



**Asia-Pacific  
Economic Cooperation**

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## **Authorized Economic Operator Mutual Recognition Agreements in APEC Economies**

Submitted by: IDB



**Workshop on Integrating SMEs in Authorized  
Economic Operators Programs in Asia Pacific  
Region: Improving SMEs' Participation in APEC  
Secure Trade  
Puerto Varas, Chile  
16 August 2019**

# AEO Mutual Recognition Agreements in APEC Economies

Financed by the IDB, Integration and Trade Sector (INT), in support of the efforts of the Sub-committee on Customs Procedures (SCCP)  
In collaboration with Customs from Chile.

APEC WORKSHOP

*“Integrating SMEs in Authorized Economic Operators Programs in Asia Pacific Region:  
Improving SMEs Participation in APEC Secure Trade”*



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Puerto Varas, Chile  
August 16th, 2019



## **Objective and Scope**

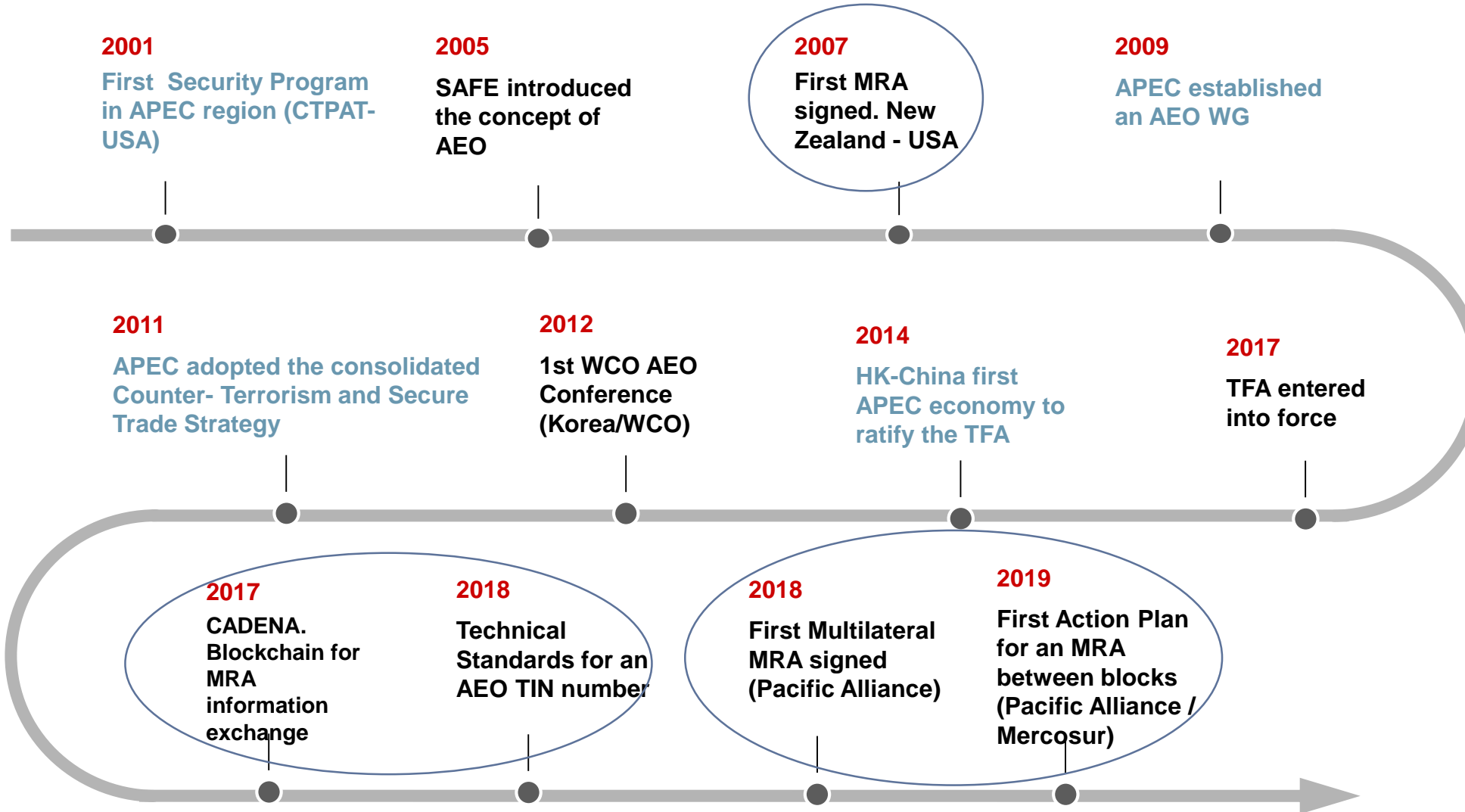
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### **AEO Mutual Recognition Agreements**

- Trade Context
  - Milestones
  - Trade in the APEC Region
  - FTAs in the APEC Region
- Current Status
- Survey Results
- Best Practices
- Opportunities and Recommendations

According to the WCO, 75 bilateral MRAs have been signed worldwide and 4 multilateral. The first MRA was signed between APEC economies NZ and USA.

## AEO MILESTONES



83 economies have operational AEO programs worldwide and, 19 are under development.

