

U.S. Foreign-Trade Zones Program

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What is a Foreign-Trade Zone?



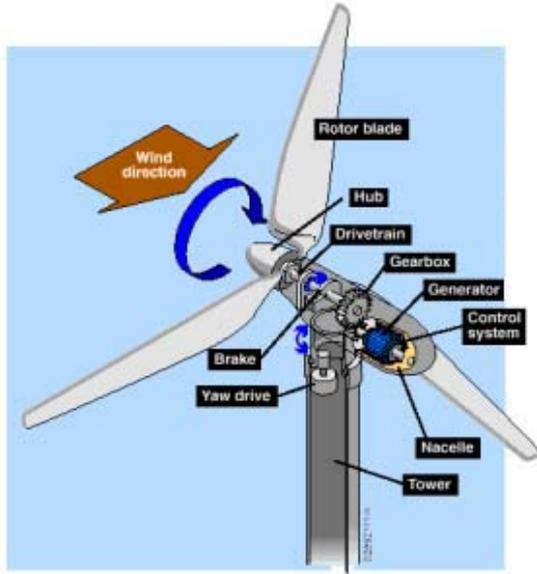
- Economic Development/Trade Program created by Congress in 1934
- A Secure Area Located in or near a U.S. Port of Entry
- Considered Outside the U.S. Customs Territory (for duty purposes only)
- Encourages investment, employment and value added activity in the U.S. by equalizing U.S. tariff treatment with foreign producers
- In a Zone
 - Merchandise may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed, & destroyed
 - Retail Sale is Prohibited

FTZ Benefits



- Duty Deferral
 - Duty Elimination on Exports & Scrap
 - Duty Reduction (Inverted Tariff Relief) for Manufacturing Zones Only
 - Logistics Benefits through Direct Delivery/Weekly Entry
- = Reduce time and costs associated with importing/ exporting
- = Reduce cost of goods sold and inventory carrying costs
- = Increase Global Competitiveness

FTZ Duty Reduction/Elimination



Wind Turbine Parts valued at \$10,000
Average Duty at 5%
Without FTZ
 $\$10,000 * 5\% = \500 duty owed



Manufactured into Finished Wind Turbine
Dutiable at 2.5%

Inverted Tariff: Foreign Parts Value X Duty Rate of Finished Product = Import Duty
 $\$10,000 * 2.5\% = \250 duty owed upon entry into U.S.



OR...

Withdrawn from FTZ for Export
No U.S. Duty Payment



Key Statistics – FY 2009



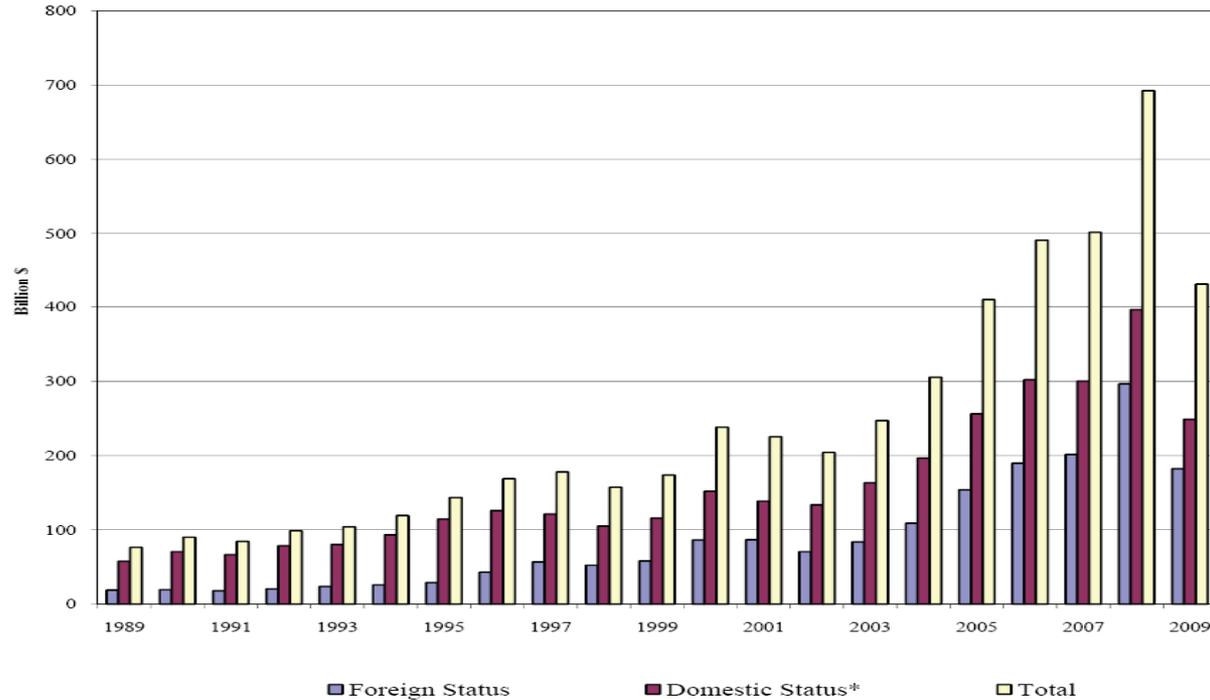
- Over \$430 billion in merchandise (by value) flows through the FTZ program annually (\$692 billion 2008)
- Approx. 60% value received is domestic or foreign duty paid
- Approx. \$28 billion exported (\$40 billion 2008)
- There is at least one FTZ in every state
- There are over 275 approved general purpose zones and over 475 approved subzones
- Approximately 40% of approved general purpose zones are inactive
- **330,000 direct employment**

