NAFTZ

Partnership. Pride. Prosperity.

National Association of Foreign-Trade Zones

2013 ANNUAL REPORT

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A LETTER OF WELCOME FROM THE BOARD CHAIR AND PRESIDENT

NAFTZ Annual Report Highlights 2013 Accomplishments

Welcome to the National Association of Foreign-Trade Zones (NAFTZ) *2013 Annual Report*. The NAFTZ is an association of 700+ public and private members, the collective voice of the U.S. Foreign-Trade Zones program. The NAFTZ is the principal educator and the leader in demonstrating the value and role of FTZs in the changing environment of international trade. It is instrumental in supporting economic development objectives and the global competitiveness of its members by providing a forum for disseminating relevant information, and advocacy support on international trade issues.

Our perspective on trade is global. U.S. FTZs have arrived at an unparalleled position of global recognition, bringing impressive opportunities for us to consider, embracing credible new global relationships. A recently signed agreement between the NAFTZ and the Latin America Free Zones Association (AZFA) now promotes the value of U.S. FTZs in Latin America, the Caribbean, and Spain. More recently, the Dubai Free Zones Council proposed a global free zone organization to share best practices and educate free zone professionals about trends in the industry.

U.S. FTZs maintain a stellar reputation for compliance, ethical practices, and as a security safeguard for U.S. Customs and Border Protection. We look forward to these early, global opportunities to share our practices and encourage such performance elsewhere. And the more knowledgeable we become about worldwide trade practices, the better we can serve U.S. firms doing business globally.

The U.S. FTZ program helps American companies improve their competitive position relative to their counterparts abroad. The FTZ program allows U.S.-based companies to defer, reduce or altogether eliminate U.S. Customs duties on products admitted to the zone.

Dating back to the Foreign-Trade Zones Act of 1934, U.S. FTZs have risen to the challenge of encouraging firms conducting business in the United States to remain here instead of relocating offshore to source duty-free raw materials, parts or components. In 1950, the Act was amended to allow for manufacturing in FTZs, yet the program remained largely underutilized.

With the creation of the NAFTZ in 1973, FTZ grantees, users, and operators gained a diligent advocate pressing for their needs. In 1980, value added by a U.S. manufacturer was exempted from U.S. Customs duty upon removal from an FTZ for entry into domestic commerce. Today, flexible regulations respond rapidly to the needs of business—and the number of zones, zone sites, and zone operations has grown profusely.

It is the NAFTZ vision to continue serving its members and partners as the premier U.S. Foreign-Trade Zones advocacy and educational organization, through public-private partnerships to promote the U.S. FTZ program as an economic development tool for job creation and investment.

As the only national trade association representing the FTZ community, NAFTZ offers its members educational conferences, webinars, and seminars. The association keeps its members up to date on the latest regulatory developments through email, social media, and our web site, and provides opportunities for networking and industry benchmarking through committees and events. We advocate with one voice for improvements in the FTZ program and more efficient and secure regulation of FTZ operations.

We hope this report will spread understanding and excitement about all the good things happening in the FTZ world, and the unfolding opportunities ahead of us. On behalf of our NAFTZ colleagues, we look forward to working with you in the year ahead to expand economic opportunity and job creation here in the United States through the Foreign-Trade Zones program.

With our best wishes for 2014,

Jan Frantz
Board Chair

Daniel Griswold

Dan Griswold
President

NAFTZ ACCOMPLISHMENTS & HIGHLIGHTS IN 2013

In 2013, NAFTZ membership reached 696, marking three consecutive years of growth.

- The strongest growth was among FTZ operator/user companies.

NAFTZ's annual conference and seminars attracted a large and enthusiastic attendance. *See next two pages for event details.*

NAFTZ achieved breakthroughs for the FTZ program with U.S. Customs, the FTZ Board, and other federal agencies.

- On June 7, Customs announced a pilot to eliminate the blanket 216 form for manufacturing, manipulation and exhibition, and to extend the five-day rule to 90 days.
- In July, NAFTZ filed extensive comments on a proposed Consumer Product Safety Commission rule on Certificates of Compliance.
- In October, Customs informed NAFTZ that the June 7th pilot will possibly be expanded in 2014 to extend C-TPAT certification and direct delivery to qualified non-owner FTZ operators. Both CBP pilots are the result of numerous meetings and communications between NAFTZ and Customs officials.
- The Food and Drug Administration, working with NAFTZ, issued new guidelines and forms allowing electronic filing for weekly entry.
- NAFTZ's ACE Task Force, led by board member Melissa Irmen, engaged frequently with the ACE Business Office to guide development of the system to meet the special requirements of FTZ users.

NAFTZ took an aggressive message to Congress on FTZs and automation.