75 bilateral MRAs.

4 multilateral MRAs among 16 economies (included the Pacific Alliance and Andean Community).

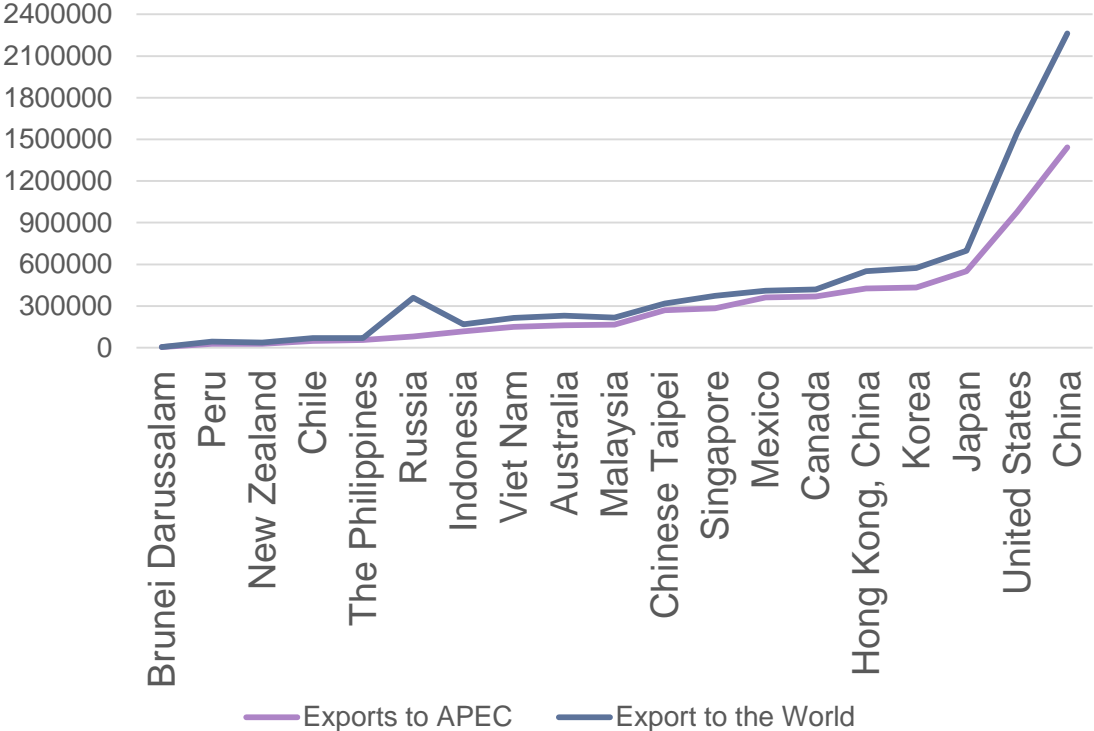
Sources:

- 2019 AEO Study for APEC Economies for IDB.
- WCO 2019 AEO Compendium

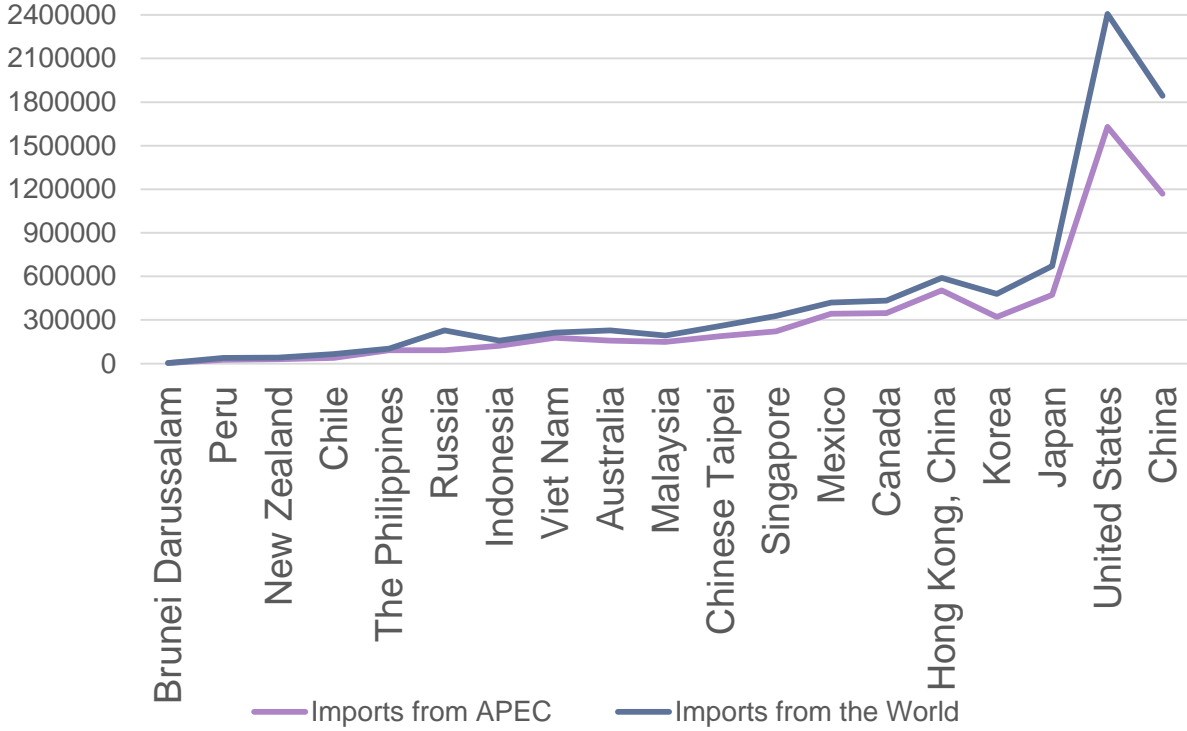
# International trade of APEC Economies is strong within the region, this sets an ideal context for signing and implementing MRAs.

