criteria/standards and verification procedures as the CTPAT program; however, members must comply. CTPAT members engaged in fraud or have had serious penalties for customs issues (undervaluation, incorrectly declaring goods, classification issues, etc.) can and have been suspended and/or removed from CTPAT.

How long does the MR process take?

There's no timeline. None of the 12 MRAs signed by CBP took the same amount of time to complete. Each step must be thoroughly evaluated before continuing with the process. Also, there are outside factors that could play a role in determining the necessary time to achieve MR.

Why is it called an “arrangement”?

CBP enters into arrangements to clearly show the documents are non-binding. This allows CBP to maintain its law enforcement discretion. Keep in mind that neither an AEO program nor a CMAA, guarantees MRA with the U.S. They are just part of the requirements for consideration of a MR partnership.

Are companies doing business in a country that has MR with the United States exempt from filing the 24-hour advanced cargo declaration with CBP or exempt from the importer security filing data, commonly referred to as 10+2?

MR does not exempt any partner, domestic or foreign, from complying with other CBP requirements. For the same reason, MR does not replace any of CBP's cargo enforcement strategies. Importers, for instance, still need to comply with the importer security filing requirements: electronic submittal of the 10 trade data elements to CBP 24 hours prior to lading.

What are the benefits of MR?

Both customs administrations and the private sector receive benefits from a MRA, including:

- **Efficiency:** CTPAT may not have to expend resources to send staff overseas to validate a facility that has been certified by a foreign partnership program.
- **Risk Assessment Tool:** The status of the foreign partnership program participant is recognized by CTPAT and used to assess risk.
- **Less Redundancy/Duplication of Efforts:** Foreign companies will see reduced multiple/separate validation visits. The initial validation conducted by the local customs administration as the company is certified by its business partnership program can be recognized as a CTPAT validation if a MRA is in place. Companies will more than likely only have to go through one site visit for future revalidations. There will be occasions where a validation visit will take place, even if an MRA has been signed.
- **Common Standard/Trade Facilitation:** Since MR is based on having equally stringent minimum security criteria, a CTPAT company essentially complies with the security criteria of those countries the U.S. has achieved this MRA with. Common program standards will also aid companies in conducting and documenting their security self-assessments.
- **Transparency:** Closer collaboration among and between customs administrations and their partnership program companies will lead to more transparency in international commerce. Information exchanged between these partners expedites and facilitates the movement of commerce across nations.

CBP is always open to suggestions of potential benefits and welcomes feedback from our members, the trade community, and members of other supply chain security programs.

Will I be subject to less validation visits if my supplier is a member of a foreign partnership program that the U.S. has MR with?

Most likely, yes. You and/or your supplier will probably be visited less by CTPAT. However, CBP does reserve the right to visit their members and/or foreign suppliers who have been certified by foreign partnership programs that CBP has signed MR.

Periodically, foreign customs administrations will be invited to participate in CTPAT validation site visits. This provides the opportunity to exchange best practices and review new procedures or guidelines that may have a direct impact on how the programs operate.