



Mutual Recognition

Mutual Recognition (MR) 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 validation or audit procedures, are the same or similar with those of the C-TPAT program.

The essential concept of MR is that C-TPAT and the foreign program are compatible in both theory and practice so that one program may recognize the validation findings of the other program. Mutual Recognition as a concept is reflected in the World Customs Organization’s *Framework of Standards to Secure and Facilitate Global Trade*, a strategy designed with the support of the United States so that Customs administrations work together to improve their capability to detect high-risk consignments and expedite the movement of legitimate cargo. Through MR, international industry partnership programs are linked so that together they create a unified and sustainable security posture that can assist in securing and facilitating global cargo trade. It means end to end supply chain security based on program membership.

The C-TPAT mutual recognition process involves four (4) phases:

1. A side-by-side comparison of the program requirements. This is designed to determine if the programs align on basic principles.
2. A pilot program of joint validation visits. This is designed to determine if the programs align in basic practice.
3. The signing of a mutual recognition arrangement. All four MR Arrangements signed by CBP have been signed at the World Customs Organization’s Headquarters in Brussels.
4. The development of mutual recognition operational procedures, primarily those associated with information sharing.

Key Facts About Mutual Recognition....

- Mutual Recognition Arrangements are only based on security. Arrangements do not address Customs compliance issues.
- Mutual recognition can only occur to the extent permitted by law, regulations, and is subject to national security considerations.
- 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; they are still required to submit to CBP electronically and 24 hours prior to lading the 10 trade data elements required under this mandate.
- Finally, CBP has developed guidance for maintaining the continuity and/or restoring the flow of trade across the Nation’s borders during and after an incident that disrupts the flow of trade at the border ports of entry. Business resumption privileges consideration, however, while envisioned for C-TPAT members, is not a factor that is included in any mutual recognition arrangement

Current Status:

As of January 2010, four Mutual Recognition Arrangements have been signed by CBP:

- June 2007 – New Zealand Customs Service’s *Secure Export Scheme Program*.
- June 2008 – Canada Border Services Agency’s *Partners in Protection Program*.
- June 2007 – Jordan Customs Department’s *Golden List Program*.
- June 2009 – Japan Customs and Tariff Bureau’s *Authorized Economic Operator Program*.

CBP is also currently working with the following Customs Administration with the goal of reaching MR:

- Korean Customs – *Authorized Economic Operator Program*
- Singapore Customs - *Secure Trade Partnership Plus Program*
- European Union – *Authorized Economic Operator Program*

Before CBP engages a foreign Customs Administrations towards mutual recognition, three pre-requisites must be met:

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.

Benefits - Some of the benefits envisioned by an MRA include:

- **Efficiency:** C-TPAT does not have to expend limited resources to send its 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 C-TPAT and it 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 one conducted by the local Customs administration as the company is initially certified by its business partnership program followed by the one that C-TPAT would have to conduct if no MRA was in place. Moreover, companies only have to go through one revalidation visit in the future.
- **Common Standard/Trade Facilitation:** Companies only have to conform to one set of security requirements. Avoiding the burden of addressing different sets of requirements as a shipment moves through the supply chain in different countries facilitates international trade. Since C-TPAT’s minimum security criteria has become the world’s standard, once a company complies with C-TPAT’s criteria, that company essentially complies with the security criteria of those countries the U.S. has reached MR with: Japan, Canada, New Zealand, and Jordan. Finally, since MR is based on having equally stringent minimum security criteria, companies will have an easier task when they have to conduct and document their security self-assessments.
- **Transparency:** Closer collaboration among Customs Administrations and between Customs administrations and their partnership program companies should lead to more transparency in international commerce. Similar security platforms and the exchange of information between all of these partners expedite and facilitate the movement of commerce across nations.



Customs-Trade Partnership Against Terrorism



Mutual Recognition

Frequently Asked Questions

What exactly is Mutual Recognition?

Mutual Recognition (MR) 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 C-TPAT program. Mutual Recognition Arrangements (MRA), therefore, are bilateral understandings between two Customs Administrations.

The essential concept of MR 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 MR 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. It means 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 four 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

Does CBP Plan to sign additional Mutual Recognition Arrangements?

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

- Korean Customs – Authorized Economic Operator Program
- Singapore Customs - Secure Trade Partnership Plus (STP-Plus) Program
- European Union – Authorized Economic Operator Program

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

Yes. While the United States leads the world in the number of MRAs signed so far, other Customs Administrations have already signed or plan to sign their own arrangements in the near future. Japan and New Zealand, for instance, signed a MRA in May 2008.

