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**Hearing on Proposed Section 301 Action on Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute**

Testimony of Erik Autor, President, National Association of Foreign-Trade Zones (NAFTZ)

My name is Erik Autor, president of the National Association of Foreign-Trade Zones (NAFTZ). NAFTZ is the voice of the U.S. Foreign-Trade Zone program and more than 670 members representing the FTZ stakeholder community.

In my testimony, I first want to underscore that the U.S. Foreign-Trade Zones (FTZ) program is a critically important and longstanding economic development tool created by Congress to incentivize companies to locate manufacturing and distribution operations in the United States, rather than other countries; help U.S.-based companies compete more effectively against imports; employ American workers; attract investment into American communities; and promote U.S. exports. Without the FTZ program, a significant portion of manufacturing and distribution operations currently in FTZs in the United States would likely be based in other countries, with the loss of tens of thousands of American jobs.

NAFTZ also strongly disputes the false notion that the FTZ program somehow provides a means to evade duties, including Section 301 and other trade-remedy duties. I should not have to emphasize this point, but it has become clear that there exists among some policy makers a lack of understanding, and some fundamental misperceptions about, the U.S. FTZ program that we must correct.

The U.S. FTZ program includes many manufacturers in the aerospace industry and program participants in other sectors who would be impacted by any duties imposed under Section 301 in this dispute with the European Union over subsidies to its civil aircraft industry. However, I am not here to request the exclusion of any particular products. Rather, I want to ensure that any duties imposed as part of the enforcement of U.S. rights in this dispute avoid a serious problem manufacturers in U.S. FTZs have encountered in the application of Section 301 duties on imports from China.

Specifically, in the China trade action, Customs-entry requirements for merchandise withdrawn from an FTZ have resulted in some U.S. FTZ manufacturers being improperly assessed Section 301 duties on all their foreign-status components, including articles that are not from the subject country or are not included on the lists of products specifically identified as being subject to the additional Section 301 duties. Meanwhile, companies manufacturing in the United States outside an FTZ are assessed Section 301 duties only on components that are on the list of countries and products identified as being subject to those duties. This unbalanced tariff treatment discourages the use of the FTZ program, is contrary to law, and undermines the integrity of the trade-remedies system.

To avoid this problem, the Section 301 order should include language similar to that in the third Presidential Proclamation in the Section 232 actions on steel and aluminum, which stated "FTZ

merchandise shall not be subject upon Customs entry to Section 301 . . . duties merely by reason of manufacture in a U.S. foreign-trade zone.” This language would not impact the assessment of Section 301 duties on any imported inputs from a subject country that are identified as merchandise specifically subject to the additional duties.

We also seek clarification that any merchandise admitted into a U.S. FTZ in privileged-foreign (PF) status as the result of a Section 301 order shall retain that zone status until such time as the Section 301 duties are terminated or reduced or a product exclusion is granted to such merchandise, in which case the Section 301 duty rate and PF status on said merchandise will no longer be in effect.

Finally, I want to emphasize that what we are requesting is not any special exemption from the proposed additional tariffs that would apply to all other U.S. importers. Rather, our proposed language would ensure that U.S. importers inside and outside an FTZ receive the same tariff treatment in the application of these duties.

Thank you for your attention and I am prepared to take any questions you may have.