

AEO Mutual Recognition Arrangements/Agreements



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Overview

- **Background**
- **Main steps and requirements**
- **Benefits**
- **Implementation**
- **The EU experience**





Background - WCO SAFE Framework of Standards

- ✓ *MR is a key element to strengthen end to end security of international supply chains and serves as an useful tool to avoid duplication of security and compliance controls*
- ✓ *MR contributes to facilitation and better risk management and provides for substantial and, where possible, reciprocal benefits to reliable international partners and economic operators*
- ✓ *MR is a broad concept whereby an action or decision taken or an authorisation that has been properly granted by one Customs administration is recognised and accepted by another Customs administration*
- ✓ *Document formalising this is a 'Mutual Recognition Agreement/Arrangement' (MRA)*



Background

Application and use of uniform, internationally recognised standards is crucial!

➤ **Guidelines for developing a mutual recognition arrangement/agreement – 2011:**

- *what are the enablers to achieve MR?*
- *what is the process to achieve MR?*
- *what are the benefits of MRA of AEO programmes?*
- *implementing an MRA – challenges identified*

Main steps and requirements

- Establishment of high-level commitment to consider an MRA at the appropriate level.
- Assessment of alignment of AEO Programmes with the WCO SAFE Framework.
- Completion of a gap analysis based on an in depth side-by-side comparison between AEO Programmes focusing on legislation, procedures, standards and guidelines to determine compatibility or differences.
- Undertaking of relevant action to close any unsustainable gaps between AEO Programmes.

Main steps and requirements

- On-site joint validation audits to assess the practical implementation of AEO Programmes.
- Consideration and identification of comparable benefits and the conditions under which AEOs certified by one administration will be given access to them in the Customs territory of the other party.
- Resolution of data protection and data security issues.
- Establishment of data exchange procedures, including required IT systems.
- Establishment of a legal framework for the MRA, if not already in place.

Main steps and requirements

- Consideration of a pilot phase to test proof of concept if required.
- Development of procedures to oversee the governance, operation and maintenance of an MRA.
- Designating and providing the point of contact to the partner country.
- Implementation of review cycles to assess the impact of MRA against agreed objectives. Customs administrations should consult AEOs impacted by the MRA, prior to the review process, to ensure that their input is reflected.



Benefits

- Improved economic efficiency through reduced time and costs associated with cross-border Customs controls due to priority treatment.
- Reduced costs and time delays through priority inspections when cargo is selected facilitating just-in-time deliveries.
- Improved predictability and precision in moving goods from one's own territory to the territory of the trading partner whilst improving competitiveness of business.
- Reduced cargo theft and pilferage by improving the security of the bilateral supply chain.





Benefits

- Target examinations so as to allow non-selected cargo belonging to the same trader to proceed without delay to destination to the extent possible.
- Reciprocal or comparable compliance benefits whenever equivalent programmes are provided.
- Globalisation of supply chain security and compliance standards.
- Benefits at the Customs-to-Customs level as well as at the Customs-to-Trade level.



Implementation – challenges identified

- The focus (e.g. security and/or compliance issues), level of development and implementation of AEO programmes around the world are often different, including the ways in which these programmes are managed and organized.
- Differing benefits extended through the AEO Programmes in each country can make it difficult to establish reciprocity.
- There is no global trader identification number (e.g. TIN) for companies to be identified by the MRA partner to ensure that benefits are delivered to the AEOs.



Implementation – challenges identified

- Many countries use incompatible technologies (e.g. differences in capabilities in Customs IT systems to accept other language characters) which aggravates the electronic exchange of data, AEO data exchange with partner countries.
- The costs and investments required to develop new technologies are extensive.
- Storing each other's AEO details in data bases needs to be reconciled with data protection and data security concerns.
- Adapting Customs declaration systems to capture and validate the parties in the supply chain that could be an AEO.





Implementation – challenges identified

- Adapting risk management engines to take the status of AEO favourably into account in risk management.
- There are different ways of identifying AEO companies from MR partners.
- AEO Programmes of partner countries sometimes target different parties in the supply chain (e.g. some do not cover the importer; others do not cover the exporter).





The EU experience

➤ **EU current mutual recognitions**

- Switzerland – 1 July 2009
- Norway - 1 July 2009
- Andorra – 27 January 2011
- Japan – 24 May 2011
- United States of America – 4 May 2012
- People's Republic of China – 16 May 2014

➤ **Negotiations**

- Canada



The Future

- Globally standardized automated data exchange for Mutual Recognition of AEO programs.
- Maximization of AEO and MR benefits through close collaboration with the private sector
- Global Trader Identification Number to facilitate AEO MR as well as single window initiatives.





THANK YOU FOR YOUR ATTENTION

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