# Table of Contents

I. Welcome from the Chairman & President ......................................... 2

II. Accomplishments and Highlights of 2016 ....................................... 3

III. 2016 Annual Conference in Orlando ........................................... 6

IV. 2016 Seminars and Webinars ......................................................... 7

V. Zone Activity: Trends & Analysis ..................................................... 9

VI. Sector Spotlight: Pharmaceuticals .................................................. 11

VII. New Zones and Production Authorizations .................................... 13

VIII. What’s Ahead for 2017 ................................................................. 14

IX. NAFTZ Policy Advocacy Agenda .................................................... 15

X. NAFTZ Board, Committee Chairs & Staff ........................................ 16

XI. Past Board Chairmen/ Presidents & Honorary Life Members .............. 17

XII. Audited Financial Statements for 2014 & 2015 .............................. 18

XIII. Appendix: What is a Foreign-Trade Zone? ..................................... 19

XIV. Get Involved ............................................................................. 20
Welcome to the 2016–2017 Annual Report of the National Association of Foreign-Trade Zones. This report will share with our members what has been accomplished in the past year on their behalf, and the association’s full agenda of advocacy, education, and events planned for the year ahead. The report also tells the success story of the FTZ program and its growing contributions to the U.S. economy.

Founded in 1973, NAFTZ is the collective voice of the FTZ community in the United States and Puerto Rico. The association represents more than 660 members, including FTZ grantees, operator/user companies, and service providers.

The mission of NAFTZ is to serve as the FTZ program’s principal educator and lead advocate in demonstrating the program’s value and role in the changing environment of international trade. NAFTZ supports local economic development and the global competitiveness of its members by disseminating vital information and promoting the expansion of international trade.

The 2016–2017 NAFTZ Annual Report documents how we have been true to that mission. In 2016, NAFTZ continued to provide the best educational and informative programs focused on FTZs and the industry. Hosted by NAFTZ, these events included a successful Annual Conference and Exposition in Orlando, Florida with over 430 attendees. NAFTZ events in 2016 also featured an Advanced Track offering multiple topics and coverage of the most challenging issues currently facing FTZ Operations.

The FTZ program itself continues to thrive and to deliver measurable benefits in a time of transition and considerable change for the U.S. According to the most recent FTZ Board Annual Report to Congress, FTZ exports and employment have continued to provide positive impacts to the U.S. economy, which are documented in the FTZ trends and analysis, please see pp. 9–10.

In Washington, D.C., NAFTZ has been a tireless advocate for the interests of our members and an ever-more useful, dynamic, and viable FTZ program. We have collaborated with multiple partner government agencies as well as U.S. Customs and Border Protection (CBP) and the FTZ Board, to improve the regulation of the program and transitional changes currently underway with the Automated Commercial Environment (ACE) programming. The ongoing dialogue and work with governmental agencies looking to receive FTZ information through the ACE system is a growing roster and demands for reporting information continues to expand. NAFTZ will continue to work closely with CBP and our members to facilitate a smooth transition to the new system in 2017. The new Administration under President Trump will also present new opportunities and challenges in the public policy arena for the FTZ program and stakeholders. For NAFTZ’s ambitious policy agenda in 2017, please see p. 15.

With our latest annual report, we hope to convey our pride in what we have accomplished in the past year, and our hope and expectation of what can be achieved in 2017.

With our best wishes for a successful and prosperous 2017,
ACCOMPLISHMENTS & HIGHLIGHTS IN 2016

In 2016, NAFTZ made measurable progress in key advocacy objectives.

- **ACE Implementation.** NAFTZ advocated for full funding for ACE implementation and, through its Executive Committee and ACE Task Force, communicated regularly with U.S. Customs & Border Protection (CBP) and the U.S. Department of Treasury to push for expeditious implementation of ACE and migration of e214 admission onto the ACE platform.

- **Partner Government Agencies (PGAs) and ACE.** NAFTZ devoted significant time and resources to analyzing and resolving the impact of PGA ACE requirements on FTZ filers. Working groups were created to engage each PGA and CBP on behalf of the FTZ industry. These efforts have resulted in an ongoing, holistic analysis of the impact of PGA requirements at the time of admission, entry and export. Following numerous meetings, letters, and comments on proposed rulemakings published in the Federal Register, NAFTZ succeeded in advancing the interests of and simplifying reporting requirements for FTZ filers. These efforts are ongoing in 2017.

- **Production Scope of Authority.** NAFTZ continued its dialogue with the FTZ Board on proposals to improve and streamline the production authorization process, including allowing companies to use six-digit HTS numbers to describe the scope of their production operations and providing a retrospective notification procedure for changes in scope of authority.

- **Government Accountability Office (GAO).** Following the launch of a GAO study of the FTZ program requested by the U.S. Senate Committee on Finance, NAFTZ worked closely with GAO researchers to educate them on the benefits of the program and explain the unique set of rules under which it operates.

- **FTZ Board Uniform Treatment Regulations.** NAFTZ engaged with the Senate Appropriations Committee and provided information on operation of the FTZ program following a request by Committee Member Sen. Richard Shelby (R-Ala.) for a study of the FTZ Board’s application of uniform treatment regulations.

- **Revising CBP’s Part 146 Regulations.** NAFTZ continued to monitor the progress of CBP’s Part 146 regulations governing the FTZ program.

- **Drawback.** NAFTZ worked with the Drawback Coalition and participated in their lobby efforts on the issue of drawback parity related to Free Trade Agreements (FTAs), an issue that particularly impacts petroleum refiners.

- **New Issues.** With the election of a new President and Congress, NAFTZ identified new polices and issues likely to impact the program and stakeholders including: emphasis on promoting U.S.-based manufacturing; infrastructure investment; a renewed focus on trade enforcement; and creation of a border adjustable corporate tax system. NAFTZ will continue to monitor these policies and issues and lead our industry’s efforts through any opportunities or challenges they pose.

NAFTZ’s 2016 Annual Conference and Exposition in Orlando, Florida attracted more than 430 attendees, who engaged with speakers from CBP, the U.S. FTZ Board, USDA’s Animal and Plant Health Inspection Service (APHIS), the U.S. Fish & Wildlife Service (FWS), the U.S. Environmental Protection Agency (EPA), the U.S. Food and Drug Administration (FDA), and the Office of the U.S. Trade Representative (USTR). For more information on the great content and social events at NAFTZ’s premier annual gathering of FTZ professionals, please see p. 6.
**NAFTZ Membership grew to over 660 in 2016.** NAFTZ membership expanded by over 30 members from 630 in 2015 to 662. Growth was again concentrated mainly in the category of FTZ operator/user companies.

