Hello NAFTZ members and friends,

With best wishes to all of you for a joyous holiday season, welcome to the December 2014 Zones Report.

Representing NAFTZ member interests, a group consisting of your Board of Directors Vice Chairman José Quinonez, Board member Melissa Irmen, NAFTZ General Counsel Marshall Miller, NAFTZ President Dan Griswold and I held the final set of 2014 quarterly meetings last week in Washington, DC. We pulled together this group of subject matter experts to address issues you consider of prime importance.

On December 4, we had the distinct opportunity to meet at Customs and Border Protection with Steven Lubel of the ACE Business Office, Steven Graham of the Office of Trade Relations; and Lydia Jackson, Gary Rosenthal, and Dennis McKenzie of the Office of Field Operations. We addressed timely topics including expansion of direct delivery and the removal of any remaining obstacles to more widespread use of the FTZ identifier in AES. (Please see NAFTZ News below for full details.)

At midday over box lunches, we met in the Rayburn House Office Building for a briefing with the House Manufacturing Caucus. Before an audience of two dozen congressional staff members, Dan Griswold provided an overview of the FTZ program, including record exports in 2013, its success in attracting manufacturing investment to the United States, and the FTZ program as a long-term alternative to the often-stalled Miscellaneous Tariff Bill.

Additionally, we briefed the House Manufacturing Caucus on the expanding issue of inequity between duties on FTZ entries and U.S. Free Trade Agreement imports. This outstanding session was pulled together by Brian Hannigan of Smith, Dawson and Andrews (NAFTZ Public Affairs Advisor) and supported by the offices of Representative Tom Reed and Representative Tim Ryan.

The afternoon wrapped up in the U.S. Commerce Department Building with Andrew McGilvray, Executive Director of the Foreign-Trade Zones Board. The discussion focused on the upcoming publication online of FTZ zones schedules, and the FTZ Board’s participation in upcoming NAFTZ webinars on the filing of annual reports.

Reflecting on NAFTZ highlights of 2014, the following NAFTZ committees, task forces and working groups contributed substantially to the future FTZ environment. We extend a special welcome to new committee chairs. At the September Board of Directors meeting I appointed Shane Williams to chair the Program Committee and Eric Berry to chair the Membership Committee. Williams and Berry bring expertise, experience and fresh enthusiasm to the appointments. Williams administers FTZ No. 84 at the Port of Houston Authority and Berry is with Point Trade Services Inc., based in Panama City, Florida.

The Grantee Committee chaired by Angie Atwood took on the opportunity-rich task of referencing a list of companies adversely affected by the expiration of the Miscellaneous Tariff Bill to attract new FTZ users.

The Operator/User Committee chaired by Lesley Couch ramped up a new Distribution and Warehousing Subcommittee led by Karen Kay. Among other interests, the subcommittee will review proposed changes to CBP form 5106 and the e214 migration to ACE.

A Site Visit Checklist Working Group chaired by Board member Cornelia Steinert answered the request from CBP’s Office of Field Operations to develop a list of appropriate guidelines when conducting site visits. An ancillary list of best practices is welcomed by Grantees.
CHAIRMAN’S LETTER (CONTINUED)

Under the leadership of Rebecca Williams, the Consumer Product Safety Commission Working Group tackled a proposed rule on certificates of compliance, and submitted valuable comments about the impact of the proposed rule on FTZ operations.

Melissa Irmen and the ACE Task Force have tirelessly addressed AES data issues between Census and CBP, a new PGA Subcommittee to engage on the ACE/ITDS project, and much more.

With Immediate Past Chair Scott Wienke at the helm, the Advisory Council of Past Chairs committed to developing an NAFTZ position on Direct Delivery.

All committees, task forces and working groups are important to the NAFTZ. I look forward to providing more details in future Zones Reports.

Sincerely,

Jan Frantz, Chairman

PRESIDENT’S LETTER

Dear NAFTZ Members:

2014 is ending with a flurry of activity at NAFTZ. To help you gain the most from the FTZ program, for your company and community, our ZoneCast webinar series has ended the year by covering two timely topics: On December 4, Melissa Sadlon of AbbVie and Shana Head of Abbott covered “FTZ Record Keeping A-Z,” and this week, on December 10, Sean Lydon of ISCM Inc. and Julie Ritenour of Mitsubishi Power Systems are tackling “Accurate Annual Reporting for FTZs.” This week’s webinar is aimed at helping NAFTZ member companies calculate and report more complete export numbers in their annual reports to the FTZ Board, including value added in the zone. Our Manager of Education and Meetings Victoria Cartwright is working with the Webinar Subcommittee to develop a lineup of fresh and compelling webinar topics for 2015.

Looking ahead, all the final pieces are falling into place for the 2015 Fundamentals of FTZs Seminar January 4-5 in Austin, Texas. Organized by NAFTZ board member Jim Maloney of the Port of San Francisco, next month’s Fundamentals will feature two experienced FTZ professionals representing major FTZ operator/user companies. Teaming up to present the day-long program will be Virginia Thompson, Senior Director of Import/Export Operations and International Trade Compliance for Euromarket Designs, Inc., parent company of the retailer Crate and Barrel; and Frankie Bryson, NAFTZ board member and Manager of Import Compliance for Nissan North America, Inc.
Meanwhile, the Program Committee under the leadership of its new chairman Shane Williams of the Port of Houston is finalizing the program for the 2015 Legislative and Regulatory Seminar to be held on Tuesday, February 10 in Washington, D.C. We will hear first-hand updates on what is happening in Washington with U.S. trade policy and FTZ regulations, and you will be able to interact with key officials from Customs, the FTZ Board, and the congressional committees that oversee trade legislation and the FTZ program. You can view the planned program [here](#).

Showing that it can multitask, the Program Committee is also busy putting together the program for the 2015 Spring Seminar to be held May 17-19 in Tampa, Florida. Along with a line-up of practical and timely topics for our members, the Program Committee is also working to add more advanced sessions covering topics of more detailed and specialized interest. Check the NAFTZ website in the second half of February for highlights and details of the program.

As NAFTZ seeks to provide the education and training you need to thrive in your workplace, we are also working hard to expand the benefits of the program through effective advocacy in Washington. On December 4, an NAFTZ delegation visited the Washington headquarters of U.S. Customs and Boarder Protection to advocate for expanded use of direct delivery. We also pushed for an accelerated timetable for Customs to comprehensively rewrite its Part 146 regulations of FTZs. (The last time the regulations were fully revised was in 1986—back when the Fax machine and 3 1/2 inch floppy disks were cutting-edge technology.) Please see the letter above by our Board Chair Jan Frantz and a story below for more details about the results of our meetings in Washington last week and our ongoing advocacy efforts elsewhere.

Developments in the past month have reminded me that the U.S. FTZ program does not operate as an island separated from the rest of the world. Our operator/user companies are by definition importing from and exporting to foreign markets. Our grantees are marketing their zones not only to U.S. companies but to foreign producers looking to invest in American communities. To better represent and protect the interest of our members, NAFTZ is building connections to the global network of free zones.