FTZ Trends



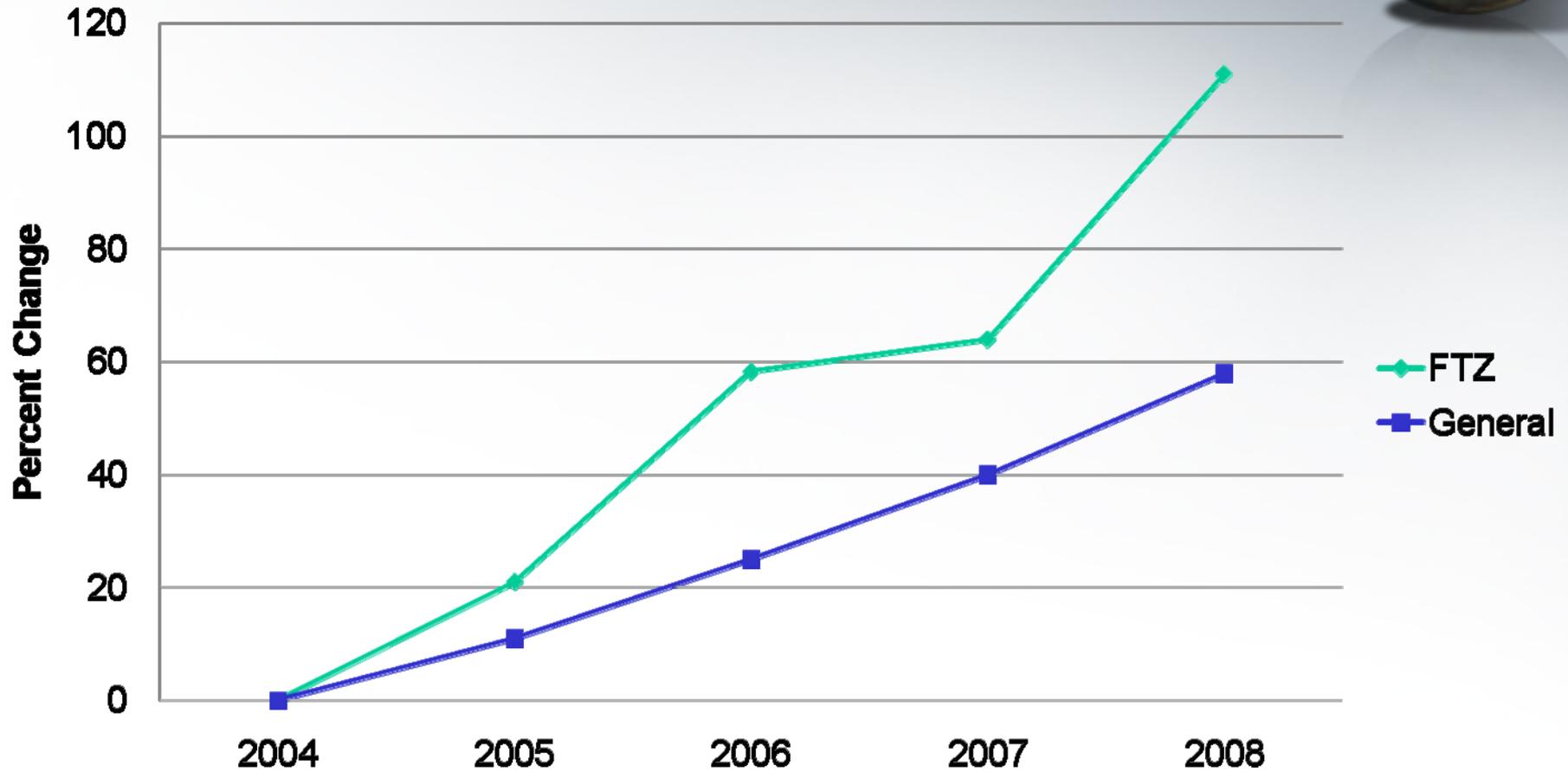
Annual Report of the Foreign-Trade Zones Board – FY 2009

**Figure 1: Foreign-Trade Zones: Merchandise Received
(General-Purpose Zones and Subzones)
1989-2009**



* "Domestic status merchandise" includes both domestic-origin items and foreign-origin items that have been entered for consumption (duty-paid) prior to FTZ admission.

