



Frankie Bryson, Melissa Irmen, Shane
Williams, Shannon Fura
NAFTZ Executive Committee

US-MEXICO-CANADA AGREEMENT (USMCA)

- NAFTA unfairly limited the FTZ program's full potential by:
 - Restricting FTZs from exporting to CDN & MEX free of US duties
 - Preventing FTZs from using ROO to be more competitive in NAFTA markets
- NAFTZ has two legislative proposals to correct these problems
 - Eliminate ROO restriction for FTZs in USMCA implementing bill
 - Specify FTZ exports to CDN/MEX will be duty free under HTS Chpt. 98
- Current NAFTZ strategy
 - Introduction of legislative proposals in Congress for inclusion this year on appropriate legislative vehicle – e.g., Misc. Tariff Bill (MTB)
 - FTZ stakeholder letter to Congress demonstrating strong industry support

OTHER TRADE NEGOTIATIONS

- Following China “Phase One” Agreement, USMCA, and Japan “Mini” Trade Agreement, the Trump Administration has an ambitious list of trade negotiations it wants to pursue this year
 - China “Phase Two” Agreement
 - Japan “Comprehensive” Trade Agreement
 - European Union
 - United Kingdom
 - Kenya
- Follows Trump strategy – negotiate bilateral, managed-trade deals (vs multilateral or plurilateral agreements); reduce U.S. bilateral merchandise trade deficits a top objective; use/threat of tariffs for negotiating leverage

TRADE-ACTION TARIFFS ON FTZ PRODUCTS

- COO reporting rules on FTZ entries can result in improper assessment of trade-action duties on non-subject foreign inputs in FTZ-produced goods
 - Results in unequal duties on goods manufactured inside & outside an FTZ
 - Presidential proclamation avoided this problem in Sec. 232 cases
 - USTR refuses to take similar corrective action in Sec. 201/301 cases
- NAFTZ has legislative & regulatory proposals to correct this problem
 - Articles manufactured/produced in a US FTZ are not foreign merchandise when imposing temporary trade-action duties under HTSUS Chpt. 99
 - Trade-action duties are assessed only on articles in PF status as a result of those duties and admitted into an FTZ after the effective date of those duties
 - Clarify applicable duty rates when trade-action tariffs increase, decrease, or are eliminated while subject PF-status articles are in zone inventory

321/DE MINIMIS

- FTZ distributors may not enter goods duty free into the US market from a zone under the Sec. 321 *de minimis* shipment rules
 - Raising the Sec. 321 duty-free *de minimis* level from \$200 to \$800 encouraged shifting e-commerce fulfillment from US FTZs to other countries
- As a member of the 321 Coalition, NAFTAZ helped develop a legislative proposal to address this problem
 - Amends Sec. 321 & FTZ Act to allow duty-free treatment of goods meeting the *de minimis* threshold withdrawn on one invoice (or order) per ultimate consignee on one day
 - FTZ Act “retail trade” rule does not apply in e-commerce transactions to withdrawal of FTZ goods that meet the duty-free *de minimis* threshold

REVISE CUSTOMS PART 146 FTZ REGULATIONS

- Customs' FTZ regulations (Part 146) have seen little change since 1986
- In 2018, NAFTAZ relaunched an effort with CBP through the COAC to modernize Part 146 to:
 - Account for the revolution in CBP automation and changes in modern global supply-chain management
 - Meet 21st century needs of CBP, the FTZ community, and a more globally integrated US economy
 - Protect and expand direct delivery
 - Eliminate the outdated five-day rule & blanket 216 for manufacturing, manipulation & exhibition

ACE PROGRAMMING FOR THE FTZ E214 ADMISSION

- 2017 saw a major step in the ITDS single-window initiative with integration of the e214 FTZ admission process onto the ACE software platform
- NAFTZ has worked with the PGAs and CBP to facilitate this process and:
 - Create a viable compliance process that fulfills the PGAs' enforcement mandate while minimizing unnecessary burdens on FTZ filers
 - Add PGA message sets into the e214 through ACE for those PGAs needing compliance data for before entry of goods from an FTZ
 - Ensure the future viability of the FTZ direct-delivery procedures

REVISE THE FTZ BOARD'S "PRODUCTION SCOPE OF AUTHORITY" REGULATIONS

- Current regulations do not allow FTZ operator/user companies sufficient flexibility to quickly modify their approved list of imported components and/or finished products in response to changing demands of global competition
- NAFTZ continues to urge the FTZ Board to introduce regulatory reform to:
 - Allow use of six-digit HTS numbers to define the scope of production authority (versus written commercial description)
 - Adopt a retrospective notification process to allow companies to maintain full compliance and keep assembly lines in operation

ILLICIT TRADE

- There is growing attention and concern about the problem of illicit trade, partially due to the explosion in global small-package delivery
 - The Organization for Economic Cooperation and Development (OECD) has drafted guidelines and a code of conduct on illicit trade for free zones
 - A bill on illicit trade and free zones is being drafted for introduction in Congress
 - The President recently issued a proclamation on illicit trade (although it may have little or no impact on FTZs)

DISCLAIMER

Please note that this Power Point presentation is an educational tool that is general in nature. It is not intended to be an exhaustive review of U.S. laws and regulations and is not intended to provide legal advice.

Materials in this presentation should not be considered a substitute for actual statutory or regulatory language. Always refer to the current edition of a referenced statute, code and/or regulatory language. Always refer to the current edition of a referenced statute, code and/or regulation for precise language. The National Association of Foreign-Trade Zones does not endorse the individual views of any presenter.