

Foreign-Trade Zones

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Port of Battle Creek – Foreign-Trade Zone 43

Foreign-Trade Zones

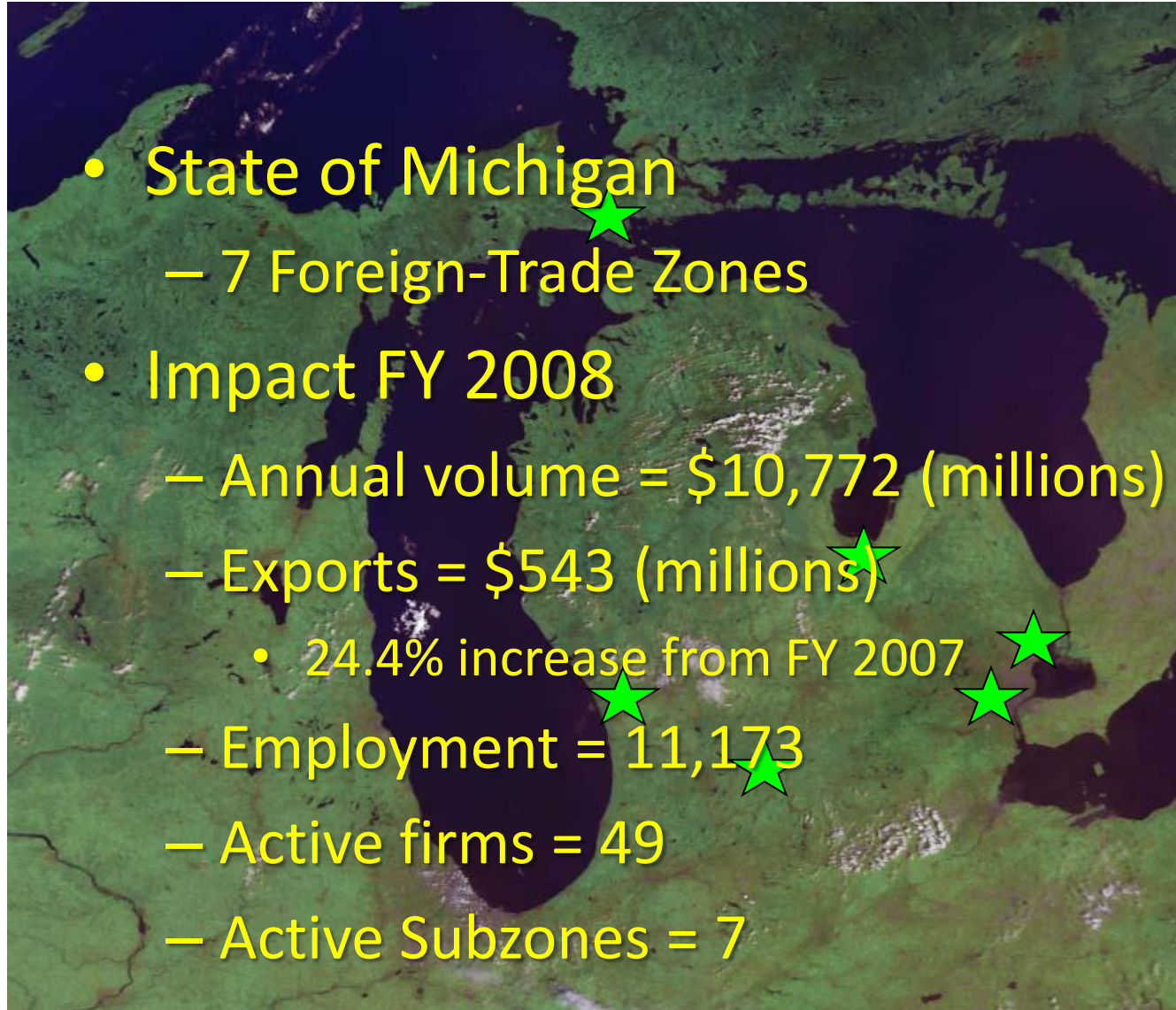
- Foreign-Trade Zones Act of 1934
 - Incentive for job growth in the US
 - Must demonstrate need
 - Public benefit
 - Operate as a public utility
 - Not in conflict with US trade policy

Foreign-Trade Zones

- General Purpose Zone
 - Affiliated with a Port of Entry
 - Warehouse & distribution
 - Alter
 - Clean
 - Destroy
 - Exhibit
 - Inspect
 - Mix
 - Process
 - Re-export
 - Re-label
 - Repackage
 - Repair
 - Sample
- Subzone
 - Affiliated with a General Purpose Zone
 - Specific to one company
 - Manufacturing



Foreign-Trade Zones



Foreign-Trade Zones



- Regulatory compliance
 - Activating a zone
 - Background check
 - FTZ bond
 - Cargo security
 - Inventory control
 - Operators agreement
 - Operating a zone
 - CBP spot checks
 - Annual report
 - Annual reconciliation

