

BREAK THROUGH

The Fundamentals
of FTZs

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FOREIGN TRADE ZONES— DEFINITIONS, PURPOSES, LEGAL STATUS

Foreign Trade Zones (FTZs)



- Secure areas located in or “adjacent to” a Customs Port of Entry
- Legally outside the US Customs territory
- Any merchandise not prohibited by law may be admitted to an FTZ
- Merchandise in an FTZ may be
 - Assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed, & destroyed
 - Retail trade is not allowed

Purposes of the FTZ Program



- Many countries have free zones to expedite and encourage foreign commerce
 - Entrêpôts
 - Special Economic Zones
 - Export Processing Zones
 - Free Zones
 - Maquiladoras
- Purpose of the U.S. FTZ Act of 1934 was to “expedite and encourage foreign commerce”
 - Part of effort to revitalize trade after Smoot Hawley Act of 1930 and the Great Depression
 - Create Jobs and Investment in the US that could otherwise take place overseas

Key Developments



- Milestones of FTZ Program
 - 1934—signed into law
 - 1950—manufacturing, exhibition, zone restricted status permitted in FTZs, subject to FTZ Board approval
 - 1977—first auto assembly plant with FTZ status
 - 1980—domestic value added and materials ruled NOT part of dutiable value
 - 1986—introduction of audit-inspection system for FTZs
 - 1987—exemption from annual and activation fees for FTZs
 - 1996—production equipment admitted to zones without payment of duty
 - 2000—weekly entry for all zones

National Benefits of FTZ Program



- US operations become more globally competitive
 - More jobs in the US
 - More exports to global markets
- National Export Initiative
 - Only ___ percent of US manufacturers export
 - National goal to double exports from 2009 to 2014

What Does This Mean to Business?



- ‘Outside the Customs Territory’ is the legal position that provides the benefits of the FTZ program
- Goods in zones are considered to be part of international commerce, not domestic
- It is only once goods leave the zone to enter the commerce of the US, that normal tariff and Customs regulations apply to those goods

General-Purpose Zone



- A site or facility that provides multiple users with varying types of merchandise access to the benefits of the FTZ Program
- Original concept was a public warehouse
- Evolved to include industrial parks or port complex where sites/facilities are available for use by multiple users
- Serves as the sponsoring zone for any subzone

Subzone



- Normally single-purpose, single user sites when the operations cannot feasibly be moved to, or accommodated in a general purpose zone
- Frequently, an established manufacturing or large distribution operation



THE NAFTAZ

Meet the NAFTZ



- The “voice of the foreign trade zones program”
- Trade association of state and local government entities, public development organizations, private corporations, consultants and lawyers involved in the US FTZ program
- Advocate for economic benefits to the economy from FTZs
- Educate participants, regulators and opinion leaders about the FTZ program



FEDERAL GOVERNMENT IN THE FTZ PROGRAM

FTZs and Customs



- FTZs are one of many Customs procedures to import and export merchandise
- Federal regulation is a feature of all these processes

FTZ Board



- The FTZ Board is composed of the Secretary of Commerce and Secretary of Treasury
- Alternates of each Secretary are empowered to perform many functions of the FTZ Board
- FTZ Board is authorized to consider making grants to establish, expand, operate, and maintain FTZs in all forms
- Prescribes rules and regulations to establish and operate zones
- Requires submission of reports regarding information related to zone operations
- Prepares annual report of FTZ activity to Congress

FTZ Board Alternates



- Alternates may perform duties of the members of the Board
 - Assistant Secretary of Commerce for Import Administration
 - Deputy Assistant Secretary of Treasury for Tax, Trade and Tariff Policy

FTZ Board Executive Secretary



- Director of Foreign Trade Zones Staff
- Represents Board in administrative, regulatory, and operational matters
- Initiates recommendations to the Board for overall administration of the FTZA
- Approves boundary modifications with concurrence of appropriate Port Director
- Accepts rate schedules and determines their sufficiency under the regulations

U.S. Customs and Border Protection (CBP)



- Regulation of imports into U.S.
- Regulates merchandise moving into and out of FTZs
- Collects Customs duties and fees
- Ensures adherence to laws and regulations governing imported and exported merchandise