- In more than 20 meetings with members of Congress and congressional staff, NAFTZ leaders told the story of record exports and healthy job creation in FTZs.
- Meetings focused on members of the Trade Subcommittees of Senate Finance and House Ways and Means, including House Ways and Means Trade Subcommittee Chairman Rep. Devin Nunes, R-CA.
- NAFTZ requested full funding of the Automated Commercial Environment in the pending Customs Reauthorization bill and full and timely integration of FTZs in ACE.
- On October 28, NAFTZ hosted a Capitol Hill forum on "FTZs Explained" that attracted 40 congressional staff members. The event was sponsored by the House Manufacturing Caucus and featured NAFTZ board members Jan Frantz and Cornelia Steinert and NAFTZ President Dan Griswold.

Board Member Cornelia Steinert at NAFTZ's Capitol Hill Briefing

NAFTZ kept its members informed of fast-changing events and industry developments.

- NAFTZ released a completely updated and expanded edition of the Grantee Handbook, available free to members.
- Blast emails kept members informed of the impacts of the ongoing budget sequester and October government shutdown.
- The monthly online newsletter, *Zones Report*, kept members on top of FTZ community news and regulatory changes.
- Followers of the Twitter feed @naftz topped 600.

NAFTZ promoted the FTZ program across the country and overseas.

- NAFTZ staff and members authored articles in the *Journal of Commerce*, *Location USA* magazine, and other publications.
- NAFTZ press statements touting the booming growth of FTZ exports were carried in hundreds of media outlets.
- NAFTZ President Daniel Griswold spoke on the benefits of the FTZ program at events in a number of U.S. states, Puerto Rico, Malaysia, and Turkey.
- NAFTZ continued to expand its cooperation with related trade associations such as ICPA, AAEI, CSCMP, and the Association of Free Zones in Latin America (AZFA).

NAFTZ EVENT HIGHLIGHTS FROM 2013

Fundamentals of FTZs Seminar

January 4-5, 2013, Manhattan Beach, CA
68 attendees

The "Fundamentals of FTZs" Seminar jump started the year with over 60 registered attendees participating in this educational seminar. Speakers Linda Devoy, Epson Portland Inc.; and José Quiñonez, Jr., FTZ No. 68, a division of El Paso International Airport; helped those new to the industry capitalize on various ways of utilizing a Foreign-Trade Zone as part of their supply chain strategy. Attendees traveled from across the United States and as far as from Brazil to learn about the U.S. Foreign-Trade Zones Program and how to maximize its benefits for users and grantees. Such a diverse attendee audience and vibrant speakers led to a very impactful and educational experience for all.

CBP's David Murphy Addresses the NAFTZ Legislative and Regulatory Seminar

Legislative & Regulatory Seminar

February 12, 2013, Washington DC
103 attendees

NAFTZ members and guests met in Washington, DC, to participate in a full program that tackled such hot topics as automation, background checks, and the role of FTZs in promoting exports and jobs. The seminar was followed the next day by visits on Capitol Hill with key members of Congress and their staff.

The program featured top Republican and Democratic trade-policy staff members from the House Ways and Means and Senate Finance committees; the Acting Deputy Assistant CBP Commissioner as well as Assistant Secretary for Import Administration, U.S. Department of Commerce; and Deputy Assistant Secretary for Tax, Trade, and Tariff Policy, U.S. Department of the Treasury.

In his FTZ Board Update, Executive Secretary Andrew McGilvray provided a review of the recently released *Annual Report to Congress*. The report highlighted robust growth in zone activity in 2011, including a record level of exports. McGilvray also noted the new format of the report, which was patterned after the NAFTZ's past "State-by-State" studies of FTZ activity. The data is now designed to be more marketable to Congressional staff and organizations.

Spring Annual Seminar

May 12-13, 2013, Charleston, SC
163 attendees

The Spring Annual Seminar took NAFTZ to the historic and charming central district of Charleston, South Carolina. Highlights included a report from FTZ Board Secretary Andrew McGilvray on how the new regulations are working to expedite approvals. The program also featured a panel discussion on how FTZs can help to attract foreign investment, with comments from Josef Kerscher of BMW and Aaron Brickman, acting director of the Commerce Department's SelectUSA division. Mike Young of the carrier OOCL (USA) provided a fresh perspective on in-bond regulations while Byron Miller entertained and informed the audience at the luncheon with an overview of how the South Carolina Ports Authority is adapting to the new world of "post-panamax" shipping. The seminar combined networking opportunities with up-to-date education, making it a worthwhile event to all who participated.

Josef Kircher, President of BMW Manufacturing Co., speaks at the Spring Seminar

Annual Conference & Exposition

September 8-11, 2013, Miami Beach, FL
486 attendees

Record attendance was experienced at NAFTZ's 41st Annual Conference and Exhibition in Miami Beach with 486 attendees.

The event kicked off with giving back to the community through the Miami River Commission Service project. NAFTZ members and guests participated in planting vegetables for the public housing community to enjoy, weeded 4 planting beds and conducted clean up along the shoreline.