Foreign-Trade Zones

- What is a Foreign-Trade Zone?
 - Foreign merchandise is considered outside US Customs and Border Protection (CBP) territory, yet under their supervision
 - Goods & activities must comply with all federal, state, and local laws
 - Merchandise may be stored, processed, or manufactured
 - Companies may delay, reduce, or altogether eliminate US Customs duties – keeping US-based companies on a level playing field with their competitors abroad

Foreign-Trade Zones

- Reduce duty
 - Inverted tariff: users elect the lower duty rate that is applicable to either the foreign inputs or the finished product

Foreign-Trade Zones

- Auto parts 2.5% to 18%
 - Reduce duty in a FTZ



Toyota



Mitsubishi



Mercedes



Honda



Volkswagen



Hyundai



Nissan



BMW

Foreign-Trade Zones

- Delay duty
 - Store items indefinitely
 - No duty on imported machines until production begins
 - No duty on goods temporarily in US

Foreign-Trade Zones


- Industrial machines 4.4%
 - Test, inspect, clean, exhibit, alter industrial machines in a Foreign-Trade Zone 0%



Foreign-Trade Zones

- Eliminate duty
 - Rejected goods may be returned to country of origin
 - Scrapped or destroyed under Customs supervision
 - Consumed within the FTZ
 - Re-exported merchandise

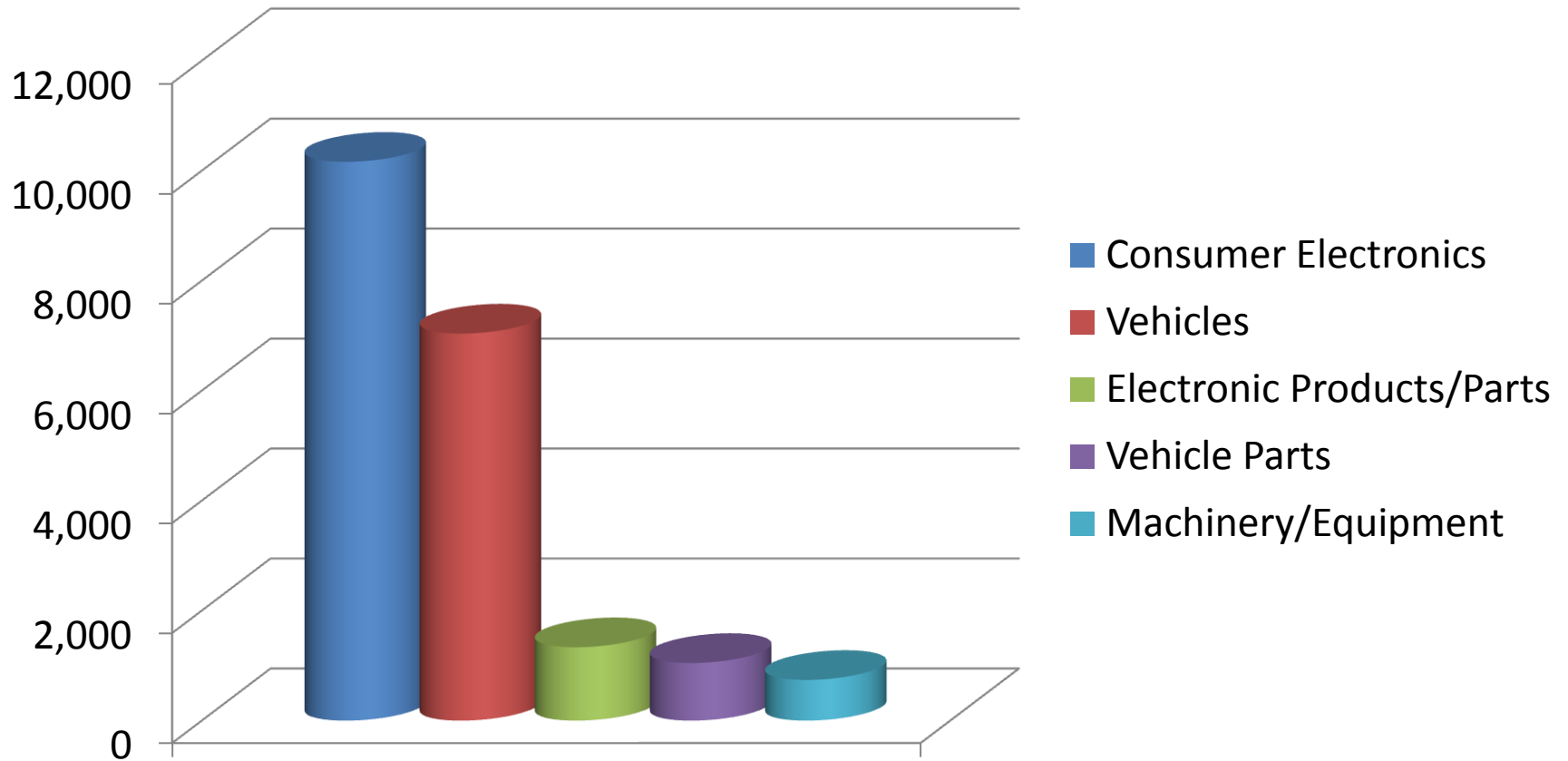
Foreign-Trade Zones

- Imported aircraft parts
 - Ignition wires set 5%
 - Brake & steering control unit 2.5%
 - Titanium tubes & parts 15%
 - Finished aircraft & subassemblies
 - Civil or military aircraft & aircraft parts 0%
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Foreign-Trade Zones