**FTZs continued to drive U.S. exports and employment per the U.S. Foreign-Trade Zones Board Annual Report to Congress released in September 2016 covering calendar year 2015.**
- In 2015, more than 420,000 persons were employed in zones approved in all 50 States and Puerto Rico.
- The largest industries accounting for zones activities in 2015 included automotive, pharmaceuticals, electronics, oil refining, and machinery/equipment.
- There were new highs in 2015 in the number of approved FTZs (262), active FTZs (186), and active zones’ production operations (324).
- The value of merchandise received at FTZs and the value of merchandise exported from FTZs declined from 2014, mainly resulting from the decrease in the price of petroleum products during 2015. Otherwise, FTZ statistics were consistent with the overall growth trend for the past two decades. Notably, 65% of all FTZ activities were associated with manufacturing/production operations and exports from FTZ totaled $84 billion dollars.

**NAFTZ communicated important information about the program to its members and the public.**
- The monthly *Zones Report* e-newsletter reached every member with vital information about the association and the program.
- Blast emails informed members of breaking developments in FTZ regulations, including timely information on ACE implementation and PGA requirements.
- NAFTZ continued to expand its reach on Twitter, with an increase to more than 1,200 followers on @naftz.
- NAFTZ also maintained an active presence on other social media sites, providing members regular updates and photos through LinkedIn and Facebook.
- NAFTZ issued several press releases and articles on issues including developments in ACE implementation, studies of the FTZ program, passage of the Customs Authorization bill, and the new miscellaneous tariff bill procedures for duty suspensions.
- The *Journal of Commerce* published a special section in September highlighting the FTZ program. It included articles written by former NAFTZ Board Chairman, Jose Quinonez; current NAFTZ director Torrey Chambliss with NAFTZ member Robert Jacob; current NAFTZ Board Chairman, Trey Boring; and current NAFTZ Vice Chairman, Rebecca Williams.
- NAFTZ issued several press releases and statements on issues including developments in ACE implementation, studies of the FTZ program, passage of the Customs Authorization bill, and the new miscellaneous tariff bill procedures for duty suspensions.

**NAFTZ completed several key technology projects.**
- **Website.** NAFTZ unveiled a new, interactive website on Dec. 21 with a stronger focus on membership, telling the FTZ story, and improving the user experience. The new website has a cleaner design, is easier to navigate, and is mobile responsive. We enhanced content and added an FTZ resources section with useful FTZ links and members’ only industry resources.
- **Membership Database.** NAFTZ released its new Association Management System (AMS) in October. Configuration of the new system was developed with the help of member feedback and allows easier access to member information, seamless event registration of multiple company representatives, and significant improvements in ensuring data integrity through enhanced tracking and reporting capabilities.
- **Mobile Applications (Apps).** For the first time, NAFTZ featured event apps at all its events in 2016 and introduced apps for attendee polling.
NAFTZ achieved a successful and seamless leadership transfer.
• In August, the NAFTZ Board selected Erik Autor, a seasoned international trade professional, to succeed Daniel Griswold as NAFTZ President.
• In October, Trey Boring succeeded Jose Quinonez as NAFTZ Board Chairman.

Notable milestones achieved at NAFTZ conferences and webinars.
• Attendance at the Spring Seminar in Nashville, TN was highest in the last seven years.
• The Annual Conference & Exposition in Orlando, FL had a record number of exhibitors and an increase in attendance over 2015, and, for the first time, secured a theme park for the Annual Main Event reception sponsored by Port of Houston Authority and Integration Point.
• NAFTZ introduced polling for the first time through an event app at the Fundamentals of FTZs seminar.
• NAFTZ introduced polling in its seven webinars and received an over 50 percent response rate per question.
• NAFTZ achieved the highest webinar attendance in the past five years.

NAFTZ broadened and deepened its international engagement.
• World Free Zones Conference. In April, former NAFTZ Board Chairman, Jose Quinonez, represented NAFTZ as a speaker at the 16th annual World Free Zones Convention in Bangkok, Thailand.
• WFZO Conference. In May, NAFTZ members attended the 2nd annual conference of the World Free Zones Organization (WFZO) in Dubai, U.A.E. NAFTZ is a founding WFZO member. Former NAFTZ President, Dan Griswold, spoke at the event; NAFTZ director Kenneth Carlstedt represents the NAFTZ on the WFZO board of directors; and NAFTZ member Julie Brown also sits on the WFZO board.
• AZFA Conference. In September, former Board Chairman, Jose Quinonez, represented NAFTZ at the annual conference of the Asociacion de Zonas Francas de las Americas (AZFA) in San José, Costa Rica, where he signed a memorandum of understanding between AZFA and NAFTZ pledging continued cooperation and engagement. Current NAFTZ director, Torrey Chambliss, also attended this event.
• Brexit. In the wake of the U.K. Brexit vote, NAFTZ advised Members of Parliament about the U.S. FTZ program as a model to help boost the global competitiveness of British industry.
NAFTZ’s 44th Annual Conference was by all measures a great success. We had a record number of 22 exhibitors, who showcased the latest software, products and services in the industry, 90+ speakers and over 430 engaged attendees. FTZ professionals attended this single largest event of the year dedicated to FTZs to strategize, network, and learn about the newest developments in ACE Implementation and CBP’s Focused Assessment Program, among other topics.

During Monday’s General Session, NAFTZ Board Member Rebecca Williams moderated the Partner Government Agency (PGA) panel which included officials from key PGAs – Parul Patel with the U.S. Animal and Plant Health Inspection Service (APHIS) Lacey, Tamesha Woulard with the U.S. Fish and Wildlife Service (FWS), Roy Chaudet with the U.S. Environmental Protection Agency (EPA), and Andrew Seaborn with the U.S. Food and Drug Administration (FDA). The discussion focused on the current status and progress in implementing the single window initiative and the challenges of transitioning PGA compliance data into the ACE platform for FTZ trade.

As part of the U.S. FTZ Board Update, Executive Secretary, Andrew McGilvray, explained that the recent years’ high case numbers is reflective of quicker, simpler access to the FTZ program due to the Alternative Site Framework (ASF) and the overhaul of regulations in 2012. On the Annual Report to Congress, McGilvray stated the FTZ Board is looking to capture and report to Congress the full value of U.S. activity in FTZs including export activities, which is in sync with NAFTZ’s goals. For the first time, the FTZ Board training event for grantees was held during the Conference to avoid conflicting with the Grantee Track.