Memorable keynote speakers at the event included veteran trade journalist Greg Rushford, Secretary Anath Prasad of the Florida Department of Transportation, and Bill Johnson, Director of the Port of Miami. In addition, stimulating panel discussions with Participating Government Agencies featured Stephen Long of U.S. Customs and Border Protection, Sabrina Keller of the U.S. Consumer Product Safety Commission, and Carol Kemker of the U.S. Environmental Protection Agency. Attendees also got a look at the future of Foreign-Trade Zones in a stimulating panel discussion titled "Changing Trade Patterns and eCommerce," which featured Blaine Kelley, Vice President of Global Supply Chain at CBRE.

The excitement continued with a presentation from FTZ Board Executive Secretary Andrew McGilvray, a number of exhibits and the signing of a new Cooperation Agreement with the Latin American Free-Zones Association (AZFA) during the luncheon on Monday, Sept. 9. AZFA represents zone administrators from more than 20 nations in Central and South America and the Caribbean. The agreement reaffirms the common purpose of our two associations "to promote and enhance the value of the Foreign-Trade Zones programs in their respective areas" by sharing our "accumulated valuable knowledge and experience in maximizing the value" of FTZs for our respective members.

Additionally, this year marked the first reception hosted at PortMiami. Guests were ushered to the Port of Miami to enjoy scenic views amidst the Latin beats of the trio band performing while networking with industry professionals.

NAFTZ President Dan Griswold signs a cooperation agreement with AZFA

ANALYSIS: FTZS ACCOUNT FOR RISING SHARE OF U.S. EXPORTS AND IMPORTS

U.S. Foreign-Trade Zones facilitate a growing share of the nation's trade and economic activity, driven by more streamlined access to the program for companies competing in a more globalized U.S. economy.

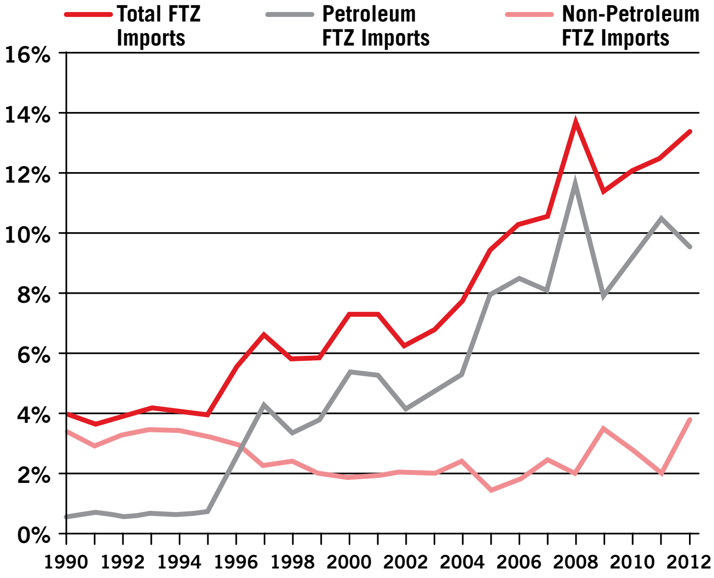
By almost every measure of activity, the FTZ program is becoming more important to the daily economic life of Americans. In recent years, FTZ activity has risen to a record proportion of overall trade and economic activity. The growing weight of the program argues for more attention to such matters as Customs automation, which has yet to fully incorporate FTZs into the development of the Automated Commercial Environment (ACE).

In 2012, according to the most recent figures available, exports from Foreign-Trade Zones jumped to a record $69.9 billion. That represents a share of total U.S. goods exports that is more than 50 percent larger than the average share during the previous decade. Exports from FTZs have been rising at such a brisk pace that they have already more than doubled since 2009—achieving President Obama's National Export Initiative goal two years early!

Foreign-status goods admitted to FTZs have also been rising sharply in recent years, to a record $304 billion in 2012. That represents 12.8 percent of total U.S. imports, which is also a healthy increase from the previous decade, as illustrated nearby.

FTZ exports and imports both play a role in fueling domestic production, investment, job creation, and competitiveness. Exports allow U.S. companies to reach new markets abroad, expanding their production while reaping economics of scale. This leads to a virtuous cycle of production efficiencies, lower prices, and larger market share.

FTZ Imports as Percentage of Total Imports 1990-2012



Note: Data for years 2011 and 2012 are calculated by calendar year, all other years are based on the fiscal year

Imports also enhance the competitiveness of U.S. producers by lowering the cost of key components, raw materials, and machinery essential to the production process. A study by the St. Louis Federal Reserve published in 2013 ("U.S. Manufacturing and the Importance of International Trade: It's Not What You Think," Kliesen and Tatom) found that a 1.0-percentage-point rise in imports over the long run is associated with a 0.4-percentage-point rise in manufacturing output. The study concluded that "Intermediate goods imports and capital goods imports are the lifeblood of U.S. output." By reducing or eliminating duties on key inputs, the Foreign-Trade Zones program gives U.S. based companies better access to that lifeblood.

Non-oil FTZ imports have been rising, more than offsetting the decline in crude oil.

The nearby chart shows the rising importance of the FTZ program in facilitating the access of U.S.-based producers to global supply chains. Twenty years ago, Vehicles and Vehicle Parts made up almost half of foreign-status goods admitted to foreign-trade zones. That shifted in the 1990s when crude oil became the dominant foreign-status input.