## APEC EXPORTS AND IMPORTS. 2017

### APEC Economies Exports [Million USD]



### APEC Economies Imports [Million USD]

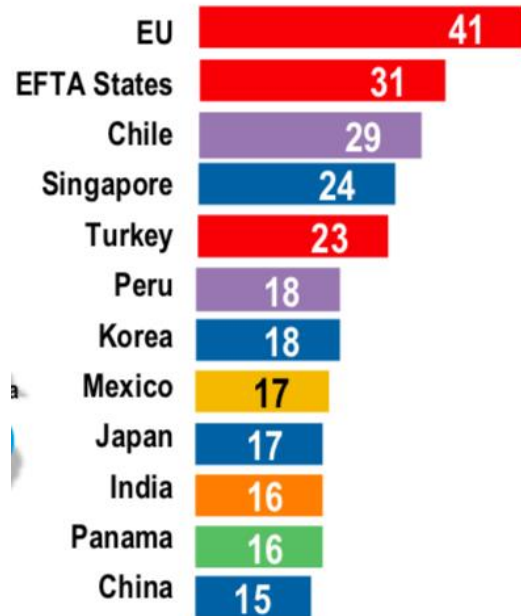


Source: <http://www.statistics.apec.org>. July 2019

# APEC Economies have signed and set in force 53 FTAs between 2 or more Economies, including NAFTA and CPTPP (11 Economies as signatories).

A P E C F T A . 2 0 1 9

## The biggest “users” of RTAs



## Economy Number of RTAs notified and currently in force

Economy	Number of RTAs notified and currently in force
North America	43
Central America	40
Caribbean	9
South America	62
Middle East	29
Africa	34
West Asia	22
East Asia	88
Oceania	25
Europe	100

- FTAs are a long-term goal to foster regional integration, and a step towards a Customs Mutual Assistance Agreement (CMAA).
- **CMAAs are frequently a precondition for signing an MRA,** due to the confidentiality of traders information.
- **Among the world top users of RTAs are 7 APEC Economies.**

CPTPP. Comprehensive and Progressive Agreement for Trans-Pacific Partnership

NAFTA. North American Free Trade Agreement

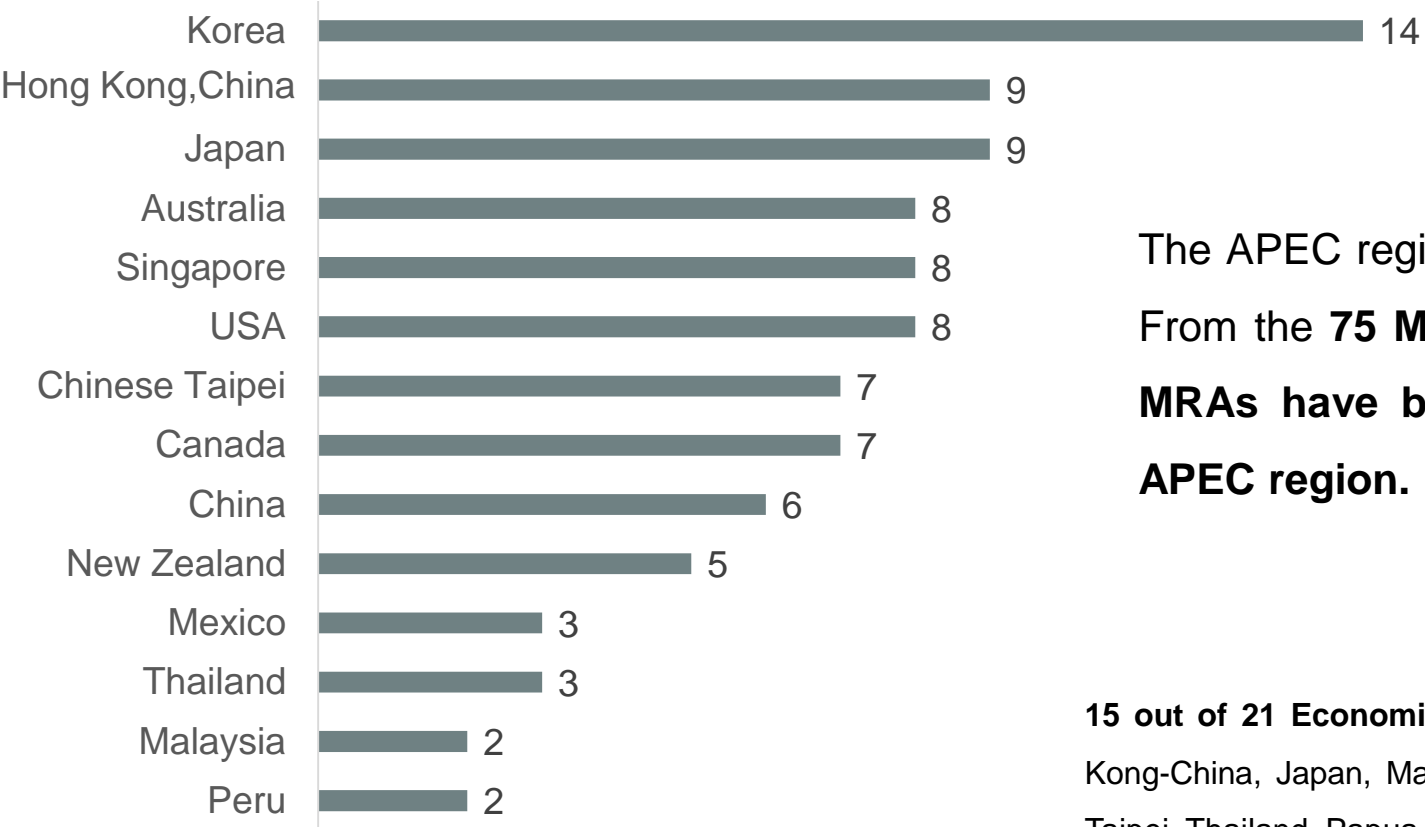
Source: WTO Regional Trade Agreements Database. July 2019.