Sushan Demirjian, Deputy Assistant U.S. Trade Representative for Market Access and Industrial Competitiveness, was the keynote speaker at the NAFTZ members’ lunch on Oct. 19. Her remarks focused on major trade policy issues and the potential impact on the FTZ program and stakeholders. She spoke at length on the Trans-Pacific Partnership (TPP) agreement concluded among the United States and eleven Asia-Pacific countries.

The Annual Conference featured lively receptions where members could reconnect with old friends and make new ones. Port of Tampa Bay, JAXPORT, and Enterprise Florida kicked off the conference as our welcome reception sponsors featuring local high school musicians. GEODIS built on the excitement as the sponsor of the Grand Opening Exhibit Hall Reception. For the first time, NAFTZ secured a theme park with the help of our sponsors, Integration Point & Port of Houston Authority (POHA), for the Main Event Reception. This year marked a growth in the number of runners joining in the annual NAFTZ 5K Charity Run. 33 runners participated in the event; all donations went to the Osceola Council on Aging, a non-profit charitable organization.

The event app enhanced the overall event experience more than ever, with the number of downloads nearly doubling from last year to 322. Some attendees showed their competitive side in the photo scavenger hunt app game in great thanks to our event app sponsor PTSI.
2016 SEMINARS AND WEBINARS

ZONECAST WEBINARS

13 webinars hosted in 2016

Our 2016 Zonecast webinar series featured noted industry leaders sharing their experience and expertise on the major topics of interest to the foreign-trade zone community. Members were kept informed on a variety of subjects such as filing APHIS Lacey data through ACE, FTZ Board procedures to establish or modify sites, and the replacement of TD 72-56 with new FTZ security guidelines. Guest speakers included such names as Liz Whitman of the FTZ Board and Parul Patel of Animal and Plant Health Inspection Service (APHIS). In all, the webinars attracted 701 participants and were viewed 165 times on demand. These metrics show a significant increase in webinar attendance since 2012. NAFTZ featured live polling at seven webinars; we received an over 50 percent response rate per question which demonstrates this new technology was effective in increasing engagement.

FUNDAMENTALS OF FTZS SEMINAR

January 10-11, 2016, Long Beach, CA

58 Attendees

NAFTZ welcomed more than 50 attendees to its annual Fundamentals of FTZs Seminar. Speakers included Shana Head, Manager of FTZ Operations at Abbott Laboratories and Sonya Lopez-Sosa, FTZ Manager at Port of Corpus Christi—who provided practical experience and perspective from the operator/user and grantee side of FTZ operations. They guided newcomers through FTZ operational details and regulations and shared ways to use a Foreign-Trade Zone as part of their supply chain strategy. For the first time at Fundamentals, attendees answered industry-specific questions through the live polling feature on the event app.

LEGISLATIVE & REGULATORY SEMINAR

February 9, 2016, Washington DC

92 Attendees

Federal government officials, policy makers, and industry leaders from the foreign-trade zone industry community alike were eager to hear breaking news about ACE implementation, PGA message sets, and the FTZ survey on Uniform Treatment. The seminar began with a Congressional Trade panel, featuring Shane Warren, International Trade Counsel to Senator Hatch (Senate Majority), Nasim Deylami Fussell, Trade Counsel to the House Committee on Ways and Means, Trade Subcommittee of the U.S. House of Representatives (House Majority), and Keigan Mull, International Trade Counsel, U.S. House of Representatives (House Minority).
The panelists provided updates on a wide range of trade and FTZ-related issues, including the Trans-Pacific Partnership and Trans-Atlantic Trade and Investment Partnership agreements, Trade Promotion Authority, Customs Authorization, and the Miscellaneous Tariff Bill process.

In his FTZ Board Update, Executive Secretary Andrew McGilvray urged all grantees to complete the survey on Uniform Treatment that the FTZ Board issued on February 4 to all grantees with the intent to gather information in response to the Congressional requirement. Results from the survey were included in an FTZ Board’s special report to Congress.

In the ACE Implementation & ITDS session, Maria Luisa Boyce, Executive Director of U.S. Customs and Border Protection stated concerns about stakeholder readiness that necessitated an updated ACE timeline. Boyce encouraged NAFTZ members to file as early as possible to ensure business processes work within ACE, a point her colleague Stephen Hilsen, Lead Executive for the Single Window Initiative, reiterated.

The following day, an active delegation consisting of NAFTZ board members and past NAFTZ President Daniel Griswold visited 11 key congressional offices to reinforce NAFTZ’s priorities. They reminded Congress of the continued growth in the FTZ program and its importance to their home states’ economies. As it happened, full funding for completion of the Automated Commercial Environment (ACE), which has been NAFTZ’s number-one legislative priority for the past several years, was included in the Customs Reauthorization Bill that was called for a final Senate vote on February 10 and subsequently passed on February 12.

Annual Spring Seminar Draws Record Attendance of Industry Leaders
May 22-24, 2016, Nashville, TN
200 Attendees

“FTZs: Harmonizing Trade & Automation” was the official theme of this year’s conference. The event’s focus on the ACE 06 entry deadline and its implications for the FTZ industry attributed to the highest attendance over the last seven years. Mayor Megan Berry talked about the vibrancy of the manufacturer sector and the role of FTZs in Nashville’s economic success. Manufacturing is a driver in Nashville’s economic development, especially the automotive industry. Randy Boyd, Commissioner of the Tennessee Department of the Economic & Community Development, cited FTZs for bringing opportunities to Tennessee. The state’s FTZs consistently rank among the top ten in terms of imports and exports. During the education sessions, NAFTZ members were able to pose questions regarding the ACE timeline to government officials from key agencies like the Census Bureau, FDA, the FTZ Board, and CBP.

NAFTZ Board Member Trey Boring led a discussion of the impact of the new security standards on FTZs and other bonded facilities. On April 16, 2016 Customs Headquarters issued a new memorandum for all Customs bonded facilities which has replaced T.D. 72–56 in both the Bonded Warehouse Manual for CBP (Bonded Warehouse Proprietors: HB 3500–11) the CBP Foreign–Trade Zone Manual (Publication #0000–0559A, 2011). During the ACE Update session, NAFTZ Board Member Melissa Irmen reviewed the ACE implementation status, defined the 214 transition timing to ACE, and discussed the status of RLF filing for Type 06 entries. Irmen encouraged members to participate in PGA pilots in ACE and provided details on agencies currently piloting.