Changes in Customs regulations back in the early 1990s, many of them recommended by an NAFTZ Petroleum Task Force, led to a dramatic increase in the usefulness of the FTZ program for oil refineries. For much of the past decade, crude oil has represented 80 percent or more of FTZ imports, but that may be changing soon because of rising domestic energy production.

Crude oil's share of FTZ imports dropped to a decade-low of 71 percent in 2012, not primarily because of lower prices but because of lower volume. The United States is simply not importing as much crude oil. Domestic production has been rising sharply since 2009, driven by new extraction techniques known as hydraulic fracturing, or "fracking." For the first time in two decades, according to the U.S. Energy Information Administration, the United States in 2013 produced more crude oil domestically than we imported.

While the composition of FTZ imports has been changing, their overall importance to the U.S. economy continues to grow.

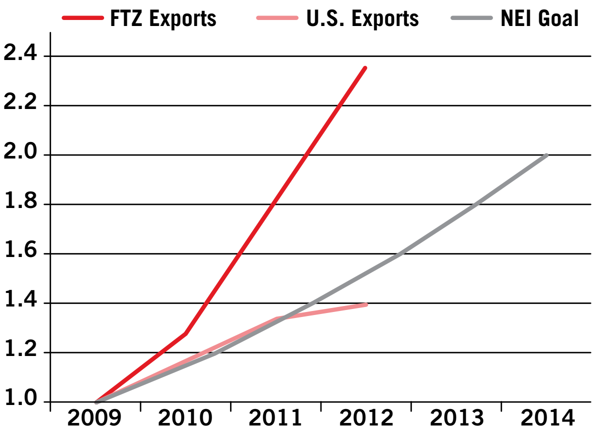
At the same time, non-oil FTZ imports have been rising, more than offsetting the decline in crude oil. Non-oil FTZ imports reached almost 4 percent of total U.S. imports in 2012. Vehicles and vehicle parts remain the top non-oil FTZ import category, followed by consumer electronics, pharmaceuticals, machinery/equipment, and textiles/footwear. In fact, one of the largest growth areas in FTZ use in recent years has been distribution centers operated by name-brand retailers such as Crate and Barrel, Columbia Sportswear, Under Armour, and Skechers.

While the composition of FTZ imports has been changing, their overall importance to the U.S. economy continues to grow. It will remain a top priority of NAFTZ in 2014 to urge Congress to fully fund the Automated Commercial Environment in the upcoming Customs Reauthorization bill so that the outsized share of U.S. imports admitted to Foreign-Trade Zones can be processed as efficiently as possible--for the benefit not only of FTZ user companies and their workers but for the entire U.S. economy.

INDUSTRY SUMMARY: U.S. FOREIGN-TRADE ZONE ACTIVITY SURGES TO RECORD HIGH IN 2012

Remarkable increases in both import and export activity in U.S. Foreign-Trade Zones were documented in 2013, reflecting the program's substantial contribution to the nation's economy. Data published by the federal government revealed a significant increase in utilization of the FTZ program among U.S.-based companies, reflecting the increased accessibility of the program under recent regulatory changes and streamlined procedures.

FTZ Exports Doubled between 2009 and 2012
(2009 exports = 1.0)



Note: FTZ exports in 2009 and 2010 adjusted to calendar year.

The information was contained in the U.S. Foreign-Trade Zones Board's Annual Report to Congress, which provided data on the FTZ program for the 2012 calendar year. The report, which is produced each year to inform Congress about the economic contributions of U.S. Foreign Trade Zones, provides detailed data on FTZ activity throughout all 50 states and Puerto Rico.

Of the many positive trends to emerge in the most recent Annual Report, perhaps the most impressive was the sizeable increase in FTZ exports during 2012. In that year, exports from U.S. Foreign-Trade Zones reached a record-high $69.9 billion—a 28 percent increase from 2011. With this $15.6 billion increase, exports from U.S. Foreign-Trade Zones have more than doubled since 2009, significantly outperforming total U.S. goods exports. While total U.S. goods exports are not on track to double by the end of 2014—the stated target of President Obama's National Export Initiative—FTZs have already achieved that goal two years ahead of schedule.

The report also showed that U.S.-based manufacturers have continued to account for the majority of exports from U.S. Foreign-Trade Zones. In 2012, 76 percent of FTZ export activity originated from manufacturing/production operations, with the remaining portion originating from warehousing and distribution operations. These results demonstrate that firms with global supply chains and global customer bases have chosen to locate value-adding manufacturing activities in the United States, partially to take advantage of the benefits of the FTZ program. As in previous years, the major exporters from U.S. FTZs in 2012 included globally-recognized manufacturers in the automotive, aerospace, petroleum, and pharmaceutical industries.