Source WTO. CREDITS: Copyrights (c) WTO (World Trade Organization) 2019  
 Infographics based on an original idea from AddTwoDigital (www.addtwodigital.com;  
 @addtwodigital) Data Collection: WTO Secretariat / RTA Section (rta@wto.org)  
 Situation as reported on 30 June 2019. Update every 6 months.

# 48 bilateral MRAs have been signed between 14 APEC Economies, and 2 Multilateral that include 3 economies (Pacific Alliance and the Andean Community)

M R A S I G N E D B Y A P E C E C O N O M I E S . 2 0 1 9

### Number of MRAs signed among APEC Economies



The APEC region is a relevant region on MRAs promotion. From the **75 MRAs reported worldwide** by the WCO, **48 MRAs have been formalized and are in place in the APEC region.**

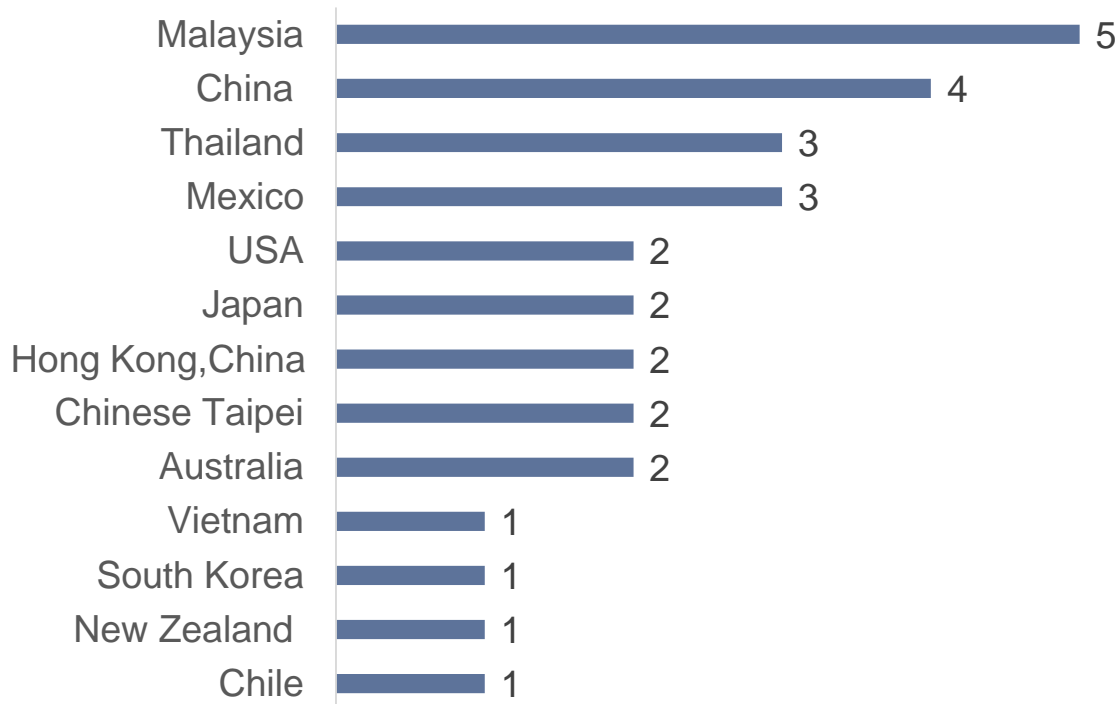
**15 out of 21 Economies responded** the survey: Australia, Chile, China, Hong Kong-China, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Chinese Taipei, Thailand, Papua New Guinea, the United States and Vietnam.