FTZs Doubled Exports (2004 – 2008)



During the period from 2004 - 2008:
FTZ exports grew from 19.2 billion to 40.5 billion dollars.
General exports grew from 814.9 billion to 1287.4 billion dollars.

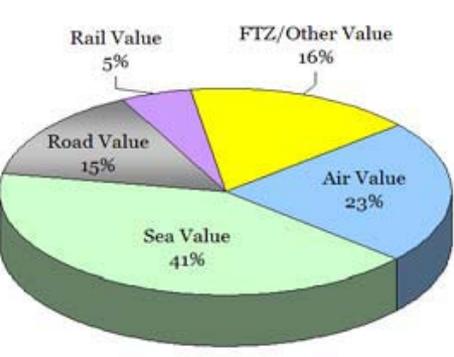


FTZ Growth

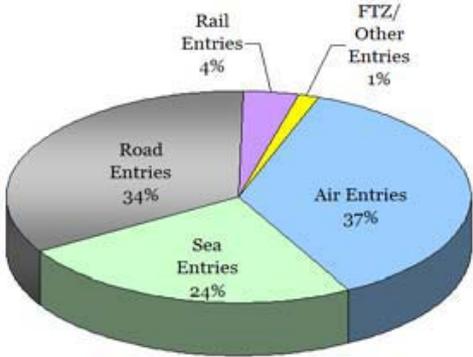
CBP Report, "Import Trade Trends"

Fiscal Year 2009 Year End Report published March 2010

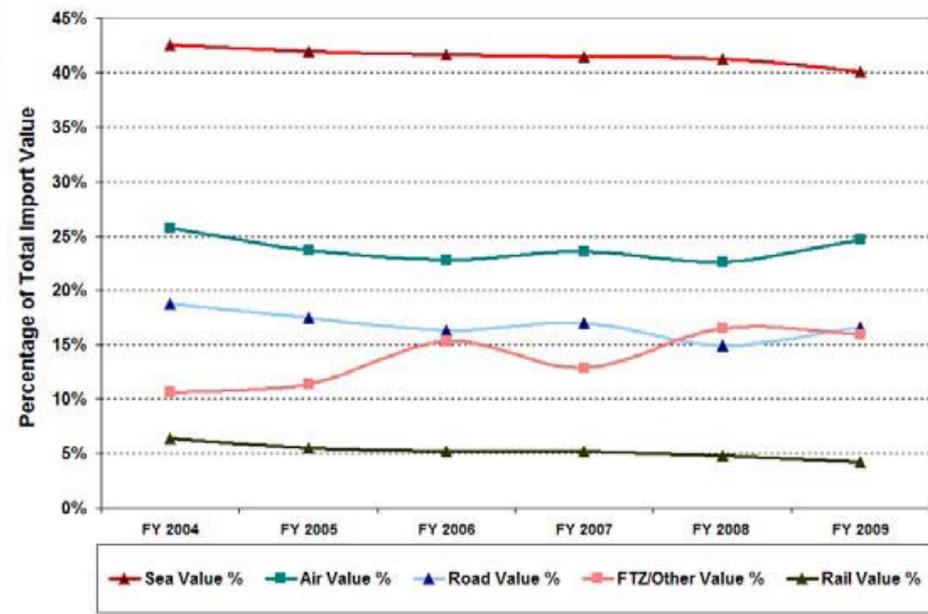
"The value of shipments leaving FTZs have increased in value over the last few years, competing with imports via truck."



Percentage of Value by MOT



Percentage of Entries by MOT



Sample FTZs Users



Epson Portland Inc.



Shell



MOVADO



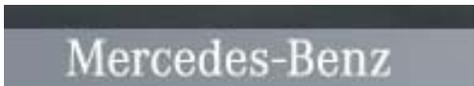
ExxonMobil

STMicroelectronics



Panasonic

Newell Rubbermaid



Crate&Barrel

Firmenich



VOLVO CONSTRUCTION EQUIPMENT.



Role of Customs



- **Principal Interests and Concerns**
 - Control of merchandise moving to/from a zone
 - Ensure that all revenue is properly collected
 - Ensure adherence to the laws and regulations governing the merchandise
 - Ensure that merchandise has not been overtly or clandestinely removed from the zone without proper Customs permit
- **Port Director's Role**
 - Oversees the zone as the Board representative
 - Concurs on federal applications
 - Reviews and approve activation applications
 - Assesses penalties and liquidated damages
 - Initiates suspension, if necessary
 - Recommends revocation to FTZ Board, if necessary

Improving FTZs = Promoting Exports



- Facilitation of repetitive, low risk, legitimate trade
- Expedite access to benefits – application concurrence, activation requirements
 - Background Investigations
 - Security Guidelines
 - Resource Commitment
- Simplify processes and reduce costs
 - Automation (In-Bond, Admission, Weekly Entry)
 - Transparency/Predictability
 - Uniformity/Consistency
 - CBP Knowledge and Training
 - Timely Resolution of Issues