U.S.-based companies used Foreign-Trade Zones to take in raw materials, manufacturing inputs, and other goods from around the world. In 2012, the combined value of merchandise received by FTZs in the United States totaled $732 billion, an increase of 14 percent from 2011. Of this merchandise, more than $550 billion was admitted for use in manufacturing and production activities, with the remaining portion admitted for use in warehousing and distribution operations.

Zone users also admitted a balanced mixture of domestic and foreign inputs into their FTZ operations, with 59 percent of admitted merchandise sourced from the domestic economy and 41 percent sourced from abroad. As a result, even U.S.-based suppliers of raw materials and manufacturing inputs have benefited from the FTZ program's recent expansion.

Finally, the figures in the report show that a growing number of U.S.-based companies are seeking and receiving FTZ benefits under new, streamlined application procedures. In 2012, some 3,200 firms participated in the FTZ program, up from approximately 2,800 firms who were involved in the program during 2011. By taking advantage of these new procedures, companies of all sizes have gained access to important benefits such as deferral, reduction, and elimination of duties, as well as cash flow savings and reduced Merchandise Processing Fees. As these benefits have been extended to a greater number of companies, employment in Foreign-Trade Zones grew to approximately 370,000 persons in 2012, up from 340,000 in 2011.

Exports from U.S. Foreign-Trade Zones have more than doubled since 2009, significantly outperforming total U.S. goods exports.

With the results of this year's report pointing in such a positive direction, it is clear that the FTZ program will continue to help U.S.-based companies remain globally competitive for years to come.

SECTOR SPOTLIGHT: FOREIGN-TRADE ZONES ARE A HIT WITH AMERICA'S RETAILERS

The United States is currently home to the largest retail market in the world, as well as more than 30 percent of the world's top 250 retail companies. Along with these globally-integrated retailers come jobs, investment, and a wide array of consumer products that improve standards of living for U.S. citizens. While these retailers encompass a broad range of industries, supply chains, and business models, many of them share a common bond: the benefits of U.S. Foreign-Trade Zones are helping to make them more competitive at home and abroad.

The list of globally-recognized retailers that have used the FTZ program is as extensive and varied as the store directory at most major shopping malls. In the fashion industry, it includes companies such as The Gap, Talbots, and Hugo Boss. In sportswear, it includes vendors such as Adidas, Helly Hansen, and Cabela's. Home furnishings sold by Crate & Barrel and IKEA are distributed through FTZs as well, as are the high-end luxury products sold by Tumi and Movado.

America's retailers have turned to FTZs to reduce costs, increase supply chain velocity, and better serve domestic and foreign consumers through their facilities in the United States.

For most of these retailers, the primary benefit of an FTZ is the deferral of Customs duties on imported merchandise. Instead of paying duties when products arrive at a warehouse or distribution center, retailers can defer those payments until inventory departs the Zone for corporate-branded stores or other retail partner locations. As a result, capital which would have been used to pay duties can be deployed elsewhere in the company's operations until the merchandise leaves the Zone. Inventory can remain in a Zone indefinitely, providing retailers with maximum flexibility when determining the timing and quantity of shipments.

Goods that are re-exported from foreign-trade zones are never subject to U.S. duties, which also leads to significant cost savings for U.S. distribution centers that serve foreign markets. One such example is apparel retailer Helly Hansen, which utilizes its FTZ distribution center in Auburn, Washington, to supply both American and Canadian retail stores.

Many retailers also realize significant savings and operational efficiencies as a result of the expedited Customs procedures available to FTZ users. One such procedure is weekly entry, which consolidates all shipments out of the FTZ to one customs entry per week. In addition to reducing the administrative burdens associated with filing multiple entries, weekly entry caps Merchandise Processing Fees at a fraction of their normal value for most large retailers entering multiple shipments per week.

FTZ users are also eligible for direct delivery, which enables retailers to have containers delivered straight from a Port of Entry to the Zone without prior approval of their admission from Customs. Designed to expedite low-risk, repetitive shipments, this process reduces the overall order-to-delivery span and also reduces the risk associated with stationary high-value shipments. By allowing FTZ users to file the requisite Customs admission form the day after the goods have been physically received into inventory, direct delivery helps retailers to obtain their merchandise more quickly and securely.

Other benefits and efficiencies arise as a by-product of the tighter inventory controls and increased security associated with FTZ operations. Several major U.S. retailers have reported significant "shrink" improvement, or reductions in losses attributed to theft, warehouse discrepancies, and paperwork errors, largely as a result of the daily inventory validations performed in the FTZ environment. Other retailers have been able to obtain substantial reductions in insurance premiums for distribution centers equipped with the enhanced security measures required of an FTZ site.

Thanks to recent regulatory changes, these valuable benefits are now accompanied by a streamlined application process, reducing the amount of time and up-front cost required to establish an FTZ. In fact, a recent case study revealed that one medium-sized U.S.-based retailer was able to recuperate the up-front costs of establishing a Zone within just 14 months of operation.

With results like these, it comes as no surprise that America's retailers have turned to FTZs to reduce costs, increase supply chain velocity, and better serve domestic and foreign consumers through their facilities in the United States.

