

U.S. FOREIGN-TRADE ZONES PROGRAM

The foreign-trade zones (FTZs) program was authorized by Congress in 1934 (FTZ Act - 19 USC 81a-81u) and is used to help encourage activity and value-added at U.S. facilities in competition with foreign alternatives by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings.

- ▶ **Enhancing Competitiveness.** By reducing costs, FTZs level the playing field and improve U.S. competitiveness. FTZs can help businesses reduce production, transaction, and logistics-related costs by lowering effective duty rates, allowing special entry procedures, and encouraging production closer to market. Reducing costs through FTZ use can lead to more competitive U.S. operations, thereby helping to maintain U.S. activity and jobs.
- ▶ **Creating/Retaining Jobs and Encouraging Investment.** By helping local employers remain competitive, zones can contribute to maintaining or boosting employment opportunities. And lower FTZ-based production costs encourage increased investment in U.S. facilities.

ABOUT THE FTZ PROGRAM

- The FTZ Act prohibits residence within a zone
- With the exception of formal customs entry procedures, all other local, state and federal laws and regulations apply (including labor and immigration laws)
- FTZs remain under the direct supervision of U.S. Customs and Border Protection
- FTZs are within the territory of the U.S. and merchandise stored in a FTZ is considered imported into the U.S.

WHAT ARE THE BENEFITS OF A FOREIGN-TRADE ZONE?

In the global marketplace, many companies consider moving to foreign facilities to reduce costs. The benefits of the Foreign-Trade Zone program may be the competitive advantage that companies need to keep their manufacturing or distribution operations in the United States. These include:

- ▶ No duties on imported goods that are later re-exported
- ▶ Delayed payment of duties on goods that enter the U.S. market
- ▶ Manufacturing-specific benefits – with case-by-case approval by the FTZ Board – that can include reduction of duties if a lower tariff rate applies to the finished product leaving the zone than the tariff rates that would have applied on foreign components (“inverted tariff”)
- ▶ Elimination of duties on waste, scrap and rejected or defective parts
- ▶ Reductions in merchandise processing fees because zone users may be able to file a single customs “entry” (and pay a single fee) per week rather than making multiple entries during the course of a week

USING A FOREIGN-TRADE ZONE

Once a zone location has been established by the FTZ Board, companies are required to “activate” the zone with U.S. Customs and Border Protection (CBP) prior to beginning FTZ operations. Zone activity occurs under the supervision of CBP and FTZs remain within the jurisdiction of all other local, state and federal governments or agencies.

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