After the first full day of sessions, attendees and their guests were able to enjoy southern cuisine and live music at an evening reception held at Tequila Cowboy Bar & Grill thanks to our sponsor OHL/GEODIS. Some even took on the challenge of riding the mechanical bull at the venue. Seminar guests were also given a behind the scenes tour of Nissan’s FTZ plant operations. Guests eased in and out of assembly lines by tram to get a sneak peek at the intricate daily operations and staff behind their final products.
FTZ EXPORTS TRIPLE IN FIVE YEARS, FAR OUTPACING OVERALL EXPORT GROWTH

The Foreign-Trade Zones program remains a significant contributor to the U.S. economy in terms of employment and the size and value of trade (both exports and imports), according to the latest annual report of the U.S. Foreign Trade Zones Board to Congress covering 2015.

During that year, the value of goods exported directly from U.S. foreign-trade zones to foreign countries fell 15 percent from the previous year to $84 billion, due almost entirely to the steep drop in the global price of oil with significant ramifications for FTZ oil-refining operations. However, this decline appears to have been tempered by increased exports in other sectors in the zones program, including automotive, consumer electronics, and pharmaceuticals, which continued the consistent upward trend of previous years.

Despite volatility in the global petroleum market, petroleum refining remained a leading FTZ export sector in 2015. According to the FTZ Board’s annual report, refineries and petroleum-related operations accounted for 17 of the top 25 exporting subzones in 2015. As in previous years, motor vehicles and pharmaceuticals also represented major FTZ export sectors accounting respectively for five and two of the top 25 exporting subzones. Rounding out the count, Honeywell, in the aerospace sector, was reported as the top FTZ subzone exporter of 2015.

Employment in foreign-trade zones remained steady from 2014, with approximately 420,000 Americans working in FTZ activities in 2015. This may again be attributable to significant changes in the market for petroleum products as domestic oil and gas production in the United States increased and imports, demand, and prices declined, reducing the extent of FTZ activity by petroleum refiners. Again, this decline in the petroleum sector appears to have been mitigated by employment growth in other FTZ industry sectors.
FTZs also continue to play a key role in U.S. production and distribution operations that rely on global supply chains to remain competitive. In 2015, the value of shipments into zones totaled nearly $660 billion, of which $431 billion (65 percent) was for production operations and $228 billion for warehouse/distribution operations. About 63 percent of total shipments into the zones involved domestic-status merchandise, indicating FTZ production activities involve a combination of foreign inputs with significant domestic content.

Foreign-status inputs in FTZs totaled $231.5 billion in 2015, accounting for 10.2 percent of all U.S. imports of foreign goods. While this figure has trended down since 2012, this again appears to be mainly the result of the sharp drop in oil prices and petroleum’s declining share of total FTZ imports, which fell from 51 percent in 2014 to 32 percent in 2015. Meanwhile, non-petroleum products saw a significant increase over the same time period in the FTZ import share, reaching a record 7.5 percent of total U.S. goods imports in 2015. (See the chart on FTZ imports in this section).

Among non-oil products, the largest increases in foreign-status goods received into FTZs for production operations were consumer electronics; optical photographic and medical instruments; advanced fiber materials; dyes/pigments/paint; pharmaceuticals; and vehicle parts. The largest percentage increases for warehouse/distribution operations were machinery equipment, electrical machinery, consumer products, chemicals, and electronics.

During 2015, there were 262 approved FTZs; 186 active FTZs, with a total of 324 active production operations; and 2,900 firms using FTZs, each figure representing an increase over the previous year. During that year, the FTZ Board docketed 85 requests and issued 87 decisions, including the establishment of four new foreign-trade zones, the reorganization or expansion of 22 zones under the alternative site framework (ASF), and 54 applications and notifications for new or expanded production authority. Under delegated authority, the FTZ Board staff processed 181 additional requests including minor modifications and scope determinations.

"The FTZ program continues to demonstrate its value to the U.S. economy," said Erik Autor, President of the National Association of Foreign-Trade Zones. "Companies in many key American industries gain significant global competitive advantage by locating their production and distribution operations in U.S.-based FTZs, thereby boosting U.S. exports, manufacturing, investment, and jobs."

Erik Autor further noted, "While the FTZ program remains a vital part of America’s trade policy and helps support economic growth and a higher standard of living in America, the program can still be made an even more effective tool to promote U.S. manufacturing and jobs. Swift completion of the integration process enabling FTZ users full use of CBP’s Automated Commercial Environment (ACE) software compliance platform is critical, as is ensuring companies in U.S. FTZs can compete on equal terms with their foreign competitors, particularly in countries benefitting from free-trade agreements with the United States."
FTZ SECTOR SPOTLIGHT: PHARMACEUTICALS

The U.S. pharmaceutical sector is the largest in the world, accounting for half of global sales, and is one of the largest users of the U.S. Foreign-Trade Zone program. Companies, like Bayer, Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck, and Pfizer, are engaged in manufacturing and distribution in the FTZs, selling their products at home and abroad.

The FTZ program helps pharmaceutical companies maintain their global competitiveness through lower costs and improved supply-chain management and regulatory compliance.

In 2015, about $10 million in pharmaceutical products were received into U.S. FTZs, two-thirds of which was used for further processing/manufacturing in a zone. This is where unique features of an FTZ can be particularly useful, especially for pharmaceutical companies.

In a highly-competitive global pharmaceutical industry, the United States has certain competitive advantages, including strong intellectual-property protection laws and a large and open high-tech market economy. However, U.S.-based companies still face competitive hurdles.

While finished pharmaceutical products are largely duty free, many Active Pharmaceutical Ingredients (APIs) used to make those products must be imported and are subject to U.S. tariffs. This “inverted tariff” places U.S. manufacturers at a competitive disadvantage and promotes offshoring – problems the FTZ program was specifically designed to offset.

To help U.S.-based pharmaceutical companies compete globally on a more equal tariff footing, the FTZ program permits zone manufacturers to elect to pay the lower or zero duty on the final product when it leaves the zone for sale in U.S. commerce – the same rate paid by competing imported products – rather than the higher duty on APIs when they land at a U.S. port or are brought into the zone. Moreover, if the pharmaceutical product is exported to a foreign country from a zone, the company pays no duty at all on the inputs or final product.