LEGISLATIVE AND REGULATORY ISSUES IN 2013

Customs Reauthorization

For the FTZ community, the past year's contentious political environment gave rise to valid and pressing concerns about the future of funding for Customs automation. In a year marked by Congressional inaction and several high-profile budgetary stalemates, this issue of major consequence to the FTZ program was unfortunately left unaddressed.

For NAFTZ, the authorization of further federal funding to complete the development of the Automated Commercial Environment (ACE) was the year's top legislative priority. Unfortunately, authorization of further funding for ACE was delayed in 2013, as House Democrats and Republicans failed to reach an agreement on Customs Reauthorization legislation. While a bipartisan Senate version of the bill was introduced by Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Orrin Hatch (R-UT) in March, members of the House Ways and Means Committee failed to reach a similar compromise by the end of the year.

Despite serious disagreements over controversial enforcement provisions included in proposed versions of the bill, one positive sign is that support for ACE funding remained strong across party lines. Competing versions of the bill introduced in 2012 by Rep. Kevin Brady (R-TX) and Rep. Jim McDermott (D-WA) each included ample funding to complete development of ACE, as did the bipartisan Senate version of the bill introduced in 2013. The Democratic and Republican versions of the legislation were nearly identical, except for a small set of provisions related to CBP enforcement protocols for anti-dumping and countervailing duty evasion claims. In meetings held throughout the year, Members of Congress from both parties assured NAFTZ of their strong support for ACE funding and desire to move forward with Customs legislation.

While ACE development continued throughout the year, full FTZ functionality is not scheduled to appear until 2015. Further authorizations would provide certainty that funding will remain in place through completion of the project's planned development.

NAFTZ Board Members Cornelia Steinert, Julie Brown, and Ken Carlstedt, along with NAFTZ President Dan Griswold, meet with Senator Johnny Isakson (R-GA) in Washington, DC.

Regulatory Agencies

In the realm of trade facilitation, the FTZ program was the beneficiary of significant progress with U.S. Customs and Border Protection and other Participating Government Agencies in 2013.

At Customs, a series of new pilot programs liberalizing certain FTZ operational procedures was announced over the course of the year. The first CBP Pilot, announced in June, extended the five-day rule to 90 days and eliminated the blanket 216 form for manufacturing. In October, CBP subsequently announced a possible expansion of the June pilot in 2014, which would expand direct delivery to non-owner operators enrolled in the C-TPAT program.

Jose Quinonez, Scott Wienke, Dan Griswold, and Sean Murray at the Environmental Protection Agency in Washington, DC

Through the NAFTZ's newly formed ACE Task Force, the NAFTZ also learned that CBP is open to revisiting some aspects of the weekly entry process, specifically those related to the CBPF 3461. As a part of that process, the need for CBP to collect HTS and MID numbers through the CBPF 3461 is being re-evaluated, with significant input from the NAFTZ membership.

The Food and Drug Administration also took its first steps towards automation of weekly entry in 2013, providing the NAFTZ with new electronic forms for filing weekly food, drug, and tobacco entries. A subsequent weekly entry form for medical devices is expected to be released in the near future.

The Consumer Product Safety Commission also proposed new regulations in 2013, which would amend existing regulations on certificates of compliance. Among other changes, the proposed regulations required that importers of regulated finished products manufactured outside of the United States file certificates of compliance electronically with CBP at the time of filing the CBP entry. The NAFTZ filed extensive public comments on the proposed rule, which highlighted concerns with the new requirements and offered solutions that would provide exemptions for FTZ users.

FTZ Board Regulations

At the NAFTZ's Legislative and Regulatory Seminar in February 2013, it was announced that the FTZ Board had begun work on a set of technical corrections to 15 CFR Part 400, which underwent a sweeping rewrite in 2012. It was explained that these technical corrections would be designed to address any unintended consequences and challenges that arose as a result of the 2012 rewrite. Throughout the year, the NAFTZ provided constructive feedback to the FTZ Board to guide the development of these technical corrections, which are expected to be published as a proposed rule sometime in 2014.

NEW FOREIGN-TRADE ZONES, SUBZONES, AND ASF REORGANIZATIONS IN 2013

New FTZ Subzones Approved in 2013

The NAFTZ welcomes the following new Zones and Subzones to the FTZ Program:

Company	Subzone	Approval Date
Coamo Property and Investments, LLC	61L	January 1, 2013
Zimmer Manufacturing BV	163A	February 6, 2013
Sea World, Inc.	61M	February 22, 2013
Hemlock Semiconductor Corp.	140C and 78J	April 2, 2013
Teva Pharmaceuticals USA	38F	May 23, 2013
Easton-Bell Sports, Inc.	114F	July 16, 2013
Milwaukee Electrical Tool Corporation	262A	August 2, 2013
GE Transportation	247A and 247B	August 6, 2013
Channel Control Merchants	92E	September 13, 2013
Hardinger Transfer Co.	247C	September 23, 2013
Talbot's Imports	28G	September 30, 2013
Pillow Kingdom	123F	October 22, 2013

New Foreign-Trade Zones Approved in 2013

Zone Location	Zone No.	Approval Date
Caledonia/Essex/Orleans Counties, VT	FTZ 286	March 22, 2013
Chenango County, NY	FTZ 285	March 25, 2013
Tunica County, MS	FTZ 287	September 11, 2013

ASF Reorganizations in 2013

The following Zones reorganized under the Alternative Site Framework in 2013. As of the end of 2013, there were 112 Zones organized under the ASF, with 13 cases pending.