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.

Three 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.

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 accepted worldwide and has been used by other Customs Administrations as they sign their own MRAs. The C-TPAT mutual recognition process involves four (4) phases:

1. A side-by-side comparison of the program requirements. This is designed to determine if the programs align on basic principles.
2. A pilot program of joint validation visits. This is designed to determine if the programs align in basic practice.
3. The signing of a mutual recognition arrangement. So far, all four MR Arrangements have been signed at the World Customs Organization's Headquarters in Brussels.
4. The development of mutual recognition operational procedures, primarily those associated with information sharing.

When will the United States and the European Union (EU) sign a Mutual Recognition Arrangement?

The US and the EU have made great progress towards reaching mutual recognition. Of the four phases required to achieve MR, the United States and the EU have already determined that both C-TPAT and the EU's Authorized Economic Operator (AEO) Program are compatible in principle. That is, they have similar requirements in place when it comes to their security criteria or standards.

In order to move the process forward, three Best Practices workshops were held in Europe in the Fall of 2009. While the workshops provided clarity as to how the EU's program works in theory, the second, and arguably the most important phase of the mutual recognition process still needs to take place: joint validations or exercises in Europe designed to ascertain the degree of compatibility between the two programs on an operational level; and for C-TPAT to fully understand how the European Commission (EC) manages the program across the EU and ensures uniformity and consistency from Member State to Member State.

Does Mutual Recognition recognize both security and Customs compliance issues?

No. Mutual recognition is based solely on security; specifically, it is based on the Foreign Customs partnership program having similar security criteria and verification procedures as those of the C-TPAT program. C-TPAT is not a compliance program, therefore compliance issues should not be 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 currently does not have a security-based industry partnership program similar to C-TPAT in place but it is planning to develop and implement one soon. Mexican Customs requested C-TPAT’s technical assistance and both Administrations are in the process of coordinating the logistics to do so. C-TPAT has provided technical assistance and guidance to the Mexican Government in the past and will continue to do so as Mexico develops and implements its own program. Mexican Customs has also attended several of C-TPAT’s Annual Conferences; participated in one of C-TPAT’s internal trainings for its Supply Chain Security Specialists, and observed a C-TPAT validation.

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; they are still required to submit to CBP electronically and 24 hours prior to lading the 10 trade data elements required under this mandate.

What are the benefits of Mutual Recognition?

Both Customs Administrations and the private sector reap benefits out of a mutual recognition arrangement, including:

- **Efficiency:** C-TPAT does not have to expend resources to send its 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 C-TPAT and it 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 one conducted by the local Customs administration as the company is initially certified by its business partnership program, followed by the one that C-TPAT would have to conduct if no MRA was in place. Moreover, companies only have to go through one revalidation visit in the future.
- **Common Standard/Trade Facilitation:** Companies only have to conform to one set of security requirements. Avoiding the burden of addressing different sets of requirements as a shipment moves through the supply chain in different countries facilitates international trade. Since C-TPAT's minimum security criteria has become the world's standard, once a company complies with C-TPAT's criteria, that company essentially complies with the security criteria of those countries the U.S. has reached MR with: Japan, Canada, New Zealand, and Jordan. Finally, since MR is based on having equally stringent minimum security criteria, companies will have an easier task when they have to conduct their required annual self-assessments.
- **Transparency:** Closer collaboration among Customs Administrations 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.

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 CBP signed MR with.

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

The C-TPAT Program does not address exports. Any plans to do so?

C-TPAT was designed as an import based program and as a direct response to the events of September 11th; as such, it is a key component of CBP's cargo layered enforcement strategy which is focused on *inbound* security.

C-TPAT does not have an export security component. For mutual recognition purposes only, C-TPAT entered into a pilot project with a select group of C-TPAT members to consider specific procedures which would provide C-TPAT with an understanding of an importer's outbound security procedures. This pilot was not intended to replace or supersede the requirements of other US Government agencies.

While the pilot revealed that it was feasible to establish formal minimum security criteria for exports, participants in the pilot questioned the associated threat of U.S. exports and expressed concerns regarding the costs and legal issues associated with such an effort. CBP does not intend to continue the pilot at this time considering that the good security practices for inbound shipments will be applied to outbound shipments.

How does the absence of an export component within C-TPAT affect Mutual Recognition?

C-TPAT explores export security options in compliance with U.S. laws, regulations, and rulings. Mutual recognition, moreover, is subject to national security considerations.

Should CBP and a foreign partnership program not achieve MR because C-TPAT lacks an export security component, then MR attempts with the foreign program will have progressed to the legal limits.