In addition to tariff savings, FTZs offer further benefits to pharmaceutical companies, including more efficient supply-chain management. For example, direct-delivery procedures and the electronic e214 process allow for expeditious admission of goods into a zone, reducing the time ingredients and other inputs must be held in inventory. This is especially important for “cold chain” APIs requiring a constant temperature-controlled environment.
For goods exiting a zone for U.S. sale, the Type 06 Weekly Entry customs process provides pharmaceutical companies additional savings in supply-chain management. This process offers efficiencies by allowing consolidation of shipments into a single rather than multiple customs entries over the course of a week, and the opportunity to reduce customs administrative fees. U.S. Customs and Border Protection (CBP) and the U.S. Food and Drug Administration (FDA) release goods more quickly. Companies can also use their U.S. FTZ facilities and workforce to provide distribution services (e.g., product fulfilment) to domestic and foreign customers.

As supply chains for developing new pharmaceutical products become more complex, FTZs can speed the process of getting new products to market by streamlining the flow of imported materials to FTZ research facilities. Regulated product can be admitted into an FTZ and further enhanced and packaged while awaiting FDA approval for product launch. Expediting these processes while maintaining effective agency oversight on product safety and other important compliance issues, is especially critical for underserved patient populations and those with immediate treatment needs.

The FTZ program also offers companies an efficient compliance system that enhances product safety and facilitates enforcement. For example, FDA inspection occurs when products are ready to be shipped from a zone for U.S. sale, rather than when admitted into a zone.

FTZs also enhance enforcement and compliance through strong supply-chain controls with secure areas and restricted access. To maintain this system, pharmaceutical companies and other FTZ operator/users build trusted relationships with CBP, FDA, and other agencies. The stringent rules of the FTZ program provide users strong incentives to adopt high-standard compliance measures and avoid violations. Meanwhile, strong enforcement measures remain in force as regulatory agencies retain full authority to inspect and audit goods admitted into an FTZ at any point in the process.

Finally, the large number of foreign pharmaceutical companies operating in U.S. FTZs demonstrates the program’s value in attracting foreign direct investment to the United States and generating thousands of jobs for American workers in this high value-added manufacturing sector.
NEW FOREIGN-TRADE ZONES, ASF REORGANIZATIONS, SUBZONES & PRODUCTION ACTIVITIES APPROVED IN 2016

NEW FOREIGN-TRADE ZONES

The FTZ Board approved two new FTZs 2016 under the Alternative Site Framework.

<table>
<thead>
<tr>
<th>Zone Location</th>
<th>Zone No.</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Pennsylvania</td>
<td>FTZ 295</td>
<td>01/04/16</td>
</tr>
<tr>
<td>Vancouver, WA</td>
<td>FTZ 296</td>
<td>10/18/16</td>
</tr>
</tbody>
</table>

ALTERNATIVE SITE FRAMEWORK REORGANIZATIONS

The FTZ Board approved 17 applications for reorganization under the Alternative Site Framework in 2016. As of Dec. 31, 2016, there are 157 zones organized under the ASF, with nine applications pending.

<table>
<thead>
<tr>
<th>Zone Location</th>
<th>Zone No.</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort Wayne, IN</td>
<td>FTZ 182</td>
<td>02/22/16</td>
</tr>
<tr>
<td>Van Wert County, OH</td>
<td>FTZ 151</td>
<td>04/27/16</td>
</tr>
<tr>
<td>Palmdale, CA</td>
<td>FTZ 191</td>
<td>05/13/16</td>
</tr>
<tr>
<td>Pickens/Greenwood/Abbeville Counties, SC</td>
<td>FTZ 38</td>
<td>06/02/16</td>
</tr>
<tr>
<td>Charleston, SC</td>
<td>FTZ 21</td>
<td>06/02/16</td>
</tr>
<tr>
<td>Oneida County, NY</td>
<td>FTZ 172</td>
<td>07/29/16</td>
</tr>
<tr>
<td>Livingston/Lenawee Counties, MI</td>
<td>FTZ 70</td>
<td>07/29/16</td>
</tr>
<tr>
<td>Neosho, MO</td>
<td>FTZ 225</td>
<td>07/29/16</td>
</tr>
<tr>
<td>Grand Forks, ND</td>
<td>FTZ 103</td>
<td>07/29/16</td>
</tr>
<tr>
<td>Lenoir County, NC</td>
<td>FTZ 214</td>
<td>09/15/16</td>
</tr>
<tr>
<td>Mobile, AL</td>
<td>FTZ 82</td>
<td>09/21/16</td>
</tr>
<tr>
<td>Alexandria, LA</td>
<td>FTZ 261</td>
<td>11/01/16</td>
</tr>
<tr>
<td>Albuquerque, NM</td>
<td>FTZ 110</td>
<td>11/01/16</td>
</tr>
<tr>
<td>Acheson/Jefferson/Franklin Counties, KS</td>
<td>FTZ 17</td>
<td>11/19/16</td>
</tr>
<tr>
<td>Elizabeth City, NC</td>
<td>FTZ 20</td>
<td>11/19/16</td>
</tr>
<tr>
<td>Wilson County, NC</td>
<td>FTZ 93</td>
<td>11/19/16</td>
</tr>
<tr>
<td>Lake Elsinore, CA</td>
<td>FTZ 224</td>
<td>11/19/16</td>
</tr>
</tbody>
</table>

ESTABLISHMENT OR EXPANSION OF FTZ SUBZONES

The following chart lists 28 new or expanded FTZ subzones under the Traditional Site Framework (TSF) the FTZ Board approved in 2016 (not including ASF-approved subzones or usage-driven sites).