Last month I represented NAFTZ at the annual meeting of the Association of Free Zones in Latin America (AZFA) held in Panama. As one of the speakers, I was able to share how the U.S. zones program operates and how it can provide an attractive environment for foreign companies investing in the United States. Also attending were NAFTZ-member grantees Julie Brown of FTZ No. 26 in Atlanta, GA, Johnny Fernandez of FTZ No. 163 in Ponce, Puerto Rico, and Torrey Chambliss of FTZ No. 79 in Tampa, FL.

As foreign-trade zones professionals, you are all playing your part in something really big and important. FTZs are fulfilling a larger role than ever in the U.S. economy at a time when free zones are growing in importance around the world as a tool of trade facilitation and economic development. Your membership in NAFTZ joins you to a cause that is bigger than any one company or zone.

Best wishes,

Dan Griswold, President
**NAFTZ NEWS**

**NAFTZ Delegation Visits U.S. Customs Headquarters with Request for Expansion of Direct Delivery**

Significant progress was made on extending direct delivery and other key Customs issues during a meeting on Thursday, Dec. 4, at U.S. Customs and Border Protection headquarters in Washington, D.C. The NAFTZ delegation of Board Chair Jan Frantz, Vice Chair Jose Quinonez, board Director Melissa Irmen, General Counsel Marshall Miller and President Dan Griswold met with Steven Lubel from the ACE Business Office, Steven Graham of the Office of Trade Relations, and Lydia Jackson, Dennis McKenzie, and Gary Rosenthal of the Office of Field Operations.

At the top of the NAFTZ agenda for the meeting was a request for an expanded pilot that will eliminate the 5-day rule for merchandise that is duty paid and traceable and identifiable (but not necessarily segregated); and allow direct delivery for non-owner operators and subsidiaries admitting merchandise meeting the CBP criteria as determined by the port director. The Customs representatives indicated their agreement to draft a pilot early in 2015 based on specific language submitted earlier this year by NAFTZ. As we all know, the wheels of the federal government can turn slowly, but this is the most concrete commitment yet to moving ahead immediately on this long-standing request from NAFTZ.

We also agreed with the Customs team to meet again early in 2015 to engage in a detailed review of CBP’s Part 146 regulations of FTZs. The starting point for discussion will be the suggestions that NAFTZ has already submitted for comprehensive revisions of the regulations. NAFTZ requests that all members please submit suggestions as soon as you can on needed changes to what are now 28-year-old regulations. This includes the Subpart H regulations of the FTZ petroleum sector. Please send suggested changes to me at dgriswold@naftz.org.

At our meeting with Customs, we moved toward closure on the issue of removing the requirement that FTZ exporters provide Customs with in-bond information when using the FTZ identifier in AES. As NAFTZ has pointed out, Customs already receives this information on such bond documents as the IE and TE or in the QP/WP filing, which makes it redundant to provide it in AES. We were told by Customs that if they receive a letter from Census that filing such information in AES is unnecessary, then the bond-information field in AES could be made optional rather than mandatory, removing a major impediment to use of the FTZ identifier and the gathering of more accurate and robust FTZ export numbers. President Griswold will be working with Melissa Irmen of Integration Point to request the communication from Census to Customs.

**NAFTZ Meets with FTZ Board Executive Secretary to Discuss Zone Schedules**

Also on Dec. 4, the NAFTZ delegation met at the U.S. Commerce Department with FTZ Board Executive Secretary Andrew McGilvray and staff member Liz Whitman. Among the fresh developments from this meeting is the update that the FTZ Board expects to publish all zone schedules on its web site early in 2015, in accordance with FTZ Board regulations (Section 400.44(e)). McGilvray said all schedules from active zones have been filed with the board and only a handful of inactive zones have failed to file. He reiterated that grantees that have not submitted their zone schedule will not receive authorization for activity in their zone until the schedule has been submitted. He said all zone schedules will be published on the FTZ Board’s web site as part of the profile of each individual zone in OFIS and not all together in one section of the FTZ Board web site.
McGilvray said the FTZ Board has been reviewing zone schedules and working with some grantees to revise problematic language that may be in conflict with the uniform treatment requirement of the regulations. At a future date the board will be conducting spot checks to review specific zone schedule rates for consistency with public-utility principles.

NAFTZ also learned at the meeting that the FTZ Board plans to begin spot checks of user/operators to drive home the necessity of full compliance with their scope of authority. McGilvray noted that the new regulations make it easier than ever to apply for a change in the scope of authority if required. NAFTZ agreed to work with the FTZ Board to better inform our members of how they can stay compliant with their scope of authority when they change sourcing, undertake new projects, or make other changes in the production process.

NAFTZ NEWS (CONTINUED)

NAFTZ Hosts FTZ Briefing for House Congressional Staff

Between the meetings at Customs and the FTZ Board, NAFTZ participated in a lunch-hour forum at the Rayburn House Office Building sponsored by the House Manufacturing Caucus that attracted two dozen congressional staff members. President Griswold began the PowerPoint presentation with an overview of the FTZ program—its history, how it operates, and recent growth trends, including record exports. He then addressed current issues, including the FTZ program as an alternative to the Miscellaneous Tariff Bill process. Melissa Irmen updated the Hill staffers on the supply-chain advantages of expanding direct delivery to affiliates and non-owner operators, and the critical importance of fully funding ACE implementation. The forum concluded with Jose Quinonez focusing on the great success of the FTZ program in Texas and FTZ No. 68 in El Paso in particular. We received several good questions from the audience and we plan to send them follow-up information.

NAFTZ extends a big thank you to Drew Wayne, senior legislative assistant to Rep. Tom Reed of New York, for organizing the event on behalf of the House Manufacturing Caucus, and to our trusted colleagues Jim Smith and Brian Hannigan of Smith Dawson and Andrews for working with the caucus on NAFTZ’s behalf to make the event a success. By spreading information about the FTZ program to congressional staff members, NAFTZ is creating a more friendly climate in Congress toward the program and the interests of NAFTZ members.

NAFTZ Board Vice Chair and FTZ No. 68 Grantee Jose Quinonez briefs House congressional staff members on the success of the FTZ program in promoting job growth and economic activity in El Paso and the state of Texas.
Update from NAFTZ’s CBP Site Visit Checklist Working Group
By Cornelia Steinert

In a meeting earlier this year, our colleagues at the Customs Office of Field Operations expressed an interest in working with the NAFTZ to create a methodology for measuring the compliance of Operators. During the course of further discussions, it was agreed that the NAFTZ would assist CBP with the drafting of a Site Visit Checklist—a short listing of review items for guidance for CBP spot checks. The outcome of that discussion was the formation of a “CBP Site Visit Checklist Working Group.”

The CBP Site Visit Checklist Working Group (“the Group”) consists of several active foreign-trade zone operators (including the Petroleum industry), as well as several seasoned service providers, with myself serving as the NAFTZ Board liaison. The Group has been meeting weekly in order to develop a Checklist to provide to Customs.

Our first draft of the list was quite comprehensive and ambitious, and was shared with the NAFTZ community during a standing-room-only session at the NAFTZ Annual Conference in Fort Worth, TX, on Wednesday, September 17th. The attendees to that session overwhelmingly echoed several of the challenges that we, as a working group, were facing: namely that there are very broad inconsistencies in what each CBP Port Office is reviewing during a CBP Spot Check. The outcome of the September 17th session was that NAFTZ members were eager to have a copy of the list for their own internal use, but generally agreed that it was too broad to provide to CBP as a guideline.

