

# FAQ

## **What exactly is Mutual Recognition?**

Mutual Recognition refers to those activities associated with the signing of a document between U.S. Customs and Border Protection (CBP) and a foreign Customs Administration that provides the platform for the exchange of membership information and recognizes the compatibility of each other's supply chain security program. The document, referred to as an "arrangement", indicates that the security requirements or standards of the foreign industry partnership program, as well as its verification procedures, are the same or similar with those of the Customs-Trade Partnership Against Terrorism (C-TPAT) program. Mutual Recognition Arrangements (MRA), therefore, are bilateral understandings between two Customs Administrations.

The essential concept of Mutual Recognition is that C-TPAT and the foreign Customs Administration program have established a standard set of security requirements which allows one business partnership program to recognize the validation findings of the other program which benefits both Customs Administrations and the private sector participants.

The goal of Mutual Recognition is to link the various international industry partnership programs together to collaborate and create a unified and sustainable security posture that assists in securing and facilitating global cargo trade. Mutual Recognition promotes end-to-end supply chain security based on program membership.

## **Is Mutual Recognition a concept recognized by the World Customs Organization (WCO)?**

Mutual Recognition as a concept is reflected in the WCO's *Framework of Standards to Secure and Facilitate Global Trade* (SAFE Framework), a strategy designed with the support of the United States and being implemented by Customs administrations around the world. The SAFE Framework calls for Customs administrations to develop industry partnership programs, which the Framework refers to as Authorized Economic Operator (AEO) programs. An AEO is defined by the Framework as "... a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards".

The SAFE Framework is structured with two supporting pillars: Customs-to-Customs and Customs-to-Business. The concept of Mutual Recognition 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 the movement of 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?

CBP has signed 11 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.<sup>1</sup>
- **Israel** - June 2014 – Israel Tax Authority’s *Authorized Economic Operator* Program – AEO
- **Mexico** - October 2014 – *New Scheme of Certified Companies (Nuevo Esquema de Empresas Certificadas* or NEEC)
- **Singapore** - December 2014 – Singapore Customs’ *Secure Trade Partnership* Program - STP
- **Dominican Republic** - December 2015 – *Authorized Economic Operator* Program – AEO

## Does CBP Plan to sign additional Mutual Recognition Arrangements?

Yes. CBP is currently working with multiple Customs Administrations with the goal of reaching Mutual Recognition.

## Have other Customs Administrations around the world signed MRA between themselves?

Yes. While the United States has signed 11 MRAs to date, other Customs Administrations have already signed or plan to sign their own arrangements in the near future. Additional information about MRA’s and Global AEO Programs can be found on the WCO’s Compendium of AEO Programs Report.<sup>2</sup>

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<sup>1</sup> This MRA is signed between the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO) in the United States. C-TPAT and Taiwan AEO are the designated parties responsible for implementing the MRA.

<sup>2</sup> [http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/\\_media/B8FC2D23BE5E44759579D9E780B176AC.ashx](http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/~/_media/B8FC2D23BE5E44759579D9E780B176AC.ashx)

## **What does it take to achieve Mutual Recognition with the United States?**

Many factors are taken into account before CBP engages a foreign Customs Administration towards Mutual Recognition, including the risk associated with the supply lines originating in a specific country.

The following four pre-requisites must be met before CBP will proceed to formally discuss Mutual Recognition with a foreign Customs Administration:

1. The foreign Customs Administration must have a full-fledged operational partnership program in place – i.e., programs in the developmental stage or a pilot program are not eligible.
2. The foreign partnership program must have a strong validation process built into its program. “AEO” Programs that are only based on compliance would not be eligible.
3. The foreign partnership program must have a strong security component built into its program.
4. The foreign partnership program must have a Customs Mutual Assistance Agreement (CMAA)<sup>3</sup> in place and in force with the United States.