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Subzone</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>MannKind Corp.</td>
<td>Danbury, CT</td>
<td>76B</td>
<td>01/21/16</td>
</tr>
<tr>
<td>CNH Industrial America</td>
<td>Benson, MN</td>
<td>199L</td>
<td>01/26/16</td>
</tr>
<tr>
<td>Nissan North America</td>
<td>Smyrna, TN</td>
<td>78A</td>
<td>02/22/16</td>
</tr>
<tr>
<td>Black &amp; Decker</td>
<td>Rialto/Fontana, CA</td>
<td>243A</td>
<td>03/09/16</td>
</tr>
<tr>
<td>FTZ Networks Inc.</td>
<td>Olive Branch, MS</td>
<td>287A</td>
<td>03/31/16</td>
</tr>
<tr>
<td>H-J Enterprises Inc.</td>
<td>High Ridge, MO</td>
<td>102E</td>
<td>04/27/16</td>
</tr>
<tr>
<td>Nissan North America</td>
<td>Smyrna, TN</td>
<td>78A</td>
<td>06/02/16</td>
</tr>
<tr>
<td>Cabela’s Inc.</td>
<td>Tooele, UT</td>
<td>30B</td>
<td>06/02/16</td>
</tr>
<tr>
<td>Cummins Inc.</td>
<td>Jamestown, NY</td>
<td>23D</td>
<td>06/02/16</td>
</tr>
<tr>
<td>Thoma-Sea Marine</td>
<td>Lockport, LA</td>
<td>279A</td>
<td>06/02/16</td>
</tr>
<tr>
<td>Flemish Master Weavers</td>
<td>Franklin, ME</td>
<td>186A</td>
<td>07/28/16</td>
</tr>
<tr>
<td>Barrett Dist. Centers Inc.</td>
<td>Franklin, MI</td>
<td>27O</td>
<td>07/29/16</td>
</tr>
<tr>
<td>Premcor Refining Group</td>
<td>Port Arthur, TX</td>
<td>116C</td>
<td>07/29/16</td>
</tr>
<tr>
<td>Phillips 66</td>
<td>Brazoria, TX</td>
<td>149C</td>
<td>08/02/16</td>
</tr>
<tr>
<td>Rooms To Go</td>
<td>Toa Baja, PR</td>
<td>61R</td>
<td>08/10/16</td>
</tr>
<tr>
<td>Space Systems/Loral Inc.</td>
<td>San Jose, CA</td>
<td>18E</td>
<td>08/16/16</td>
</tr>
<tr>
<td>Westlake Chemical</td>
<td>Geismar, LA</td>
<td>154C</td>
<td>08/17/16</td>
</tr>
<tr>
<td>Next Level Apparel</td>
<td>Ashford, AL</td>
<td>233A</td>
<td>08/23/16</td>
</tr>
<tr>
<td>Givaudan Flavors Corp.</td>
<td>East Hanover, NJ</td>
<td>44H</td>
<td>08/30/16</td>
</tr>
<tr>
<td>Michaels Stores</td>
<td>Hazleton, PA</td>
<td>24D</td>
<td>09/22/16</td>
</tr>
<tr>
<td>Tesla Motors</td>
<td>Fremont, CA</td>
<td>18G</td>
<td>10/05/16</td>
</tr>
<tr>
<td>Westlake Chemical</td>
<td>Sulphur, LA</td>
<td>87F</td>
<td>10/25/16</td>
</tr>
<tr>
<td>G2 LNG LLC</td>
<td>Cameron, LA</td>
<td>291A</td>
<td>11/01/16</td>
</tr>
<tr>
<td>ASICS America Corp.</td>
<td>Byhalia, MS</td>
<td>262C</td>
<td>11/16/16</td>
</tr>
<tr>
<td>Huntington Ingalls Indus.</td>
<td>Pascagoula, MS</td>
<td>92B</td>
<td>11/16/16</td>
</tr>
<tr>
<td>LOOP LLC</td>
<td>Cut Off, LA</td>
<td>124D</td>
<td>11/29/16</td>
</tr>
<tr>
<td>Valero Refining Co.</td>
<td>Corpus Christi, TX</td>
<td>122J</td>
<td>11/29/16</td>
</tr>
<tr>
<td>Romark Global Pharma</td>
<td>Manati, PR</td>
<td>7P</td>
<td>12/12/16</td>
</tr>
</tbody>
</table>

In 2016, the FTZ Board also authorized 53 production activity requests in zones and subzones for a wide range of products, including construction machinery and forestry equipment (Deere–Hitachi), wind–turbine nacelles and locomotives (GE), passenger vehicles (Volkswagen), data–processing machines (Flextronics), elevator parts (KONE), insulin (MannKind), jewelry (Zale), semi–conductors (Samsung), upholstered furniture (Klaussner et al.), shipbuilding (Thoma–Sea Marine Constructors & Gulf Island Shipyards), passenger jet aircraft (Gulfstream), pharmaceutical products (Lilly), rugs (Flemish Master Weavers), flavor products (Givaudan), ion batteries and electric motors (Tesla), and HVAC systems (Carrier).
WHAT’S AHEAD FOR NAFTZ MEMBERS IN 2017

FTZ BOARD CALENDAR

• March 31, deadline for all grantees to report 2016 zone activity to FTZ Board.
• FTZ Board’s 78th Annual Report to Congress on FTZ Activity in 2016, likely to be released in late August or early September.

REGULATORY ACTION

• Second half of 2017, CBP will complete migration of e214 admissions from the legacy Automated Commercial System (ACS) to ACE.
• End of 2017, compliance message sets for admissions PGAs will be added to e214 admissions in ACE.

ADMINISTRATION AND CONGRESSIONAL ACTION

• The new Administration and Congress will start unveiling their approach to international trade policy, including the fate of NAFTA, with an expected strong emphasis on enforcement and compliance and ways to promote exports and limit imports and offshoring of jobs.
• NAFTZ plans annual Congressional visits February 15.

NAFTZ SCHEDULED EVENTS

**Fundamentals of FTZs**
January 8–9, 2017
DoubleTree Suites, Orlando, FL

**Annual Spring Seminar**
May 21–23, 2017
Hilton Palacio del Rio, San Antonio, TX

**Legislative Summit**
February 14, 2017
Loews Madison Hotel, Washington, DC

**Annual Conference & Exposition**
October 22–25, 2017
The Westin San Diego, San Diego, CA

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.
NAFTZ’S POLICY AGENDA FOR 2017

The NAFTZ Board of Directors set the following policy objectives as top priorities for 2017.

1. **A smooth transition of FTZs to the Automated Commercial Environment (ACE).** In cooperation with U.S. Customs and Border Protection (CBP), NAFTZ is advocating realistic deadlines with adequate opportunity for testing software compatibility, and full participation of key Partner Government Agencies (PGAs) in the International Trade Data System (ITDS). As foreign-trade zones process about 10 percent of total U.S. merchandise imports, full and timely integration of FTZs into ACE is vital to maintain the flow of international commerce across America’s borders.