Sources: 2019 AEO Study for APEC Economies for IDB and the 2019 WCO AEO Compendium.

# 15 additional MRAs are currently being negotiated between APEC economies.

MRAS IN PROCESS. APEC ECONOMIES. 2019

## Current number of bilateral MRAs in process of negotiation within APEC Economies



- Malaysia, China, Thailand and Mexico are increasing their MRA network in the region.
- The U.S., Japan, Hong Kong-China, Chinese Taipei, Australia and Korea continue to be key promoters.
- One new player, Vietnam is participating in negotiations.
- One MRA among blocks is being negotiated in the Latin American Region (Pacific Alliance and Mercosur), with the participation of Chile, Peru and Mexico.

Sources: WCO 2019 AEO Compendium and 2019 AEO Study for APEC Economies for IDB.



# The top five Economies on volume of trade in APEC are also key promoters of MRAs worldwide and in the region.

## ECONOMIES WITH MORE MRA SIGNED WITHIN APEC

Economies	Total MRAs <sup>1</sup>	MRAs with APEC Economies <sup>1</sup>	APEC Partner Economies <sup>1</sup>	Total Annual Trade <sup>2</sup> Millions of USD
<b>China</b>	13	6	Australia, Hong Kong-China, Japan, Korea, Singapore, New Zealand	4,107,138
<b>US</b>	11	8	Canada, Korea, Japan, Mexico, New Zealand, Peru, Singapore, Chinese Taipei	3,954,750
<b>Hong Kong, China</b>	11	9	Australia, Canada, China, Japan, Korea, Malaysia, New Zealand, Singapore and Thailand.	1,140,180
<b>Japan</b>	10	10	Australia, Canada, China, Hong Kong-China, Korea, Malaysia, New Zealand, Singapore, Chinese Taipei and US	1,370,052
<b>Korea</b>	19	13	Australia, Canada, China, Hong Kong-China, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Chinese Taipei, Thailand and US.	1,052,172

**48** is the total number of **MRAs signed between APEC Economies** while **71 MRAs** have been formalized **between APEC Economies and the rest of the world.**

Sources: 1. WCO 2019 AEO Compendium and 2019 AEO Study for APEC Economies for IDB.

2. World Trade Organization, Time Series on International Trade (2017).

Exports and Imports of merchandise goods are defined according to the general trade definition. It covers all types of outward movement of goods through an economy including movements through customs warehouses and free zones. (f.o.b. valuation).

# The top trading Economies worldwide are part of APEC and are currently negotiating MRAs with other APEC Economies.

MRAS IN PROCESS. APEC ECONOMIES. 2019

Economy	Negotiating counterparts
<b>China</b>	<ul style="list-style-type: none"><li>• U.S.</li><li>• Mexico</li><li>• Russia</li><li>• Malaysia</li><li>• Chile</li></ul>
<b>U.S.</b>	<ul style="list-style-type: none"><li>• China</li><li>• Australia</li></ul>
<b>Japan</b>	<ul style="list-style-type: none"><li>• Mexico</li><li>• Thailand</li></ul>
<b>Korea</b>	<ul style="list-style-type: none"><li>• Vietnam</li></ul>
<b>Hong Kong-China</b>	<ul style="list-style-type: none"><li>• Mexico</li><li>• Indonesia</li></ul>

- From the 15 MRAs currently being negotiated within the APEC Region, 11 are being negotiated with the top APEC trading Economies.
- China is the leading top trading Economy with the highest number of MRAs under negotiation (5).

**Six Economies** have yet to formalize an MRA: **Brunei, Indonesia, Philippines, Russia, Vietnam and Papua New Guinea**, this last one is still developing their AEO program.

Source: 2019 AEO Study for APEC Economies for IDB.

# 12 APEC Economies can still negotiate an MRA with the two top traders. Brunei, Indonesia, Thailand, the Philippines and Vietnam have an opportunity with both.

