

National Association of Foreign-Trade Zones
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June 4, 2019

The President
The White House
1600 Pennsylvania Ave., NW
Washington, D.C. 20500

Re: Administration of Additional Duties on Products from Mexico – Implications for U.S. Foreign-Trade Zones

Dear Mr. President:

I write on behalf of the National Association of Foreign-Trade Zones (NAFTZ), the thousands of U.S.-based companies that comprise the stakeholder community of the U.S. foreign-trade zones (FTZ) program, and the nearly half a million Americans directly employed in FTZ operations to urge the inclusion of the following language in any Proclamation ordering the imposition of additional duties on imports from Mexico.

FTZ merchandise shall not be subject upon Customs entry to the above-referenced additional duties merely by reason of manufacture in a U.S. foreign-trade zone.

It is important to note that this text mirrors language in the final Presidential Proclamations of April 30, 2018 imposing Sec. 232 duties on imported steel and aluminum. Inclusion of this language is critical to ensure the proper application and administration of these duties on products manufactured in an FTZ in the United States and to provide clear and consistent guidance to U.S. Customs and Border Protection (CBP).

We also urge the inclusion of the following additional language to address the application and administration of the duties on products admitted into U.S. FTZs:

Merchandise subject to additional duties under this Proclamation that is admitted to a foreign-trade zone (FTZ) in “Privileged Foreign” (PF) status will be subject, at the time of Customs entry, to the additional duty rate in effect at the time of FTZ admission of said merchandise, unless the above-referenced provisions have been terminated prior to the date of entry, in which case the additional duty rate and PF status on said merchandise will no longer be in effect. On-hand inventory of subject merchandise in an FTZ admitted in PF status prior to the effective date of the additional duties will retain that status until such

time as the subject additional duties are terminated or a product exclusion applies to such merchandise, in which case the additional duties and PF status on said merchandise will no longer be in effect.

The first clause in the first sentence of this proposed language is reflective of text the U.S. Trade Representative (USTR) included in its May 10, 2019 Federal Register notice on the imposition of additional duties on the third tranche of imported products from China under Sec. 301 of the Trade Act of 1974. This and the remaining language in the paragraph are essential to ensure the proper application and timing of duties applied to PF-status merchandise in zone inventory, including in the event that the additional duties are terminated or lowered, or a product-exclusion petition is granted. Conversely, without this clarification, there is a substantial risk that PF-status merchandise in zone inventory will be assessed an erroneous duty rate upon withdrawal and entry from an FTZ.

The U.S. FTZ program is a critically important and long-standing 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.

Thank you for your consideration of this request and for your support of the U.S. FTZ program and the U.S.-based companies, American workers, and communities throughout the United States that rely on the program.

Very truly yours,

A handwritten signature in black ink that reads "Erik O. Autor". The signature is written in a cursive, slightly slanted style.

Erik O. Autor
President

cc: Lawrence A. Kudlow, Director National Economic Council
The Honorable Wilbur L. Ross, Secretary of Commerce
John P. Sanders, Acting Commissioner of Customs and Border Protection
Andrew McGilvray, Executive Secretary, U.S. Foreign-Trade Zones Board