The CBP Site Visit Checklist Working Group drafted a checklist into a format that we believe will be helpful to CBP. We had the opportunity to review the updated checklist with the Operator/User Committee via a webinar to the committee on October 30, 2014. In light of the successful webinar, the NAFTZ Board of Directors has agreed that the list can be provided to CBP within the first quarter of 2015 as part of its next quarterly meeting with the Customs Office of Field Operations.

As an organization, the NAFTZ is committed to strengthening and growing the Foreign-Trade Zones Program. Ultimately, as we assist Customs with “demystifying” FTZ operations, and providing better transparency in our FTZ operations, the NAFTZ community will be in a better position to work with Customs to expand FTZ privileges (currently there are three initiatives that the NAFTZ is working with CBP on), in a non-hostile, cooperative manner. CBP must have the proper tools in the hands of the Officers to protect the integrity of the program and the revenue of the United States, without negatively impacting the operations of our members.

The CBP Site Checklist Working Group has also proposed to develop a handbook, similar in format to the Grantee Handbook, which will cover the items on the original checklist. Stay tuned!

Cornelia Steinert is Program Manager, International Trade, for Canon Virginia, Inc. in Newport News, VA, and a member of the NAFTZ Board of Directors.

Less than one month left for $50 discount for 2015 membership!

NAFTZ members that renew or new members that join by Dec. 31, 2014, will receive an automatic $50 discount on their primary membership for 2015. If you have not already, now is the opportunity to renew your NAFTZ membership for 2015 so that you can continue to enjoy the benefits you need to prosper as an FTZ professional. To renew, simply remit your payment by check to NAFTZ, 1001 Connecticut Ave NW, Suite 350, Washington, D.C., 20036.

If you wish to pay using a credit card, you can do so online in the Member Services area after logging in here, or by clicking on the pay now link within the 2015 Membership Invoice that all current NAFTZ have received by email. In order to receive the discount, we must receive your payment either online or by check prior to January 1st.

Among the many benefits of membership, NAFTZ members also receive a 20% discount on FTZ Operator Bonds and other U.S. Customs Bonds. This benefit alone can save $150 to $2,400 each year depending on the size of the required
bond. Prompt renewal of your NAFTZ membership will ensure that you remain eligible for these discounted premiums, detailed here.

Stay informed, engaged, and connected. We are the only association that represents the FTZ community in Washington and we hope to count you as one of our members in 2015. If you have any questions about your membership renewal, please contact Matt Dougherty at 202-331-1950 or mdougherty@naftz.org.

NAFTZ Incentive Program Offers Rebates to Grantees for New Members from Their Zones

Grantees are in a unique position to help NAFTZ identify users and operators in their zones who should be, but are not yet, members of NAFTZ. As we approach a new year for NAFTZ membership, we are asking grantees to encourage all operators and users in your zone to be members of NAFTZ in 2015. Please inform them of the many benefits of membership, including free educational webinars, discounted registration for NAFTZ events, participation in NAFTZ committees and roundtables, discounts on operator bonds, and much more.

As an incentive, NAFTZ will refund $50 of your membership dues for 2016 for each new primary member company from your zone that signs up to be a member for 2015. The refund will apply for up to 10 new members in a year.

This month NAFTZ is mailing rebate checks to member grantees totaling $500 for new primary members from their zones that joined NAFTZ in 2014.

Registration Open for 2015 Fundamentals of FTZs Seminar Jan. 4-5, 2015, in Austin, TX

The Fundamentals of FTZs Seminar next month in the lively city of Austin, TX, will help FTZ operator/user companies save money, stimulate economic development, and preserve U.S. jobs, providing many benefits for local communities in the process.

Attendees will learn the basics of the highly technical FTZ field, network with industry peers, and collect educational credits, all at this one day event.

Presenters Virginia Thompson of Euromarket Designs, Inc. and Frankie Bryson of Nissan North America, Inc. will guide attendees as they start off the New Year learning the essentials of the FTZ industry. Visit our website today to register.

Registration for NAFTZ’s 2015 Legislative and Regulatory Seminar now Open

Registration for the NAFTZ’s 2015 Legislative & Regulatory Seminar, “FTZs: Leading the Economic Expansion – Jobs, Exports, and Investment,” is now open. This year’s seminar is shaping up to be a great event, which will highlight the trade policy agendas of Congress and the Administration, with a special focus on the implications they will have on the Foreign-Trade Zone community. You can view the seminar program and other details here. To save $50 on registration fees, register here by January 7, 2015.

Global Trade magazine quotes past NAFTZ board chairs in article about FTZs

NAFTZ leaders past and present were quoted extensively in “FTZ Advantages: The Benefits Foreign-Trade Zones Offer Global Shippers and Local Economies,” an article in the November/December issue of Global Trade magazine. Author Paul Scott Abbot reported on the record setting activity in U.S. FTZs in 2013. His focus on motor vehicles took him to the Port of Houston and FTZ No. 84, which handles $4 billion a year in imported cars by Volkswagen alone, and BMW’s Subzone 38A manufacturing plant in Greer, S.C., which is the nation’s no. 1 FTZ export production operation. Former NAFTZ Chairman of the Board Phyllis Saathoff, who is now a deputy executive director for the Port of Houston, told the magazine, “FTZs aren’t just about tax avoidance. FTZs really help to create opportunities that might not occur otherwise. It’s a great program that really serves to encourage trade through our ports of entry.” The story also included quotes from former BMW executive and NAFTZ Board Chair Donnie Barnes, and current NAFTZ President Dan Griswold. You can view the complete article here.
American British Trade & Investment publication highlights U.S. FTZ program

The just-released annual publication of BritishAmerican Business, American British Trade & Investment 2015, features an extended article by NAFTZ President Dan Griswold on the benefits available to foreign-owned companies that locate production in a U.S. Foreign-Trade Zone. “Any British-owned company looking to invest in the United States should investigate the US Foreign-Trade Zones program as a potential tool to reduce operating costs and enhance supply-chain efficiency,” Griswold writes. He explains the duty savings and supply-chain efficiencies of the program, and profiles major multinational companies that are manufacturing or seeking production authority in U.S. zones, including British-owned Rolls Royce Energy Systems in Mount Vernon, Ohio. You can access the full article here.

NAFTZ Participates in Nov. 3 World Free Zones Organization Meeting in Dubai, U.A.E.

By Kenneth Carlstedt

The World Free Zones Organization (WFZO) held its Board of Directors meeting November 3rd, 2014. The location was the Jumeirah Creekside Hotel in Dubai. Chairman Dr. Mohammed al Zarooni set forth an aggressive agenda for the all-day meeting. It included a review of many recent activities and meetings. The Board also heard the recently appointed CEO, Dr. Samir Hamrouni, as he provided a three-year plan with updated budget projections.

The NAFTZ was lauded for its Annual Conference in September. Dr. Al Zarooni and Dr. Hamrouni both attended and spoke at one of the luncheons. More than forty NAFTZ members have signed on as WFZO members. That number continues to increase. FTZ entities are seeking new ideas for trade development and greater networking opportunities around the world.