2. **ACE programming for the FTZ e214 admission.** NAFTZ is working with CBP to ensure expeditious transfer of the e214 admission process for goods brought into FTZs from the legacy Automated Commercial System (ACS) software platform into ACE. NAFTZ is also working to facilitate adding PGA message sets into the e214 through ACE for those PGAs needing their compliance data for FTZ goods before entry from a zone into U.S. customs territory. Until that PGA integration process is complete, NAFTZ also seeks a viable interim compliance process that will fulfill the PGA’s enforcement mandate while minimizing unnecessary burdens on FTZ filers.

3. **Revise the FTZ Board’s “production scope of authority” regulations.** Current regulations do not adequately allow FTZ operator/user companies sufficient flexibility to modify their approved list of imported components and/or finished products to accommodate changing demands of global competition. NAFTZ has urged the FTZ Board to introduce changes that would allow use of six-digit Harmonized Tariff Schedule (HTS) numbers to define the scope of production authority (versus written commercial description), and a retrospective notification process to allow companies to maintain full compliance and keep assembly lines in operation. NAFTZ seeks a pilot program for both concepts and new regulations where necessary.

4. **Revise Customs Part 146 FTZ regulations.** The customs regulations governing FTZs have changed little since 1986. NAFTZ advocates modernizing these regulations to account fully for the revolution in CBP automation and sweeping changes in modern global supply-chain management. NAFTZ seeks an expansion of direct delivery and elimination of the outdated five-day rule and the blanket 216 for manufacturing, manipulation, and exhibition. NAFTZ also seeks a proposed rule to transform the regulations, including those under subpart H dealing with the petroleum sector, to meet the 21st century needs of CBP, the FTZ community, and our more globally-integrated U.S. economy.

5. **Trade Equality for American Manufacturers (TEAM).** Enactment of free trade agreements since 1994 have exposed FTZ producers to increased competition from imports from FTA partner countries. In some cases, these foreign imports face lower duties than products made by American workers in FTZs. NAFTZ seeks to work with the new Administration and Congress to ensure that when U.S. tariffs are eliminated on imported components for factories in our NAFTA partner countries, U.S. manufacturers in U.S. FTZs get the same duty-free treatment on their components.

6. **Drawback parity.** NAFTZ seeks revisions of the NAFTA rules on drawback (i.e., duty refunds on exported goods) to ensure U.S. FTZ manufacturers can compete equally with companies in Canada and Mexico, which have rules relieving their manufacturers from duty on goods destined for export.

**Additional policy goals of NAFTZ in 2017**

- If the new Administration and Congress advance corporate tax reform with a border adjustable consumption tax, NAFTZ will advocate that the proposal must account for the FTZ program in ways that enhance and avoid handicapping the program.
- The Government Accountability Office (GAO) is examining the FTZ Board process for approving production authority applications facing certain domestic opposition. Where appropriate, NAFTZ will work to advance reforms in this process to allow broader utilization of the program.
- With the recent increase of the U.S. duty-free de minimis level to $800, NAFTZ is examining the impact on the FTZ program with an eye to mitigating any adverse consequences.
BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD
Trey Boring
Sr. Vice President
IMS Worldwide, Inc.

VICE CHAIRMAN
Rebecca Williams
Managing Director
Rockefeller Group

DIRECTORS
Angie Atwood
FTZ Administrator
Columbus Regional Airport Authority

Frankie Bryson
Manager, Import Compliance
Nissan North America

William Carr
US Customs Compliance
Phillips 66

Torrey Chambliss
Manager, FTZ & Cargo,
Business Development
Port of Tampa Bay

Lesley Couch
Principal
Indigo Trade Solutions

Shannon Fura
Partner
Page Fura, P.C.

TREASURER
Cornelia Steinert
Program Manager
International Trade,
Canon Virginia, Inc.

SECRETARY
Kenneth Carlstedt
Global Compliance Manager,
Momentive Performance Materials

COMMITTEE CHAIRS

CHAIR, ACCREDITATION COMMITTEE
Amie Ahanchian
Managing Director
KPMG LLP

CHAIR, AUTOMATION COMMITTEE
Elizabeth Connell
Vice President – Product Management
Integration Point

CHAIR, CUSTOMS COMMITTEE
Curtis Spencer
President
IMS Worldwide, Inc.

CHAIR, GRANTE COMMITTEE
Sean Maguire
Director of Economic Development,
Capital District Regional Planning Commission

CHAIR, INTERNAL POLICY MANUAL COMMITTEE
Shannon Fura
Partner
Page Fura, P.C.

CHAIR, MEMBERSHIP COMMITTEE
Eric Berry
Director, Trade Services
PointTrade Services, Inc.

CHAIR, OPERATOR/USER COMMITTEE
Shana Head
FTZ Managed Services
Indigo Trade Solutions

CHAIR, PROGRAM COMMITTEE
Shane Williams
FTZ Administrator
Port of Houston Authority

CHAIR, REGULATED INDUSTRIES COMMITTEE
Sean Murray, Esq.
Partner
Miller & Company P.C.

CHAIR, PETROLEUM COMMITTEE
Ron Coppola
Yield Accounting & US Customs Compliance Manager, Monroe Energy, LLC

STAFF

Erik Autor
President

Jarmila Zapata
Senior Manager of Communications & Member Services

Victoria Cartwright
Director of Events & Education

Melvin Morris
Manager of Accounting & Administration

James Grogan
Senior Manager
Ernst & Young LLP

Trudy Huguet
Director of FTZ Services
GEODIS

Melissa Irmen
SVP, Products & Strategy
Integration Point

Sean Lydon
President
ISCM Inc.

Shane Williams
FTZ Administrator
Port of Houston Authority

HONORARY DIRECTOR
Domenick Gambardella
Pricewaterhouse–Coopers, LLP

Erik Autor
President

Jarmila Zapata
Senior Manager of Communications & Member Services

Victoria Cartwright
Director of Events & Education

Melvin Morris
Manager of Accounting & Administration

James Grogan
Senior Manager
Ernst & Young LLP

Trudy Huguet
Director of FTZ Services
GEODIS

Melissa Irmen
SVP, Products & Strategy
Integration Point

Sean Lydon
President
ISCM Inc.