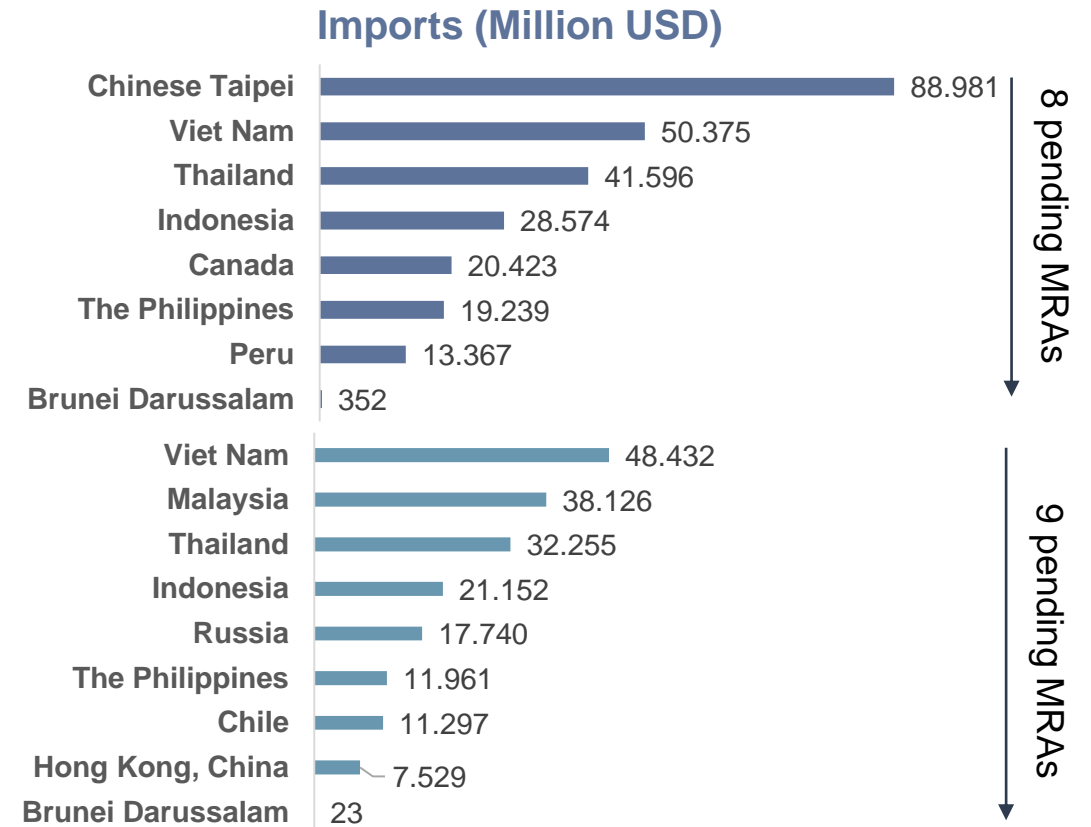
MRA POTENTIAL. APEC ECONOMIES. 2019

Five of these Economies have yet to formalize an MRA: Brunei, Indonesia, Philippines, Russia, Vietnam.

Bilateral



Top traders	Top 5 potential MRA APEC partners according to Vol Imp	Imports USD
China	① Chinese Taipei	~\$230,000 Mill
	② VietNam	
	③ Thailand	
	④ Indonesia	
	⑤ Canada	
US	① Vietnam	~\$158,000 Mill
	② Malaysia	
	③ Thailand	
	④ Indonesia	
	⑤ Russia	



Source: <http://www.statistics.apec.org>. July 2019

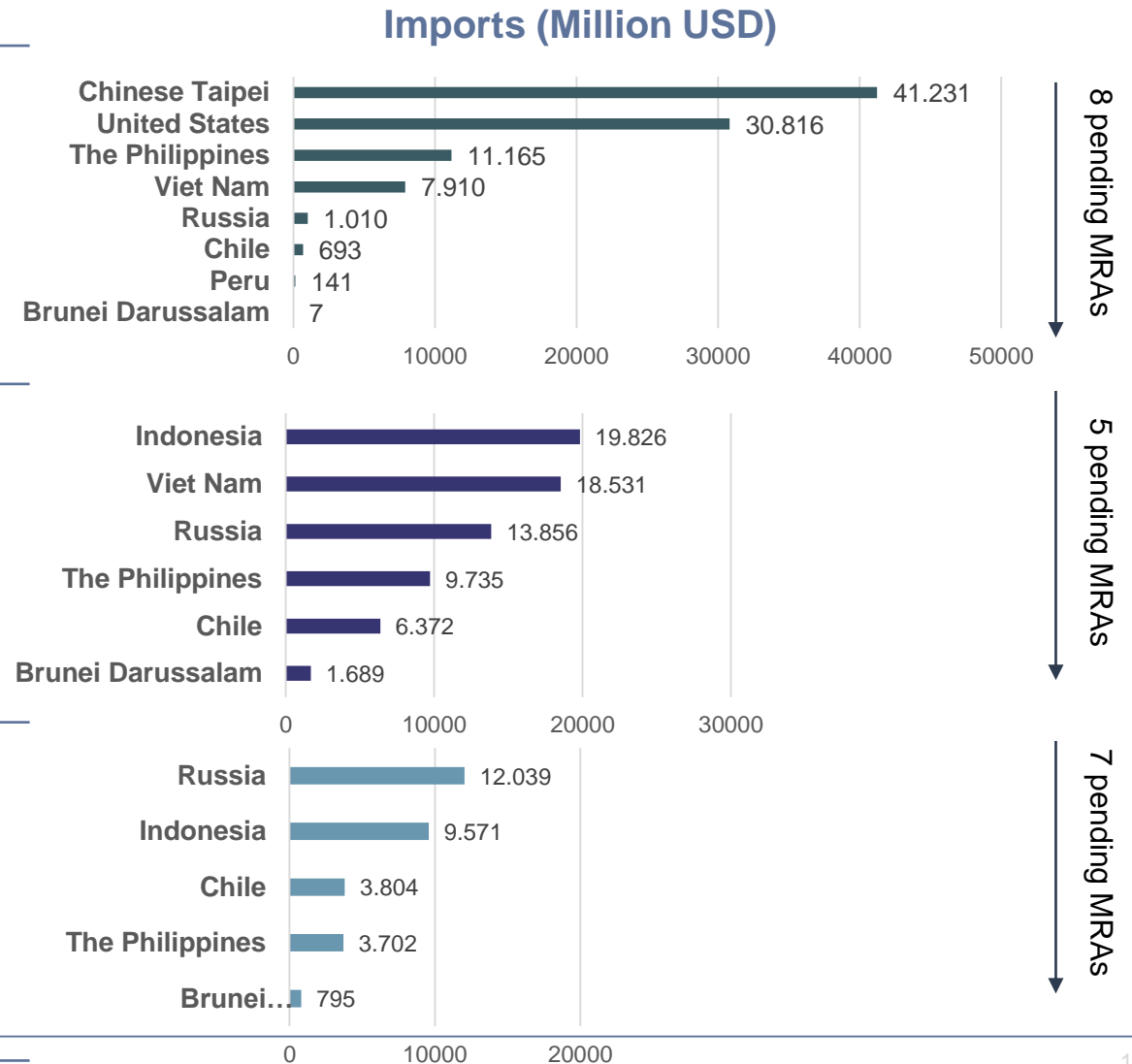
# Two of the top trading APEC Economies have not initiated negotiations for an MRA among themselves: U.S. and Hong Kong-China.