At the Board meeting, Dr. Hamrouni spent ample time setting forth his vision for upcoming years. The WFZO seeks to become self-sustaining. Dr. Hamrouni has hired three staff members and is considering additional roles strategically. The go-to-market strategy encompasses three core offerings: Knowledge; Networking; and Support Services. The Board reviewed his detailed plans. It provided feedback and guidance. It ultimately endorsed and affirmed Dr. Hamrouni.

Sadly, Vice Chairman Luis Pellerano passed away suddenly on August 4th, 2014. Luis was a great friend of the NAFTZ. He most recently served as President of the Latin American Free Zones Association (AFZA). Luis’ long-time friend, colleague, and fellow WFZO Director, Martin Gustavo Ibarra Pardo of Bogota, Columbia, presented a moving original tribute to Luis.

Subsequently, Mr. Ibarra was elected to replace Mr. Pellerano as Vice Chairman of the WFZO. The new President of the AFZA, Juan Pablo Rivera, was appointed as the new Director.

Several WFZO Board Committees presented progress updates:

- The Regulatory and Policy Committee, on which I have the honor to serve along with Martin Ibarra and WFZO appointed Counsel Lewis Leibowitz, presented its finished Organizational Policy Statement. The Board will review and offer comment, ultimately embedding this strong document into the culture of the new organization.
- The Membership Committee also presented it progress including recommendations on the dues structure. The Committee will incorporate the Organizational Policy Statement directly into membership application materials.
- The Knowledge Committee has done yeoman’s work planning to collect and present free zone data to WFZO members. A professor/consultant from France will create a comprehensive database of global free zone information.

After the Board meeting, Vice Chairman Ibarra visited Brussels. He conducted meetings with key World Customs Organization (WCO) representatives. The WFZO seeks to immediately begin influencing governments around the world. It will drive cooperation towards harmonization and continual improvement in regulatory procedures. This WCO meeting was a significant step towards that objective.
NAFTZ NEWS (CONTINUED)

Vice Chairman Ibarra was warmly received and presented an update on the WFZO progress. After question and answer sessions, he received support from the WCO to pursue key initiatives. One, entitled “Safe Zones,” will incorporate supply chain security, financial transparency requirements, and efficient customs practices in free zones.

NAFTZ members should observe the progress as promising and beneficial. Free zones around the world will enjoy increased efficiency, compliance, and goodwill of government officials. This will reflect even more positively on the U.S. FTZ program and its participants. NAFTZ members may benefit from networking opportunities emanating from the WFZO, now with 146 applicants for membership.

Look for announcements about the first WFZO conference and exhibition, May 11-13, 2015, in Dubai, and other exciting developments now being planned at the Board of Directors level.

Kenneth Carlstedt is Global Trade Compliance Manager for Momentive Performance Materials in New York and a member of the NAFTZ Board of Directors.
FTZ COMMUNITY NEWS

Hawaii FTZ No. 9 Completes “Homer A. Maxey International Trade Resource Center”

FTZ No. 9 in Hawaii is dedicating an ambitious renovation project this month that will add 30,000 square feet of office and conference center space to the zone’s headquarters at the Port of Honolulu. The $10.5 million project has been funded in part by grants from the U.S. Department of Commerce Economic Development Administration and the State of Hawaii. It will include 40 additional offices for FTZ user companies, ranging in size from 200 square feet to 5,000 square feet.

Managing the project has been FTZ No. 9 grantee and NAFTZ member David Sikkink. In an email to NAFTZ, David told us, “If all goes to plan, we will be finished December 1 and are planning to have a blessing and dedication of the facility on December 11. This project will essentially double the available office space for import/export related companies and those companies who support import/export and maritime operations. We are also dedicating space to a manufacturing incubator as manufacturers in the state have many hurdles to jump before they can get on their feet.”

In a gesture that will please long-time members of NAFTZ, David said, “We are naming the facility the ‘Homer A. Maxey International Trade Resource Center’ after FTZ 9’s first administrator and the NAFTZ’s first president. He was, and still is, a wealth of FTZ information and received several awards for his work in promoting the program and international trade in the state. We actually had him out to see the new facility today [Nov. 19] and he was absolutely thrilled. He will be our honored guest at the dedication ceremony in December.”

Maxey was NAFTZ president and chairman of the board of directors from 1973-75.

Current FTZ No. 9 grantee David Sikkink (left) and the founding grantee Homer Maxey (right) outside the nearly completed Homer A. Maxey International Trade Resource Center at the Port of Honolulu, Hawaii.

NAFTZ Director Johnny Fernandez and Ponce, Puerto Rico, FTZ No. 163 Board Members Visit Colon Free Zone in Panama

NAFTZ director Johnny Fernandez (right), executive director of the CODEZOL C.D., FTZ No. 163, in Ponce, Puerto Rico, visited the Colon Free Zone in Panama on November 11, 2014, along with CODEZOL board members and spouses. Accompanying Johnny were Lcdo. Samuel Torres, Board chairman; José Criado, Board vice chairman; Jacqueline Alvarez, Board secretary; Jaime Santiago, Board treasurer; Felix Mangual, Board sub secretary; Julio Irizarry, Board sub treasurer; Lombardo Perez, director; Arnaldo Colon, director; Pedro Goyco, director; and Jessica Sinigaglia, director. The Colon Free Zone hosts more than 3,000 companies, making it one of the busiest free zones in Latin America. Johnny and his Ponce colleagues were in Panama to attend the AZFA Annual Conference in Panama City, Nov. 12-14.
Paradise Aircraft calls Sebring, Florida, FTZ “a huge plus”
Highlands Today (Tampa Tribune) November 23, 2014
SEBRING — Back in 2005, Paradise Aircraft had a distributor at Sebring Regional Airport.

“It didn’t work out,” said SRA Executive Director Mike Willingham. “The economy did all those terrible things.”

So the distributor left, but Willingham stayed in touch. “One of the folks that knew these people really well thought very highly of Sebring.

And on Friday, that good will paid off: Paradise Aircraft USA has leased a 5,000 square-foot hangar to build the P1-NG airplane. Sebring will be the only assembly point in America for the Brazilian aircraft manufacturer. [The FTZ-status facility is located in the service area of the Sebring Airport Authority, FTZ No. 215.]

At first, Willingham said, the company will ship the parts here, then reassemble the aircraft in Sebring. “Later on, they will just have the avionics shipped here, and this will be the final assembly point.”

Read the full story here.

Tractor Supply bringing distribution center, 250 jobs to Casa Grande, Arizona
Phoenix Business Journal November 17, 2014
By Eric Jay Toll

Tractor Supply Company, the largest rural life-ranch-farm supply businesses in the North America, is building its 650,000-square-foot Southwestern distribution center in Casa Grande that will bring 250 jobs to the region.

The 100-acre site at Burris and Peters roads in the Pinal County town is inside a Foreign Trade Zone in a cooperative move between Casa Grande and Phoenix.

“The addition of a new distribution center in the Southwest is key to our western expansion strategy,” said Greg Sandfort, president and CEO. “Arizona’s proximity to our Western stores provides an ideal location for our new facility which will allow us to achieve lower transportation costs and faster delivery to our stores.”

Read the full story here.

Grand Junction, Colorado, Looks To Create Duty-Free Zone
KVNF.org November 20, 2014

There’s a new idea for Grand Junction to help keep businesses, and jobs, in Colorado. The City Council is looking into a foreign trade zone. It’s a concept that dates back to the ‘30s, but it would be a first for Grand Junction. To help explain the issue that deals with exports, economies, and duties, KVNF’s Jake Ryan talked to Elizabeth Tice, the Management and Legislative Liaison for the city.

