

U.S. FOREIGN-TRADE ZONES

PROMOTING TRADE, JOB CREATION & ECONOMIC DEVELOPMENT

ABOUT FOREIGN-TRADE ZONES

- The Foreign-Trade Zone (FTZ) program was created by Congress in 1934 to expedite and encourage foreign commerce. The FTZ Board at the Department of Commerce reviews all FTZ applications.
- Foreign-trade zones (FTZs) are secure areas within the United States that are considered to be outside of U.S. Customs territory for tariff purposes. U.S. Customs and Border Protection oversees daily operations. All other U.S., state, and local laws apply.
- FTZ benefits are available to any U.S.-based company. Firms do not need to locate in a specific area or region in order to participate in the program.
- There are 195 active FTZs in the United States. More than 3,300 companies currently utilize the program.

BENEFITS FOR BUSINESSES

FTZs provide significant advantages for U.S.-based firms:

- **Duty Deferral:** Customs Duties are paid only if and when goods are transferred out of the Zone and into U.S. Customs territory.
- **Duty Elimination:** No duties are paid on merchandise exported from an FTZ.
- **Duty Reduction:** FTZ users may elect to pay duties at either the rate of the foreign inputs used or the rate applied to the finished product – which is often lower.

Value of exports
from U.S. FTZs

\$76B

URGENT NEED TO COMPLETE INTEGRATION OF FTZ USERS INTO ACE

Today, obsolete paper reporting requirements still handicap FTZ users, who must adhere to strict reporting requirements when admitting and transporting merchandise. With FTZs processing more than 10% of total U.S. goods imports, it is critical for U.S. Customs to complete implementation of the Automated Commercial Environment (ACE). NAFTA seeks to ensure the Trump Administration will support the goal of full participation of key Partner Government Agencies (PGAs) in the International Trade Data System (ITDS).

3,300 
Companies located in U.S. FTZs

420,000 
American workers employed in U.S. FTZs

BENEFITS FOR THE UNITED STATES

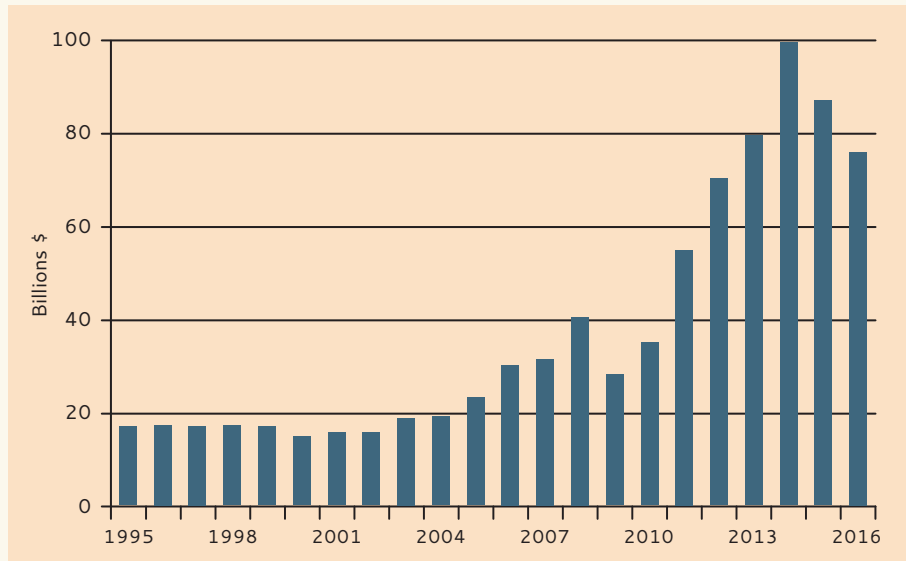
FTZs provide substantial economic benefits to our nation:

- **Job Creation and Retention:** FTZs provide a competitive advantage for U.S.-based manufacturing and distribution operations. As a result, jobs that otherwise might be located overseas are created and retained in the United States.
- **Increased Exports:** The elimination of duties on exported merchandise makes U.S.-based companies more competitive in export markets.
- **Investment:** FTZs encourage multinational firms to establish U.S.-based operations, attracting foreign investment to the United States. These firms are also more likely to utilize U.S.-made components, providing added stimulus to local and regional economies.

FOREIGN-TRADE ZONE FACTS

EXPORTS, EMPLOYMENT & MANUFACTURING REMAIN STRONG

FTZ EXPORTS DECLINE SLIGHTLY IN 2016 FOLLOWING RECORD GROWTH



In 2016, U.S. Foreign-Trade Zones:

- **Exported** \$75.7 billion in merchandise – a decline from 2015, attributable mostly to petroleum market conditions.
- **Employed** approximately 420,000 Americans in well-paying jobs throughout the country; and
- **Received** over \$610 billion worth of foreign and domestic merchandise.

Source: 78th Annual Report of the U.S. Foreign-Trade Zones Board

ACTIVITIES AND PRODUCTS FOUND IN U.S. FOREIGN-TRADE ZONES

The two primary activities carried out in FTZs are:

- **Production/Manufacturing:** As of 2016, there were 324 active manufacturing and production operations located in foreign-trade zones throughout the United States. These operations received \$386 billion in merchandise, accounting for 63% of zone activity.
- **Warehousing/Distribution:** The remaining FTZ activity occurs in warehousing and distribution centers. These operations received \$224 billion in merchandise in 2016.

A combination of both foreign and domestic merchandise is used in many FTZ manufacturing operations.

- **Foreign vs. Domestic inputs:** The majority (63%) of merchandise admitted to FTZs is of domestic origin. FTZ activity commonly involves domestic operations that combine foreign inputs with significant U.S. domestic components.

A wide range of industries utilize the FTZ program to access foreign components at competitive prices. The most common foreign-status inputs include the following:

Top 10 Foreign-Status Products in FTZs (2016)

1. Oil/Petroleum
2. Consumer Electronics
3. Vehicles
4. Vehicle Parts
5. Consumer Products
6. Machinery/Equipment
7. Pharmaceuticals
8. Electrical Machinery
9. Textiles/Footwear
10. Other Electronics

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