## MRA POTENTIAL. APEC ECONOMIES. 2019

Bilateral



Top traders	Top 3 potential MRA partners	Imports USD
Hong Kong - China	① Chinese Taipei	~\$83,000 M
	② US	
	③ The Philippines	
Japan	① Indonesia	~\$52,000 M
	② Vietnam	
	③ Russia	
Korea	① Russia	~\$25,000 M
	② Indonesia	
	③ Chile	



# Survey Results

## BENEFITS AGREED UPON AND GRANTED BY AN MRA

**Benefits commonly granted to AEOs from economies with whom an MRA is being implemented:**

- ① Identified as **low risk cargo** (Risk assessment process)
- ② Streamlined clearance / Use of Fast lanes at borders
- ③ Expedited procedures and **granting lower percentage of customs inspections**
- ④ Priority attention to the clearance of merchandise
- ⑤ In case of trade disruption or disaster, priority treatment

# Survey Results

## M R A I N F O R M A T I O N E X C H A N G E

Type of **information reported as exchanged** regarding AEO companies:

- Name of the company
- Address
- Authorization date
- AEO Status (which can include dates of suspension or cancellation)
- An identification code for the AEO

**Most of the AEO ID codes are in different formats.**

**All economies surveyed** indicated the exchange was done on a **monthly basis**, only **New Zealand** indicated from **1 to 3 months**.

Economy	Means of exchange
Australia	Exchanged by email
Chile	
Chinese Taipei	
Hong Kong, China	
Japan	
Malaysia	
Mexico	
New Zealand	
Peru	
Thailand	

# Survey results

## MRA INFORMATION, EVENTS AND MONITOR OF BENEFITS

**8 out of the 15 APEC Economies surveyed include on its customs website a specific section listing MRAs formalized and promotes its benefits.**

**10 Economies have a Manual or information available for traders on their Customs website, on how to access MRAs benefits.**

**7 Economies consider AEOs on its Risk Analysis System, as well as AEOs certified by other Economies, exporting to their own, from others with whom they have signed an MRA.**

**8 Economies monitor the granting of benefits to their AEOs, with MRA partners.**

**7 Economies indicated to hold joint forums with other Economies with whom an MRA has been signed.**

# Survey Results

## APPLICABILITY OF MRA BENEFITS

Economy	MRA implemented	Number of AEOs benefited (in 2019)
Australia	Australia-Canada	69
	Australia-Singapore	91
	Australia-Hong Kong, China	54
	Australia-Chinese Taipei	121
	Australia-Korea	286
	Australia-New Zealand	119

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Chinese Taipei	Chinese Taipei-Korea	268
	Chinese Taipei-Singapore	92

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Hong Kong-China	Hong Kong, China - China	69
	Hong Kong, China-Korea	91
	Hong Kong, China - Singapore	54
	Hong Kong, China - Japan	121

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Mexico	Mexico- Korea	389
	Mexico-U.S.	106
	Mexico-Canada	116
	Mexico-Peru	38



# Survey Results

## APPLICABILITY OF MRA BENEFITS

Economy	MRA implemented	Number of AEOs benefited (in 2017)
New Zealand	New Zealand- Korea	296
	New Zealand- Japan	166
	New Zealand- Australia	245
	New Zealand- China	2742
	New Zealand- Singapore	Start date 1/8/2019
	New Zealand- Hong Kong, China	38
	New Zealand- Canada	Start date 1/8/2019

**6** Economies indicated the number of AEO that used MRAs benefits.

From the 6 Economies, **New Zealand** is the number one Economy benefiting the most AEOs.

**New Zealand** is also the number one Economy implementing the most MRAs.

Economy	MRA implemented	Number of AEOs benefited (in 2017)
Thailand	Thailand-Korea	156
	Thailand- Hong Kong, China	156

# Survey Results

## HIGHLIGHTS FROM THE PRIVATE SECTOR

An additional survey was developed and circulated with the private sector. **108 responses were received.** Main findings regarding MRA implementation:

- ① **42%** indicated to be **aware or knowledgeable of the scope, use and benefits of MRA** signed by their economies.
- ② **30%** indicated to have perceived a **reduced time release of goods** when exporting or importing from an economy with whom an MRA was signed.
- ③ **30%** stated they have **perceived an impact regarding an increase on exports** as a result of the implementation of an MRA.