The basic idea is that Grand Junction would be able to zone an area that wouldn’t have to pay a duty, or international trade tax, on items they’d import. If they used the item to manufacture a car, the duty would then be paid if the car was sold in the US.

However, if the car is sold overseas, no duty would be paid at all. If it doesn’t enter the US economy, manufacturers can avoid the import tax altogether.

The deal came together with the joint efforts of the city, Greater Phoenix Economic Council and Arizona Commerce Authority.

The groundbreaking for the massive facility was Monday with construction scheduled to take a year. As many as 250 jobs will be created.

The FTZ designation provides a number of benefits to the company. Sometimes called “free trade zones,” a company essentially becomes a recognized foreign port and is able to receive goods at its facility without clearing customs in the port. Tax benefits and credits are also available for businesses.
The goal of this zoning is to attract and keep manufacturers and businesses in Grand Junction.

Right now, the city is looking into hiring a D.C. attorney who specializes in the matter to investigate all the issues involved.

FTZ status levels playing field for Lehigh Valley, Pennsylvania, companies vs. rivals abroad
Pennsylvania Business Daily November 20, 2014
ByEmily Moore

After being designated a Foreign Trade Zone (FTZ) in 2012, Hanover Township company Piramal Critical Care has been able to continue operating in Hanover after concerns the company was going to move operations overseas due to high duty rates for materials.

The manufacturer of inhalation anesthesia products was being charged duties as high as 5.5 percent on raw materials imported from different countries and was quickly becoming unable to match the prices of foreign competitors, who were not paying these duty fees. Piramal provides approximately 70 high-paying manufacturing jobs in the Lehigh Valley that would have been eliminated if the company had moved.

Being designated as an FTZ allows a company in a designated U.S. location to be treated the same as if it were operating in a different country by greatly reducing or eliminating import duties on materials.

“We import a significant amount of material, so this was very advantageous to us,” Piramal Director of Finance Mahesh Sane said. “These financial savings boosted Piramal’s confidence in business, and our situation turned around quickly. Piramal increased employee count, invested money to modernize the facility and expanded our capacity three-fold. Today, Piramal is the third-fastest-growing company in the Lehigh Valley region.”

Other Lehigh Valley companies have also been designated FTZs, including Grundfos Pumps and BMW of North America.

Nogales, Arizona, FTZ No. 60’s Vast Expansion Allows U.S. Firms to Enjoy Trade Benefits Throughout Santa Cruz County
PR Web November 04, 2014

The Nogales Santa Cruz County Economic Development Foundation (EDF), the grantee of Foreign Trade Zone 60, filed and received authorization to reorganize the Nogales Foreign Trade Zone (FTZ) 60 to include all of Santa Cruz County in July. The expansion will offer the job growth and capital investment benefits of this successful trade program to the entire county. Now, US firms and distribution operations can apply for activation anywhere in the 1,238 square miles of Santa Cruz County.

Companies operating in the Nogales Foreign Trade Zone 60 enjoy expedited international trade benefits, including tariff advantages, increased flexibility and reduced paperwork. These benefits increase global competitiveness and help companies create jobs in the United States.

Robert C. (Kip) Martin, an attorney and board member of the EDF responsible for the reorganization noted, “We are excited at the economic opportunities offered to all of Santa Cruz County with the conversion to the Alternative Site Framework (ASF) for Foreign Trade Zone 60.

This allows EDF to petition for the activation of an unlimited number of sites up to a standard cumulative 2,000-acre activation limit. The benefits of operating within a FTZ will enable job creation in Santa Cruz County and increase the competitiveness of the growing international trade industry in our region. The expanded FTZ will further the growth of our emerging “logistics cluster” and enable us to capitalize on the increase of the nearshoring maquila trends in Mexico. The conversion to the ASF Format will allow potential operators increased speed and flexibility and cost-savings in applying for activation of an FTZ operation.”

Read the full story here.
Caldwell County, North Carolina, Included in Charlotte Regional Partnership’s FTZ No. 57

WHKY.com Talk Radio  November 4, 2014

Caldwell County has been extended membership into the Charlotte Regional Partnership’s Foreign Trade Zone. The move is seen as a potential boost for area companies that import and export goods.

A Foreign Trade Zone (FTZ) is a federally-designated area that enables businesses to capitalize on lower tax rates for importing and exporting goods. Companies that use the FTZ program do not pay taxes on imported goods until those goods leave the zone and enter domestic commerce. In addition, raw materials can be imported, manufactured and exported without companies paying tariffs or duties on the product.

Along with Caldwell, Rutherford and Polk counties have joined the partnership, upping overall membership in the regional partnership to 15.

Caldwell County Economic Development Commission Executive Director Deborah Murray says Caldwell’s inclusion in the FTZ is “a significant competitive development for Caldwell County” that increases the county’s ability to compete on a global basis.

Companies interested in learning more or determining eligibility should contact Murray at 828-728-0768 or by email at dmurray@caldwelledc.org.
TRADE NEWS

Miscellaneous Tariff Bill (MTB) Passage Unlikely in Lame Duck Session
November 11, 2014
By Jim Smith, Smith Dawson and Andrews
Public Affairs Advisor to NAFTZ

With the lame duck session of Congress beginning after the November election, we wanted to provide the latest information we have heard on the outlook for the Miscellaneous Tariff Bill (MTB).

You might wonder if whether the MTB legislation introduced in the House (HR 2708) could be a candidate for inclusion with other legislation that may be acted upon during the lame duck, such as the tax extenders bill or a Trade Promotion Authority (TPA) vehicle.

Based on discussions with Congressional staffers and others close to the Congress, the MTB is not a candidate for passage in the lame duck, primarily due to the continued opposition of House Republican leadership to the bill on grounds that it violates their earmark ban pledge.

Without the support of House leadership, it is difficult to see how the bill could advance, especially since Senate Finance Committee leadership is reluctant to champion the bill without bipartisan, bicameral support. While the MTB could theoretically be attached to other must-pass legislation, the politics around the earmark issue does not make that likely to happen.

That leaves MTB supporters looking ahead to the 114th Congress, which will convene in January 2015. Former Vice Presidential candidate Rep. Paul Ryan (R-WI) will take over as chairman of the House Ways and Means Committee, and that this could also lead to some changes in the committee trade staff, which has been the strongest defender of the historical MTB process.

On the Senate side, the new Finance Chairman is likely to be Senator Orrin Hatch (R-UT).

With a new Congress taking office in January, it may be many months into 2015 before there is vehicle moving on which to pass MTB legislation or any reforms in the MTB process (which some have called for). If legislation is needed to re-launch the MTB, then 2015 could be a wasted year in terms of a delay in the preparation and vetting of new duty suspension provisions.

Our sense is that the current MTB legislation could not be carried over to the 114th Congress, largely because the provisions were last vetted several years ago, business conditions may have changed, and some Members of Congress will want their constituents to have another chance at introducing provisions. Such a plan would mean that the current MTB bill would be dropped from consideration and that the ITC would start building a new one from scratch.

This only underscores the importance of FTZs as an alternative to temporary duty suspension. The MTB process as we’ve known it just isn’t working. The last MTB passed by Congress was in 2010 and those duty suspensions expired on December 31, 2012.