Zone Location	Zone	Approval Date
Blountville, TN	FTZ 204	February 6, 2013
Onondoga County, NY	FTZ 90	February 6, 2013
Detroit, MI	FTZ 70	February 6, 2013
Mercer County, NJ	FTZ 200	March 5, 2013
Liberty County, TX	FTZ 171	March 5, 2013
Philadelphia, PA	FTZ 35	March 27, 2013
Quad Cities, IA/IL	FTZ 133	March 27, 2013
Reading, PA	FTZ 147	April 30, 2013
Sierra Vista, CA	FTZ 139	May 23, 2013
Ft. Lauderdale, FL	FTZ 241	May 30, 2013
Tampa, FL	FTZ 79	June 10, 2013
Portland, OR	FTZ 45	June 27, 2013
Corpus Christi, TX	FTZ 122	July 31, 2013
Cleveland, OH	FTZ 40	September 17, 2013
Panama City, FL	FTZ 65	September 17, 2013

MEET THE NAFTZ BOARD OF DIRECTORS, STAFF, AND COMMITTEE CHAIRS

Board of Directors

Chairman of the Board

Jan Frantz
Executive Director
BC/CAL/KAL Inland Port Development Corporation
Battle Creek, Michigan

Vice Chairman

Trey Boring
Sr. Vice President
IMS Worldwide, Inc.
Houston, Texas

Treasurer

Jose Quinonez
Foreign-Trade Zone Manager
City of El Paso, El Paso International Airport
El Paso, Texas

Secretary

Julie Brown
President & CEO
Georgia Foreign-Trade Zone, Inc.
Atlanta, Georgia

Directors

Kenneth Carlstedt
Global Trade Compliance Manager
Momentive Performance Materials
Waterford, New York

Amie Ahanchian
Managing Director
KPMG, LLP
Washington, DC

Jim Maloney
Maritime Marketing Manager
Port of San Francisco
San Francisco, California

Bill Fisher
Vice President of Customs Compliance
American Global Brokerage Services, LLC
Memphis, Tennessee

Charles Daniels
Director of Logistics
Fortessa Tableware Solutions LLC
Sterling, Virginia

William Carr
US Customs Compliance
Phillips 66
Bartlesville, Oklahoma

Rebecca Williams
Managing Director
Rockefeller Group Foreign Trade Zone Services
Annapolis, MD

Melissa Irmen
Senior Vice President, Products & Strategy
Integration Point
Charlotte, North Carolina

Cornelia Steinert
Program Manager, International Trade
Canon Virginia, Inc.
Newport News, Virginia

Johnny Fernandez
Executive Director
CODEZOL C.D.
Mercedita, Puerto Rico

Frankie Bryson
Manager, Import Compliance
Nissan North America
Franklin, Tennessee

MEET THE NAFTZ BOARD OF DIRECTORS, STAFF, AND COMMITTEE CHAIRS

Committee Chairs

Chair, Grantee Committee
Angie Atwood
FTZ Administrator
Columbus Regional Airport Authority

Chair, Operator/User Committee
Lesley Couch, A.Z.S., C.C.S.
Director, Duty Deferral & Foreign-Trade Zone Services
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AUDITED FINANCIAL STATEMENTS

National Association of Foreign-Trade Zones Statement of Activities for the Years Ended December 31, 2012 and 2011

	2012	2011
SUPPORT & REVENUE		
Dues	$ 532,249	$ 506,141
Registrations	517,607	511,647
Sponsorships	143,082	154,760
Investment income	1,937	6,608
Exhibit booths	20,250	14,100
Other income	12,625	9,646
Total Support & Revenue	$ 1,227,750	$ 1,202,902
EXPENSES		
Salaries	$ 329,218	$ 351,114
Conference & seminars	235,433	265,803
Professional fees	185,842	233,712
Rent	83,990	85,510
Employee benefits	48,168	53,296
Printing	31,892	28,066
Communications	29,102	22,912
Credit card fees	24,173	28,242
Payroll taxes	23,563	26,126
Taxes	13,405	12,402
Equipment rental & maintenance	12,364	11,053
Website	10,149	20,541
Travel	10,052	13,857
Insurance	9,508	10,641
Other operating expenses	8,841	5,418
Supplies	7,463	8,591
Contract labor	7,439	5,960
Postage & delivery	5,662	6,690
Publications & subscriptions	4,274	12,788
Depreciation	4,214	3,117
Total Expenses	$ 1,084,752	$ 1,205,839
OPERATING INCOME (LOSS)	$ 142,998	$ (2,937)
OTHER INCOME (EXPENSE)		
Realized & unrealized investment gains (losses)	12,768	(6,735)
CHANGE IN NET ASSETS	$ 155,766	$ (9,672)
NET ASSETS, BEGINNING OF YEAR	126,588	136,260
NET ASSETS, END OF YEAR	$ **282,354**	$ **126,588**

WHAT'S AHEAD FOR NAFTZ MEMBERS IN 2014

FTZ Board Calendar

- Feb. 28. All zone schedules must be in conformity with regulations on public utility and uniform treatment. In addition, all zone schedules will be available to the public online.
- March 31. Deadline for all grantees to report calendar year 2013 activity to the Foreign-Trade Zones board.
- Annual Report to Congress released end of August/early September.

