

# 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 international trade. 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 federal, state, and local laws apply.
- FTZ benefits are available to any U.S.-based company.
- There are 191 active FTZs in all 50 U.S. States and Puerto Rico. More than 3,200 companies currently utilize the program.

**3,200**   
Companies located in U.S. FTZs

**450,000**   
American workers employed in U.S. FTZs

### 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 or the rate applied to the finished product – which is often lower.
- **Expedite Trade:** Direct Delivery reduces transit times for receipt of merchandise. Weekly Entry simplifies the customs entry process.

### 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.

### ADDRESS KEY POLICY ISSUES TO PROTECT AND STRENGTHEN THE FTZ PROGRAM

- Complete **Automated Commercial Environment (ACE)** programming to eliminate obsolete paper reporting to Customs and Border Protection (CBP) and Partner Government Agencies (PGAs)
- Ensure **Trade Remedies** are not improperly applied to FTZ production and accommodate FTZ procedures
- Update CBP's 1986 **FTZ Regulations** (19 CFR Part 146)
- Eliminate outdated **NAFTA** restrictions disadvantaging FTZ manufacturers vis-à-vis Canadian & Mexican exporters

Value of exports  
from U.S. FTZs

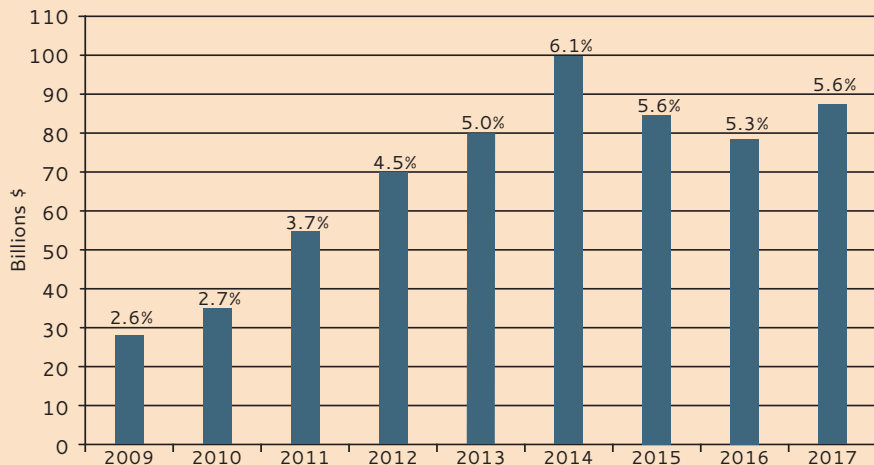
**\$87B**

# FOREIGN-TRADE ZONE FACTS

## EXPORTS, EMPLOYMENT & MANUFACTURING REMAIN STRONG

### FTZ EXPORTS RESUME GROWTH IN 2017

Total FTZ Exports, 2009–2017 & Percentage of Total U.S. Exports



#### In 2017, U.S. Foreign-Trade Zones:

- **Exported** \$87 billion in merchandise – an annual increase of 12.6%.
- **Employed** approximately 450,000 Americans in well-paying jobs throughout the country; and
- **Received** over \$669 billion worth of foreign and domestic merchandise.

Sources: FTZ Board Annual Reports and U.S. Census Bureau.

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

The two primary activities carried out in FTZs are:

- **Production/Manufacturing:** As of 2017, there were 329 active manufacturing and production operations located in foreign-trade zones throughout the United States. These operations received \$410 billion in merchandise, accounting for 63% of zone activity.
- **Warehousing/Distribution:** The remaining FTZ activity occurs in warehousing and distribution centers. These operations received \$259 billion in merchandise in 2017.

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 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 (2017)

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

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