## **What are the steps required to achieve Mutual Recognition with the United States?**

The C-TPAT Mutual Recognition process involves a multi-stage process:

1. Evaluation – Before formal negotiations of an MRA can begin, the potential partner must have the political will to pursue the MRA; a CMAA must be signed and in force; and a fully-operational “AEO” Program with a security component compatible to C-TPAT must exist.
2. Identification of Benefits – Potential MRA partners should consider the benefits of an MRA would provide; for the United States, those MRA benefits include 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 resolution of issues through increased contact with CBP’s supply chain security specialists.
3. Criteria Comparison – A side-by-side comparison of program security requirements. This is designed to determine if the programs align on basic principles. During this stage, CBP also requests other data from the foreign partnership program – such as eligibility requirements; statistics; trade participation; number of personnel conducting the audits for the program; and any other data that may help C-TPAT understand the other program better to determine if the two programs are indeed compatible.

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

4. Validation Observations – Potential MRA partners must conduct observations of each other’s validation processes to ensure compatibility. Observations are to ensure that there is a systematic approach to validations and to ensure that the security criteria are 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; consolidations; transportation sectors, etc. A complete understanding of the applicable criteria for each business sector must be observed.
5. Formalization & Negotiation – After both MRA partners determine that an MRA would be beneficial, 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 face-to-face or have conference calls to resolve differences until a draft text is achieved. Internal reviews of the draft text are conducted to ensure consistency with legal and policy obligations of each partner.
6. The signing of the MRA. An MRA that recognizes the compatibility between C-TPAT and the foreign partnership program is signed by the senior leaders of each Customs Organization.
7. Implementation – The countries/programs develop operational procedures, primarily those associated with information sharing. Specifically this includes how data flows between C-TPAT and the foreign participating AEO Mutual Recognition partner through official channels and in a secured manner.
8. 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. Therefore, periodic review is necessary (meetings to discuss program updates, validation observations, etc).

### **Does Mutual Recognition address both security and Customs compliance issues?**

Mutual Recognition is based solely on security; specifically, it is based on the Foreign Customs partnership programs having similar security criteria and verification procedures as the C-TPAT program. However, members do have to be compliant. C-TPAT members engaged in fraud or have had serious penalties against them for customs issues (undervaluation, incorrectly declaring goods, classification issues, etc...) can and have been suspended and/or removed from C-TPAT.

### **How long does the MR process take?**

The timeline varies due to the completion and evaluation of each step and extenuating circumstances that may prolong the process.

### **Why is it called an “arrangement”?**

We enter into arrangements to make clear that the documents are non-binding. Their non-binding nature allows CBP to maintain its law enforcement discretion. Keep in mind that neither the existence of an AEO program nor the existence of a CMAA guarantee MRA with the United States, rather, they are part of the requirements for consideration of a Mutual Recognition

partnership.

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

Mutual Recognition does not exempt any partner, whether domestic or foreign, from complying with other CBP mandated requirements nor does it replace any of CBP's cargo enforcement strategies. Importers are still required 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 Mutual Recognition?**

Both Customs Administrations and the private sector receive benefits from an MRA, including, but not limited to:

- **Efficiency:** C-TPAT will not have to expend resources to send staff overseas to validate a facility that has been certified by a foreign partnership program.
- **Lower Risk Score:** Both C-TPAT and AEO companies are considered trusted members of the trade community whose security standards have been validated by either CBP or the foreign Customs Administration. Therefore, C-TPAT importers that also export and AEO manufacturers or exporters of record are given a reduction in their risk score by both Customs Administrations, which will translate into fewer examinations at the port of importation.
- **Risk Assessment Tool:** The status of the foreign partnership program participant is recognized by C-TPAT and is used as a risk-assessment factor.
- **Less Redundancy/Duplication of Efforts:** Foreign companies do not have to go through two separate validation visits. The initial validation conducted by the local Customs Administration as the company is certified by its business partnership program would be recognized as a C-TPAT validation if an MRA is in place. Moreover, companies will only have to go through one site visit for future revalidations.
- **Common Standard/Trade Facilitation:** Since Mutual Recognition is based on having equally stringent minimum security criteria, a C-TPAT company essentially complies with the security criteria of those countries with which the United States has achieved an MRA with. Common standards among programs 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 United States has Mutual Recognition with?**

Most likely yes, your supplier will probably not be visited by C-TPAT. The US program, however, does reserve the right to visit foreign suppliers who have been certified by foreign partnership programs with which CBP has signed MR.

From time to time, the foreign Customs Administration may be invited to participate in these C-TPAT site visits as an opportunity for the exchange of best practices and to review new procedures or guidelines that may have a direct impact on how the programs operate.