Potential Regulatory Action

- Notice of Public Rule making for CBP 19 CFR, Part 146 regulations of FTZs.
- CBP Pilot to expand C-TPAT and direct delivery to non-owner FTZ operators.
- Technical corrections to FTZ Board 15 CFR, Part 400 regulations.
- Final Rule for CBP In-Bond regulations.

Potential Congressional Action

- Customs Reauthorization, including funding for ACE/automation.
- Trade Promotion Authority.

NAFTZ Priorities for Advocacy in 2014

- File extensive comments on CBP Part 146 Notice of Public Rule Making should it be published in 2014.
- Ensure that Congress approves full funding of the Automated Commercial Environment in the Customs Reauthorization bill and that FTZs are fully integrated into the system as soon as possible.
- Engage the ACE Business Office on a continual basis to make ACE as user-friendly as possible to FTZ users.
- Continue to educate import-regulating participating government agencies on the most efficient compliance methods for FTZ imports.
- Expand the FTZ Board's Annual report to Congress to include the more comprehensive value-added measure of FTZ exports.

NAFTZ Scheduled Events

Fundamentals of FTZs
January 5-6, 2014
Disney's Coronado Springs Resort
Lake Buena Vista, FL

Legislative & Regulatory Seminar
February 11, 2014
Loews Madison Hotel
Washington, DC

Annual Spring Seminar
May 4-6, 2014
Hyatt at Olive8
Seattle, WA

Annual Conference & Exposition
September 14-17, 2014
Omni Fort Worth Hotel
Fort Worth, TX

In addition to our regularly scheduled events, NAFTZ will continue to host its series of monthly educational webinars on a wide range of topics important to FTZ professionals. The webinars will continue to be free to NAFTZ members.

APPENDIX: WHAT IS A FOREIGN-TRADE ZONE?

Foreign-trade zones (FTZs) are designated areas within the United States which, for the purposes of tariff laws and Customs entry procedures, are treated as though they are outside of U.S. Customs territory.

Foreign and domestic merchandise may be admitted into foreign-trade zones for storage, exhibition, assembly, manufacture, production, and processing, without formal Customs entry procedures, the payment of Customs duties, or the payment of federal excise taxes. These benefits help stimulate U.S. employment, attract foreign investment, and improve the export competitiveness of U.S.-based companies.

FTZs help the U.S. economy by allowing companies to source component products from around the world at competitive prices, while keeping important value-added activities such as manufacturing within the United States. For example, when a manufacturer wishes to remove a finished product from an FTZ for U.S. consumption, they may elect to pay Customs duties at either the rate of the finished product or that of its foreign components. This option allows U.S. based firms to select the lower of the two duty rates, placing them on equal footing with their foreign competitors.

Zones also increase the export competitiveness of U.S.-based producers. When merchandise is removed from a foreign-trade zone, Customs duties can be eliminated if the goods are then exported from the United States. This benefit helps U.S. firms compete in export markets.

If merchandise is removed from a zone and formally entered into U.S. commerce, Customs duties and excise taxes are not due until the time of transfer from the foreign-trade zone. This delay allows firms to realize cash flow savings while goods are being processed in the zone.

Designation as a foreign-trade zone is granted by the Foreign-Trade Zones Board, which is an independent agency housed within the U.S. Department of Commerce. The Board consists of the Secretary of Commerce and the Secretary of the Treasury. An Executive Secretary administers the day-to-day activities of the Board and supervises the FTZ Board staff. Grants of Authority are given by the FTZ Board to state and local government agencies or non-profit corporations, known as Grantees, which are then empowered to establish and maintain zone projects in their communities as a public utility. The Board's regulations require a case-by-case review for all manufacturing activity to be conducted in FTZs.

The other important federal agency involved in the FTZ program is U.S. Customs and Border Protection (CBP). U.S. Customs and Border Protection is responsible for the control of merchandise moving into and out of FTZs, and ensures that all revenues are collected properly. In addition, CBP is charged with ensuring that all zone procedures are in compliance with the Foreign-Trade Zones Act, and that all CBP and other federal agency laws and regulations pertaining to zone use are followed. The CBP Port Director where the FTZ is located is the local representative of the Foreign-Trade Zones Board.

NAFTZ
PARTNERSHIP. PRIDE. PROSPERITY.

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