



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/observation visits. This is designed to determine if the programs align in basic practice.
3. The signing of a mutual recognition arrangement.
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 July 2012, six 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 2008 – Jordan Customs Department’s *Golden List Program*.
- June 2009 – Japan Customs and Tariff Bureau’s *Authorized Economic Operator Program*.
- June 2010 – Korean Customs Service’s *Authorized Economic Operator Program*.
- May 2012 – European Union’s *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, Korea, 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.