More than 75% of the private sector, conducting business within APEC economies, indicated they **did not have access to material** on the Customs' website, capacity building and/or outreach programs, **to better understand MRAs benefits and use.**

# Best Practices identified

## BEST PRACTICES

Develop and implement a **comprehensive criteria to select the economies with whom to negotiate MRAs.**

When determining priorities for negotiating MRAs, **Australia** looks at the following four criteria:

- The needs of AEOs (where they are experiencing delays at the border);
- The size and value of two-way trade;
- Customs clearance times;
- Bilateral interests.

Furthermore, Economies like **New Zealand, China, Hong Kong-China, Mexico, Peru and Thailand** look at the volume of trade between economies.

**Setting a budget for negotiations of MRAs,** specifically to carry out validations visit allowing for a better allocation of resources where needed.

In **Australia**, MRA negotiations are factored in when the Department of Home Affairs allocates budget to the AEO program.

**Hong Kong-China, Japan and Chinese Taipei** also indicated to have an assigned budget for negotiations.



# Cont...

## BEST PRACTICES

### Identify specific benefits for each MRA.

Think outside of the box, be creative!

Mexico offers **CTPAT certified companies in Mexico, access to Fast lanes.**

Both Economies, **the U.S. and Mexico, grant expedite access to their programs,** if the company has already been certified and “validated” or visited by the one or the other.

It is important to consider, that the U.S. certifies companies (importers, exporters and highway carriers) based in Mexico.

### Organize joint outreach events.

**Canada, U.S. and Mexico organize webinars** and participate in each others Annual AEO events, to promote MRAs within the NAFTA region and offer information on how to access its benefits.

### Promote joint consultations with traders.

**Canada and the U.S. have carried out joint consultations with traders,** to identify possible new benefits to be offer at the borders.



**Monitor trade Partners are effectively providing benefits to your AEOs, under the MRA.**

Thailand sets a monthly statistics evaluation assessment to exchange:

Number of AEO-MRA from MRA partners apply for the benefits

Number and Percentage of AEO-MRA of inspection

MRAs have extended rapidly and become popular in different regions, nonetheless Economies still face barriers to overcome their optimal implementation.

M R A B A R R I E R S

Barrier	Description
<ul style="list-style-type: none"> <li>▪ <b>MRAs signed but not implemented.</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Economies are not ready for implementation when signing MRAs.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>MRAs partially implemented</b> (not all benefits being awarded to AEOs).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traders not “requesting” MRAs benefits.</li> <li>▪ Cargo risk analysis does not consider AEOs from partner Economies.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Inexistent commitment to follow and monitor the implementation.</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of KPIs to measure effectiveness and results.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Different systems to ID AEOs</b> when crossing borders.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Delay on the update of certified AEOs by the partner Economy.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Traders / <b>Importers, unaware of the existence of MRAs or of procedures to access the benefits.</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Benefits not being used by traders.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Lack of data exchange to identify if declared cargo is actually exported by an AEO company from a partner economy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Customs do not exchange information on the exporter in order to verify that the cargo is actually from an AEO export.</li> </ul>

A set of recommendations on different aspects have been identified from the IDB study, highlighting the following:

## RECOMMENDATIONS

- 1 **Develop a methodology to select a trading partner with whom to sign an MRA**, considering:
  - % of trade (exports and imports)
  - Interest in new markets according to the each economy trade policy
  - TFAs in place and implemented
  - Risks identified from partner Economies
  
- 2 **Include in Actions Plans a validation stage for evaluating existing technologies and legal framework to support information exchange.**
  - Legal framework that allows sharing AEOs information.
  - Mechanism to exchange the data periodically.
  - Risk analysis and systems able to recognize AEOs from partner Economy.
  - KPIs to monitor granting of benefits and trade facilitation to AEOs.
  
- 3 **Establish a Customs-to-Customs AEO master data exchange mechanism**, in an **automated and real-time** manner and continue working on a **common TIN AEO number**, for the identification and validation of AEOs.

# Cont...

## RECOMMENDATIONS

- 4 **Promote harmonization of programs, meaning aligning where applicable, in areas such as:**
  - Policy, procedures and documentation practices while each economy retains control over its own program.
- 5 **Include a monitor provision in the MRAs, to evaluate the granting of benefits to AEOs across borders.**
- 6 **Identify comparable and particular characteristics as well as procedures between other AEO programs, allowing to identify additional benefits.**
- 7 **Ease traders / importers access to MRA benefits.**
  - An example is to recognize the validation visits carried out by the counterpart economy assuring AEOs their validation process will not be redundant.
- 8 **Coordinate with partners common trainings for Customs Officials, promoting exchange of best practices.**
- 9 **Work on bilateral outreach programs or working groups with the private sector, involved in trade between two or more Economies, seeking to identify new opportunities and gaps.**
- 10 **For economies with similar programs and close trade, develop a similar submission process and application format, to ease access to multinational companies, with an expectation of a future common application for both programs.**

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Thank you for your kind attention

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