



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 for the exchange of information. 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 program have established a standard set of security requirements which allows one business partnership program to recognize the validation findings of the other program. This leads to a series of benefits to both Customs Administrations and to the private sector participants.

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

Is Mutual Recognition as 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 seven 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* (TAXUD) – AEO
- **Taiwan** - November 2012– Directorate General of Customs, Taiwan Ministry of Finance’s – *Authorized Economic Operator Program*.*

**Note: 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.*

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 seven MRAs so far, other Customs Administrations have already signed or plan to sign their own arrangements in the near future.

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.

Four pre-requisites must be met before CBP begins to discuss MR with a Foreign Customs Administration:

1. The foreign Customs Administration must have a full fledged operational program in place – i.e. not a program in development or a pilot program.

2. The foreign partnership program must have a strong validation process built into its program.
3. The foreign partnership program must have a strong security component built into its program.
4. Have a Customs Mutual Assistance Agreement (CMAA) in place with the US.

To pursue MR with a Customs Administration that does not have an equivalent security related trusted trader program in place would not be beneficial to CBP as it could potentially compromise the cargo security processes the agency has in place to secure world trade. National security will always be the focus of these efforts and CBP will not rush to sign any arrangement where there is less than full understanding of security processes in place.

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

C-TPAT developed a MR process that has been used since the first MRA was signed in 2007. The process has been adopted by other Customs Administrations as they themselves engage in MRA negotiations. The C-TPAT Mutual Recognition process involves four (4) phases:

1. 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; 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.
2. A pilot program of joint validation visits and meetings with officials from the Headquarters Customs Administration of the foreign partnership program. The joint validations are designed to determine if the programs align in basic practice. Prior to participating as an observer in joint validations, C-TPAT meets with its counterparts to learn how their AEO program was designed, is managed, and to assess the level of expertise of the supply chain security auditors conducting validations on behalf of the foreign partnership program. During this visit, the entire life cycle of a company –from submitting an application, to vetting, validation, monitoring, and possible suspension or removal from the program – is examined.
3. The signing of the MRA. The MRA is signed by the senior leaders of each Customs organization and recognizes the compatibility between C-TPAT and the foreign cargo security programs.
4. The development of Mutual Recognition operational procedures, primarily those associated with information sharing. CBP has developed and implemented an automated mechanism for the exchange of program data. Data flows from and to the foreign participating AEO MR partner through official channels and in a secured manner. This is also referred to as the Implementation Phase.

Does Mutual Recognition recognize 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. C-TPAT is not a compliance program; therefore compliance issues are not linked to mutual recognition.

Why is it called an “arrangement”?

The precedent that U.S. Customs and Border Protection has established as the proper legal mechanism to achieve MR is through an “arrangement” that falls under the umbrella of existing Customs Mutual Assistance Agreements. Arrangements are non-binding documents which allow for flexibility; furthermore, they take less time to process and sign into action.

Does Mexico have a similar program in place? Any plans to do so?

Mexico’s program, *Nuevo Esquema de Empresas Certificadas* (NEEC) was launched on December 15, 2011, and started accepting new partner applications on January 1, 2012. Presently, it is only open to manufacturers located in Mexico.

NEEC has adopted C-TPAT’s minimum security criteria, validation process, and is considering mirroring its own validation reports to those of C-TPAT.

C-TPAT and NEEC developed a strategy to recognize C-TPAT manufacturers into Mexico’s program. The main objectives of this strategy are to help both programs synchronize procedures and standards to ensure maximum compatibility. This will eventually facilitate the road towards Mutual Recognition between the United States and Mexico.

C-TPAT has provided technical assistance and guidance to the Mexican Government in the past and will continue to do so in the future.

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. By the same token, Mutual Recognition 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 Mutual Recognition?

Both Customs Administrations and the private sector reap benefits out of a MRA, including:

- **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; this 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. A C-TPAT validation visit will be conducted on a different segment of the C-TPAT importer's supply chain.
- **Less Redundancy/Duplication of Efforts:** Foreign companies do not have to go through two separate validation visits. The first validation conducted by the local Customs Administration as the company is initially certified by its business partnership program would be recognized as a C-TPAT validation if a MRA is in place. Moreover, companies will only have to go through one revalidation visit in the future.
- **Common Standard/Trade Facilitation:** Companies only have to adhere to one set of security requirements. Avoiding multiple sets of requirements facilitates international trade as shipments move through different countries in the supply chain. Since Mutual Recognition is based on having equally stringent minimum security criteria, a C-TPAT compliant company essentially complies with the security criteria of those countries with which the U.S. has reached a MRA: Japan, Canada, the European Union, Korea, New Zealand, Taiwan and Jordan. Finally, 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 should lead to more transparency in international commerce. Information exchanged between these partners expedites and facilitates the movement of commerce across nations.

CBP and C-TPAT are always open to suggestions of potential benefits and welcome feedback from our members, the trade community, and members of other supply chain security programs.

How is Mutual Recognition going to help me as an importer? Will I be subject to less validation visits if my supplier is a member of a foreign partnership program that the US 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.