Congressional Inaction on MTB is Damaging U.S. Manufacturing
The Hill November 18, 2014
By Linda Dempsey, Vice President of International Economic Affairs, National Association of Manufacturers

Manufacturers are fighting to rebound from the recession and grow opportunities and jobs, yet they still face congressional inaction on even the most bipartisan pieces of legislation, including the Miscellaneous Tariff Bill (MTB).

While the most productive in the world, manufacturers in the United States face fierce competition overseas as they are saddled with the highest tax rate in the world, as well as a regulatory burden that totals more than $2 trillion annually in compliance costs. There are numerous actions Congress could and should take to address this imbalance, but it has failed over the past two years to take the simple step of eliminating import tariffs on necessary manufacturing components not even produced in the United States.
That’s right. The United States imposes border taxes on necessary components not even produced here. Over the past 30 years, Congress has regularly passed legislation to eliminate this tax on a short-term basis — the MTB, which expired at the end of 2012. This legislation is subject to an open and transparent process and ensures that an independent government agency, the U.S. International Trade Commission, verifies that products are unavailable domestically in order to protect domestic manufacturing jobs.

Since the expiration of the MTB nearly two years ago, there has been lots of discussion but no real action. There has even been a bill introduced by the chairman of the House Ways and Means Committee, which included roughly 2,000 bipartisan provisions — nearly two years ago. Yet, there has been no concrete action: no committee markups, no floor action and no enactment of legislation, despite longstanding bipartisan support for it.

In Iowa, Republican Senate candidate Joni Ernst’s campaign argued: “Congressman [Bruce] Braley’s Anti-Free Trade Votes Are Bad for Iowa Farmers.”

According to Politico: “Iowa Republicans, in one of the tightest Senate races in the country, are trying to capitalize on Democratic Rep. Bruce Braley’s record of voting against trade agreements to help hand their candidate, Joni Ernst, the victory. Braley, whose state is heavily dependent on farm exports, voted against free trade pacts with South Korea, Colombia and Panama in 2011, even after President Barack Obama’s administration re-negotiated several provisions to round up more Democratic support. ‘The South Korean trade deal was huge,’ Agriculture Secretary Bill Northey told POLITICO in an interview. ‘Everyone knew it was a clear, clear win for agriculture and it would have been a terrible not to have it. For him to vote against that I just think is a major red flag.’”

Ernst defeated Braley, 52.2 percent to 43.7 percent.

In North Carolina’s Senate race, Democratic incumbent Kay Hagan said: “Unfair trade agreements have contributed to the loss of more than 286,000 North Carolina manufacturing jobs in the last decade — the fourth-largest decline in the nation. It is time we start protecting jobs here at home.” Her campaign spokesman added: “Kay opposed trade agreements that ship North Carolina jobs overseas because she will always put North Carolina jobs first.”

Her Republican opponent, Thom Tillis, disagreed: “As agriculture exports increase, Thom believes we must promote policies that make trade with other nations free and efficient in order to stimulate our economy and allow North Carolina farmers and ranchers to expand their businesses.”

Tillis defeated Hagan, 49.0 percent to 47.3 percent.

In Georgia, Iowa, Massachusetts and North Carolina, the midterm elections proved that candidates shouldn’t be afraid to talk about the benefits of trade. They also demonstrated that candidates tempted to employ protectionist scare tactics in their campaigns should think twice.
U.S. President Barack Obama unveiled the deal Tuesday morning at a gathering of leaders of the Asia-Pacific Economic Cooperation summit in Beijing, which began Monday night. He said the U.S. and China reached an “understanding” on the pact that it “will contribute to a rapid conclusion to the broader negotiations in Geneva.”

The issue of whether certain tariffs will be phased in over time, as China wants, would be resolved in Geneva, Mr. Froman said.

The agreement is a rare mark of progress in a U.S.-China relationship that is fraught with challenges across many fronts—from cybersecurity and human rights to Beijing’s territorial disputes with U.S. allies Japan and the Philippines. Economic ties—for many years the foundation of relations—have been rocky, too, over the past decade, with disputes over trade imbalances, China’s tightly managed currency and, more recently, Chinese antitrust investigations into marquee U.S. companies including Microsoft Corp.

Read the full story here.

Making Sure Free Trade does not Fall out of Fashion

Congress Blog, The Hill  November 17, 2014
By Juanita D. Duggan, Julia K. Hughes, Sandy Kennedy, and Matthew R. Shay

[Duggan is the president and CEO of the American Apparel & Footwear Association. Hughes is president of the United States Fashion Industry Association. Kennedy is the president of the Retail Industry Leaders Association. Shay is the president and CEO of the National Retail Federation.]

President Obama and the leaders of 11 Pacific Rim trading partners are making an important fashion decision this month.

It has nothing to do with the clothes they wear at the Asia Pacific Economic Cooperation (APEC) summit. Rather it has to do with the Trans Pacific Partnership (TPP) free trade agreement (FTA) talks that have occurred on the margins of that summit.

One of the last issues to be resolved in these talks involves the rules of origin for apparel – the provisions that determine whether a particular garment qualifies for duty free treatment under the agreement.

The United States supports the so-called “yarn forward” rule of origin. As its name suggests, yarn forward requires all the components of a garment, from the yarn stage forward, to originate within the TPP region in order for the final garment to be duty free. Yarn forward was originally conceived as a trade-promoting concept during the North American Free Trade Agreement (NAFTA) as a way to link together U.S. and Mexican textile and apparel industries sharing a common border during a time when global quotas tightly restricted textile trade.

While the concept seemed innovative in the early 1990s, yarn forward is horribly ill-equipped to service today’s fashion industry. Apparel manufacturers, brands, and retailers rarely rely upon the kind of narrow, geographically-linked supply chains that are needed for yarn forward to function. Surveys of our member companies, including one from June, consistently reveal that sourcing managers avoid yarn forward-based agreements because of their cost and complexity.

Read the full story here.
FTZs and Reshoring—Stronger Together

Editor’s Note: Following the publication last month of an NAFTZ article on FTZs and “Re-Shoring” in the Manzella Report, NAFTZ was contacted by the Reshoring Initiative with a request to work together to promote manufacturing investment in the United States. NAFTZ agreed to share an article from the Reshoring Initiative with readers of Zones Report (see below), and the Reshoring Initiative agreed to publish an article from NAFTZ in a future edition of its own newsletter.

By Harry Moser, Founder/President, Reshoring Initiative, and Sandy Montalbano, Media Advisor to Reshoring Initiative

U.S. Foreign-Trade Zones (FTZ) have the potential to be a powerful engine in attracting and supporting the reshoring of U.S. manufacturing and jobs. FTZ status allows companies to eliminate or reduce duties and tariffs on imported components that are combined with U.S.-made components in the final assembly of goods. The case for reshoring into an FTZ is especially strong if imported components represent a meaningful share of material inputs and if a substantial portion of the assembled products are exported.

Decades of offshoring have created significant gaps in the U.S. industrial ecosystem. For example, Apple has stated that a barrier to reshoring production of more of its products is that most of the components are no longer produced here, so it assembles mainly in Asia. As reshoring strengthens the depth and breadth of the U.S. economy these gaps will be refilled, but that will take years, even decades. Since some assemblies will, for years, continue to use many imported components, FTZ’s offer a means to reduce the total cost of the components and thus the assembled product.