Shane Williams
FTZ Administrator
Port of Houston Authority

HONORARY DIRECTOR
Domenick Gambardella
Pricewaterhouse–Coopers, LLP
PAST BOARD CHAIRMEN/PRESIDENTS & HONORARY LIFE MEMBERS

PAST BOARD CHAIRS AND PRESIDENTS

2015–2016 Jose Quinonez, Economic Development Department, County of El Paso
2013–2015 Jan Frantz, BC/CAL/KAL Inland Port Development Corp.
2012–2013 Scott Wienke, Abbvie, Inc.
2011–2012 Lewis Leibowitz, Hogan Lovells US LLP
2009–2011 Linda C. Hothem, Pacific American Group
2007–2009 Brandi B. Hanback, Rockefeller Group
2003–2005 Phyllis Saathoff, Port Freeport
1999–2001 Dom Gambardella, PricewaterhouseCoopers, LLP
1997–1999 Karen Sager, FTZ Consulting LLC
1991–1993 Catherine Durda, FTZ 49, New York, NY
1989–1991 Tommy L. Berry, PointTrade Services, Inc.
1985–1987 Roy Jaeger, FTZ 49, Newark, NJ
1977–1979 Craig J. Rovzar, FTZ 18, San Jose, CA
1973–1975 Homer A. Maxey, FTZ 9, Honolulu, HI

HONORARY LIFE MEMBERS

1979 Homer A. Maxey, Jr., FTZ 9, Honolulu, HI
1986 Robert N. Dee, FTZ 2, New Orleans, LA
1988 Joseph O’Connor, FTZ 44, Mount Olive, NJ
1993 Dennis J. Curran, Sandler & Travis Trade Advisor
1995 Tommy L. Berry, PointTrade Services, Inc.
2000 Greg Jones, Foreign–Trade Zone Corporation
2007 Domenick Gambardella, PricewaterhouseCoopers, LLP
2007 Karen Sager, FTZ Consulting LLC
2008 Donnie Barnes, BMW Manufacturing Co., LLC
2008 David Ostheimer, Lamb & Lerch
# Audited Financial Statements

**National Association of Foreign-Trade Zones Statement of Activities for the Years Ended December 31, 2014 and 2015**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support &amp; Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dues</td>
<td>$608,970</td>
<td>$566,720</td>
</tr>
<tr>
<td>Registrations</td>
<td>480,550</td>
<td>469,758</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>134,760</td>
<td>126,200</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,155</td>
<td>7,791</td>
</tr>
<tr>
<td>Exhibit booths</td>
<td>31,000</td>
<td>39,500</td>
</tr>
<tr>
<td>Other income</td>
<td>16,009</td>
<td>11,955</td>
</tr>
<tr>
<td><strong>Total Support &amp; Revenue</strong></td>
<td>$1,272,444</td>
<td>$1,221,924</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$352,581</td>
<td>$315,026</td>
</tr>
<tr>
<td>Conference &amp; seminars</td>
<td>260,463</td>
<td>303,702</td>
</tr>
<tr>
<td>Professional fees</td>
<td>129,719</td>
<td>290,849</td>
</tr>
<tr>
<td>Rent</td>
<td>86,420</td>
<td>89,203</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>64,978</td>
<td>64,801</td>
</tr>
<tr>
<td>Communications</td>
<td>24,897</td>
<td>31,708</td>
</tr>
<tr>
<td>Printing</td>
<td>24,427</td>
<td>27,780</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>26,530</td>
<td>27,258</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>24,513</td>
<td>20,713</td>
</tr>
<tr>
<td>Website</td>
<td>5,844</td>
<td>18,038</td>
</tr>
<tr>
<td>Insurance</td>
<td>14,882</td>
<td>17,708</td>
</tr>
<tr>
<td>Taxes</td>
<td>14,713</td>
<td>15,372</td>
</tr>
<tr>
<td>Travel</td>
<td>9,495</td>
<td>12,545</td>
</tr>
<tr>
<td>Equipment rental &amp; maintenance</td>
<td>10,239</td>
<td>10,132</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>11,060</td>
<td>6,394</td>
</tr>
<tr>
<td>Publications &amp; subscriptions</td>
<td>6,052</td>
<td>6,175</td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,562</td>
<td>6,080</td>
</tr>
<tr>
<td>Postage &amp; delivery</td>
<td>6,376</td>
<td>5,166</td>
</tr>
<tr>
<td>Supplies</td>
<td>9,514</td>
<td>4,554</td>
</tr>
<tr>
<td>Contract labor</td>
<td>2,320</td>
<td>2,168</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,091,585</td>
<td>$1,275,372</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$ (53,448)</td>
<td>$ 180,859</td>
</tr>
<tr>
<td><strong>Other Income (Expense)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized &amp; unrealized investment gains (losses)</td>
<td>1,501</td>
<td>(15,651)</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>$182,360</td>
<td>$(69,099)</td>
</tr>
<tr>
<td><strong>Net Assets, Beginning of Year</strong></td>
<td>479,601</td>
<td>661,961</td>
</tr>
<tr>
<td><strong>Net Assets, End of Year</strong></td>
<td>$661,961</td>
<td>$592,862</td>
</tr>
</tbody>
</table>
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. Congress established the program in 1934 with passage of the Foreign-Trade Zones Act.

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. Since 2009, a majority of active zones have re-organized under the Alternative Site Framework, which allows a simpler and expedited process for designating “subzones” and “usage-driven sites” at the facilities of specific companies.

The other important federal agency involved in the FTZ program is U.S. Customs and Border Protection (CBP), which 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 all zone procedures are in compliance with the Foreign-Trade Zones Act, and 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.
GET INVOLVED

There are several ways you can show your support for the foreign-trade zone industry. Contributing your time, resources and enthusiasm can make a difference. Whatever choice you make, we are deeply grateful for your support. Learn more at www.naftz.org/get-involved.

ADVOCACY

We are on the frontlines every day promoting the FTZ program and ensuring the interests of the FTZ industry. Learn about our federal priorities and find out how advocacy begins with you.

Contact Erik Autor — eaautor@naftz.org

MEMBERSHIP

Stay relevant in this fast-paced industry by joining the nation’s largest association of FTZ professionals. Members gain access to exclusive tools and resources.

Contact Jarmila Zapata — jzapata@naftz.org

SPONSORSHIP

We are always seeking partners to participate in future FTZ industry events through our sponsorship programs. Learn how partnering with the NAFTZ can be mutually beneficial.

Contact Victoria Cartwright — vcartwright@naftz.org

JOIN THE CONVERSATION

Facebook /naftz  Twitter @NAFTZ  LinkedIn bit.ly/NAFTZLinkedIn