The savings will flow from three factors: the portion of the products that are exported; the often lower U.S. duty rate on assembled products vs. components; and the delay in paying duty until the product is shipped domestically out of the FTZ. The latter factor is magnified by the fact that inventories of imported components are often two times or more higher than for locally sourced products because of the unpredictability of deliveries, the large batches to reduce shipping costs, the lower certainty of component quality and the volatility in product demand.

It would be fair to question whether FTZs will undercut component reshoring by reducing the net cost of imported components. We believe the net balance is favorable since: already almost two-thirds of merchandise received into the U.S. FTZs is domestically sourced; the component cost savings will accelerate reshoring of product assembly; and the increase in domestic assembly will drive the filling of the ecosystem gaps mentioned above. As domestic and offshore component manufacturers see the assembly volume rising they will invest in domestic component capacity. Top companies taking advantage of FTZ status to ramp up their reshoring or localization efforts are Apple, GE, Rolls-Royce Energy Systems and Whirlpool.

For example, Whirlpool is now producing in a foreign-trade zone facility in Clyde, Ohio. FTZ-status allows the company to reduce or eliminate duties on imported components such as circuit boards, pumps, and motors, which are then used in the assembly of washing machines produced in Clyde. This offers substantial duty savings and reduces the total cost of production at the U.S. facility. With the supplemental appeal of FTZ-status, Whirlpool is reshoring production of washing machines back to the U.S. from Monterrey, Mexico.

Reshoring Makes Good Economic Sense

Reshoring, bringing back manufacturing that had been offshored, is based on the logic of localization: producing near the consumer. Localization makes good economic sense because there is a 20% to 30% cost savings on non-manufacturing costs resulting from producing in the market in which the products will be sold. Having manufacturing near customers improves innovation and responsiveness to customers’ changing needs and reduces shipping cost, supply chain disruptions, inventory turns, and travel.
The National Association of Foreign-Trade Zones

TRADE NEWS (CONTINUED)

Reshoring also contributes to a lean and agile supply chain strategy because when manufacturing is moved next to engineering, the entire company team can easily cooperate to improve design, eliminate waste, improve quality and increase productivity, many times making a better product at a lower cost.

When productivity is increased, it makes the product easier to reshore by reducing the U.S. Total Cost vs. offshore, boosting U.S. competitiveness.

The reshoring trend generates opportunities for original equipment manufacturers (OEMs), suppliers, distributors, private equity funds and service providers to these companies. Reshoring is particularly favorable now because many companies and industries offshored without accurately quantifying all of the hidden costs and risks associated with offshoring.

Current research shows that many companies can reshore about 25% of what they have offshored and improve their profitability. To identify the eligible products they should use Total Cost of Ownership (TCO) instead of price to make their decision. Twenty five percent is equal to 1 million U.S. manufacturing jobs.

The reshoring trend continues to grow, as highlighted by Wal-Mart’s 10-year, $250 billion initiative to supply its customers with more Made-in-USA goods. This particular reshoring commitment is the biggest opportunity one company has provided to U.S. manufacturing. Until now, the largest projects, by companies such as GE or Caterpillar, had individually reshored up to 2,000 manufacturing jobs. In the 10th year of Wal-Mart’s program, it will be buying $50 billion more U.S. products per year, generating, by our estimate, about 300,000 additional manufacturing jobs (by Boston Consulting Group’s estimate, 1,000,000 total jobs).

The not-for-profit Reshoring Initiative is helping actual and potential suppliers determine whether they can supply Walmart via U.S. production. Companies can call on the Reshoring Initiative and its tools for help in understanding the P&L impact of shifting to U.S. production.

The Reshoring Trend Picks Up Speed

The reshoring trend is accelerating, recently reaching a milestone of net zero job loss to offshoring.

Figure 1. Reshoring and offshoring are now about in balance.

<table>
<thead>
<tr>
<th>Manufacturing Jobs / Year</th>
<th>2003</th>
<th>2013</th>
<th>% Change</th>
<th>Feasible 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>New offshoring*</td>
<td>~150,000*</td>
<td>30-50,000*</td>
<td>- 70%</td>
<td>20,000</td>
</tr>
<tr>
<td>New reshoring</td>
<td>2,000*</td>
<td>30-40,000**</td>
<td>+ 1,500%</td>
<td>70,000</td>
</tr>
<tr>
<td>Net reshoring</td>
<td>~148,000</td>
<td>~0</td>
<td>-100%</td>
<td>+50,000</td>
</tr>
</tbody>
</table>

*Estimated / ** Calculated

The Reshoring Initiative is a non-profit organization dedicated to helping companies understand the true cost of offshoring by using Total Cost of Ownership (TCO) analysis. The Initiative’s mission is to bring well-paying manufacturing jobs back to the United States and shift collective thinking from “offshoring is cheaper” to “local sourcing reduces the total cost of ownership.”

TCO is defined as the total of all relevant costs associated with making or sourcing a product domestically or offshore. TCO includes current period costs and best estimates of relevant future costs, risks and strategic impacts.

TCO analysis helps companies objectively quantify, forecast and minimize Total Cost. It takes into account transportation prices, warranty, IP loss, impact on product innovation and many other factors such as those associated with the risk of supply chain shocks or disruptions caused by natural disasters and political unrest. It also helps to forecast the future impact of wage and currency changes.

In order to help companies decide objectively to reshore or offshore, the not-for-profit Reshoring Initiative’s free Total Cost of Ownership Estimator™ can help corporations calculate the real P&L impact of reshoring or offshoring.

The Initiative provides a range of resources described below.
TRADE NEWS (CONTINUED)

Reshoring Resources
Calculate TCO with the Total Cost of Ownership Estimator™ – Free online tool to help OEMs evaluate sourcing alternatives and suppliers make a case when selling against offshore competitors.

Reshoring Library – contains 1,800+ linked articles on reshoring. Data from these articles can be accessed and sorted through the Advanced Search function. See what your competitors are reshoring. Learn from them. See what companies in your customers’ industries are reshoring. Sell to them.

Data on the reshoring trend- industries, companies, countries, states, reasons, number of jobs, etc.

Aggregate data from the TCO Estimator database- how cost is, on average, distributed among 30 cost factors.

Submit your own reshoring case for free publicity and to make reshoring more visible.

Use our Economic Development Program to strengthen your region by replacing imports with local production. This program is being implemented in PA, MS and central NY. Pass the file on to the economic developers in your region.

See our Blog for recommendations on Skilled Workforce Development in your area. Pass the file on to the high schools and community colleges in your region.

Invite the Reshoring Initiative to address your or your customers’ industries at a speaking engagement or meeting.

Consulting – OEMs, suppliers, retailers, distributors and economic developers can call on us for advice and training on evaluating or implementing reshoring.

We encourage you to use our tools and data to convince more companies to reshore to an FTZ. Companies are investing in reshoring because it makes good economic sense. U.S. Foreign-Trade Zones are proven to provide a valuable advantage for companies that are reshoring manufacturing back to the states. The FTZ program and the reshoring trend are a growing success story for the U.S. economy: replacing imports with domestically manufactured goods, increasing exports and supporting U.S. manufacturing and the creation of U.S. jobs.
REGULATORY UPDATE

ANTIDUMPING
Customs has decided that a 24-year delay in liquidating entries of Japanese steel wire rope subject to antidumping duties (ADD) did not violate Constitutional due process. Customs ruled that it acted timely on liquidation instructions issued by the Commerce Department in 2011 for entries that had been filed in the early 1980s. HQ H233640 (Aug. 5, 2014).

COUNTERFEIT IMPORTS
A Turkish citizen, Ozkan Semizoglu, was recently sentenced in the U.S. District Court in St. Louis to 27 months in prison for smuggling counterfeit and adulterated cancer treatment drugs into the United States. They were labeled as “gifts” or “documents” to conceal their identity.

CPSC PILOT
The Consumer Products Safety Commission (CPSC) is looking for volunteers to participate in a pilot program on the electronic filing of Certificates of Compliance. Industry has filed additional comments since the September public workshop.

C-TPAT
• Customs and Mexico’s Tax Administration Service have signed a mutual recognition arrangement (MRA) for the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) and Mexican New Certified Companies Scheme.
• The new C-TPAT web portal, called Portal 2.0, is said to be launching on December 8. Companies may need to update C-TPAT portal data and have internal records to support their portal data.

DEEMED LIQUIDATION
A court challenge has been filed by the importer of antidumping duty merchandise that was the subject of HQ H215035 (Apr. 18, 2014), in which Customs ruled that it could reliquidate entries that were deemed voluntarily liquidated years earlier simply by providing a notice of deemed liquidation.

EAR AND ITAR UPDATES
The Directorate of Defense Trade Controls (DDTC) and the Bureau of Industry and Security (BIS) have made permanent, with some changes, the interim rules relating to the jurisdiction and classification of spacecraft in Category XV on the U.S. Munitions List (USML), many of which have now been moved to the Commerce Control List (CCL). 79 Fed. Reg. 66608 (Nov. 10, 2014); 79 Fed. Reg. 67055 (Nov. 12, 2014).

EXPORT PENALTIES
• Signal Micro Systems (dba Techonweb) of Addison, Texas, along with its two officers, have had their export privileges taken away for ten years for conspiring and exporting computers to Iran via the UAE. 79 Fed. Reg. 63379 (Oct. 23, 2014).
• Mohammad Hashemi has been sentenced to 27 months in prison and had his export privileges revoked for 9 years for shipping aircraft parts to Iran. 79 Fed. Reg. 67158 (Nov. 12, 2014).
• Lisong Ma has lost his export privileges for 10 years and been sentenced to 46 months incarceration for attempting to export carbon fiber to China. 79 Fed. Reg. 66354 (Nov. 7, 2014).
• Hsien Tas Tsai of Taiwan has pled guilty to attempting to ship sophisticated machinery to North Korea.
• Zhenchun Huang was sentenced to 15 months in prison for pretending to work for NASA in a scheme to export controlled items to China.

False Claims Act
Civil actions involving trade compliance issues under the False Claims Act (FCA) are on the rise due to private whistleblowers or “relators.” Under the FCA, violators are liable for three times the damages suffered by the government.

REGULATORY UPDATE (CONTINUED)

HVAC – BUY AMERICAN
Customs has issued a final determination (HQ H248850) that outdoor units for heating, ventilation, and air conditioning (HVAC) systems are of U.S. origin due to substantial processing performed in the U.S. to complete the units. 79 Fed. Reg. 68284 (Nov. 14, 2014).

IMPORTER ID FORM
Customs is proposing changes to Customs Form 5106, the “Importer ID Input Record,” that would add some data elements that could be considered intrusive and unnecessary, such as primary banking institution and personal information on company officers (i.e., Social Security Numbers, Passport information, etc.). Comments are due December 8, 2014. 79 Fed. Reg. 61091 (Oct. 9, 2014).

ITA
A significant breakthrough has occurred in the Information Technology Agreement (ITA) negotiations. As announced by President Obama during his visit to China, China has agreed to phase out tariffs on certain advanced semiconductors, magnetic resonance imaging machines, and testing equipment. A specific timetable to resume ITA negotiations in Geneva has not been announced yet.

ITAR LICENSES DOWN
The Directorate of Defense Trade Controls (DDTC) has indicated that the number of licenses it has issued has decreased by 64% due to the export control reforms.

ITDS WORKING GROUP
Customs is creating a Lacey Act import working group to consider the technical requirements for International Trade Data System (ITDS)/ACE system integration. CSMS #14-000553 (Oct. 16, 2014).

MADE IN USA
A U.S. Federal Court for the Southern District of California has denied a motion to dismiss a class action claim filed against a retailer of garments labeled “Made in the USA” and “Made in USA of Imported Fabric” under a California state law that prohibits “Made in USA” markings for products with any foreign parts. The court ruled that the federal labeling laws did not preempt the lawsuit. David Paz v. AG Adriano Goldschmeid, Inc., No. 14cv1372 DMS (DHB) (S.D. Cal. filed Oct. 27, 2014).

MILITARY LABELING FRAUD
The former CEO of a Los Angeles area battery distributor, Didier De Nier, was recently sentenced to more than seven years in prison for selling over $2.7 million in “knock-off” emergency batteries used on U.S. Navy vessels after instructing workers to remove and replace “Made in China” labels with counterfeit labels to indicate the batteries came from approved manufacturers.

OFAC ACTIVITY
The Office of Foreign Assets Control (OFAC) has published statistics on license activity for the 4th quarter of 2013. Most of the licenses were for medical products to Iran. Only one license was denied in the quarter.

OFAC PENALTIES
• Indame International, a Houston supplier to the oil and gas industry, was fined $44,850 for exporting goods and equipment to the UAE for transshipment to Iranian offshore drilling rigs.
• ESCO Corporation was fined $2,057,540 because one of its foreign subsidiaries purchased Cuban origin nickel briquettes.

TFA
The U.S. and India have reached agreement on Indian agricultural subsidy concerns that should allow World Trade Organization (WTO) members to proceed with the Trade Facilitation Agreement (TFA) at the General Council meeting on December 10.
VALUATION DATABASES
The International Chamber of Commerce (ICC) has expressed concerns to the World Trade Organization (WTO) regarding the misuse of Customs databases. The ICC provided examples of WTO members using valuation databases to set reference and minimum prices, which is prohibited by the WTO Customs Valuation Agreement.

VENEZUELAN END USE
The BIS has added a military end use restriction on any export, reexport, or in-country transfer to the Venezuelan military. This restriction is similar to the military end-use restrictions in effect for China and Russia. If the end-user is the Venezuelan military, a license is required, even for EAR99 items. The restriction also applies to any item where the Export Control Classification Number (ECCN) ends in “018” and any “600 series” ECCN, regardless of the end user. 79 Fed. Reg. 66288 (Nov. 7, 2014).
THANK YOU TO OUR SPONSORS

Amber Road
POWERING GLOBAL TRADE®

Integration Point
FTZ & Global Trade Software

BC CAL KAL
BC CAL KAL Inland Port Development Corporation
Port of Battle Creek - Foreign-Trade Zone

ISCM

PTSI
Point Trade Services, Inc.

Zone Solutions

GT Konnect
COMPLIANCE | COLLABORATION | CONTENT