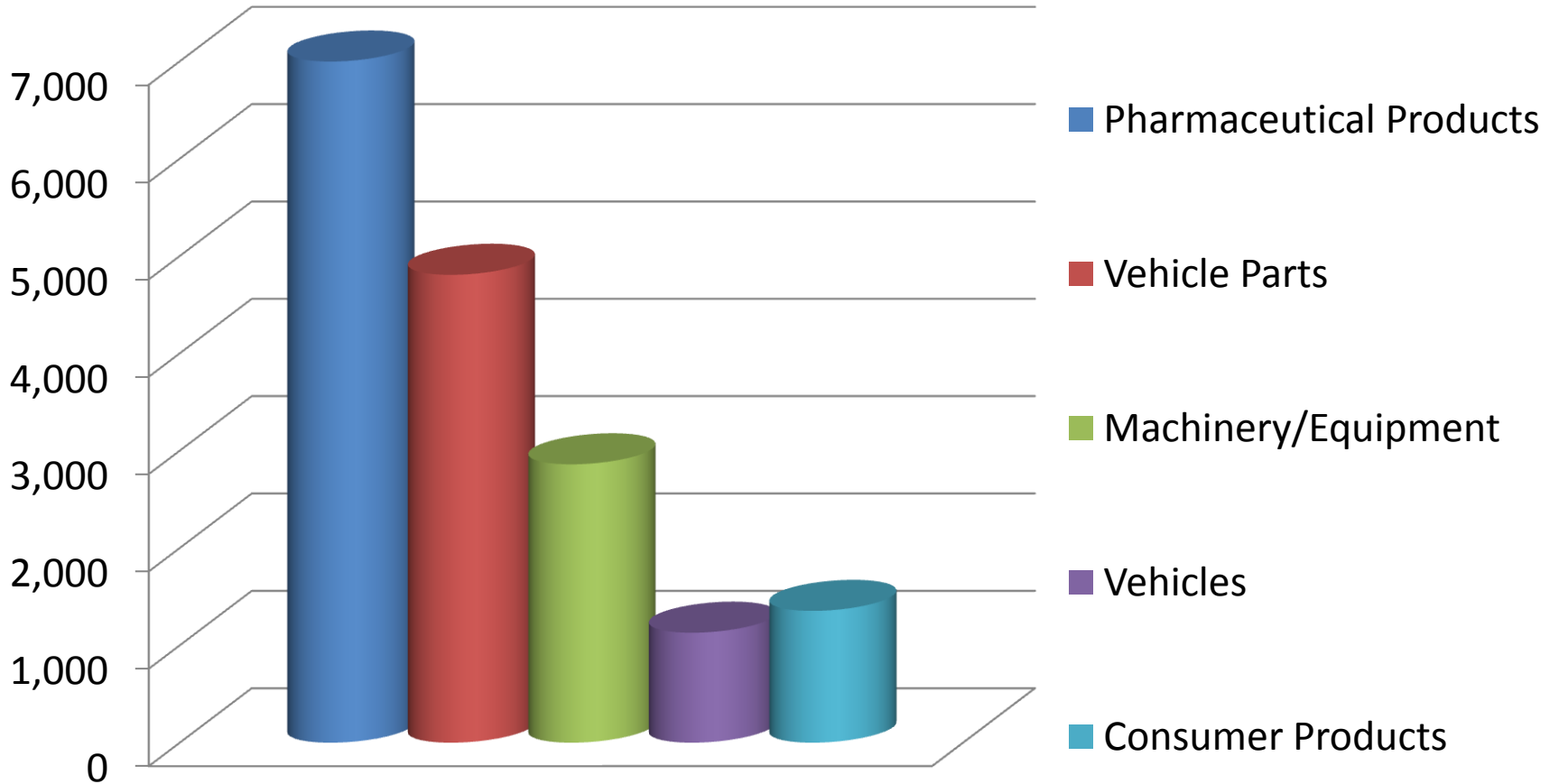
- Avoid penalties or fines
 - Sample to determine classification
 - Re-label, re-mark
- Quotas do not apply
 - Import in quantity
 - Must be released into US commerce within quota limitations
 - No limits for quota goods to be exported
 - Restrictions will apply on some commodities and raw materials (dumping)

Foreign-Trade Zones General Purpose Zones



Sample data in \$millions, *Annual Report of The Foreign-Trade Zones Board - FY 2009-2010*

Foreign-Trade Zones Subzones



Sample data in \$millions, *Annual Report of The Foreign-Trade Zones Board - FY 2009-2010*

Foreign-Trade Zones

- US Foreign-Trade Zones should not be confused with “Free Trade Zones” elsewhere in the world
- The US Foreign-Trade Zone regulations served as the model for the World Trade Organization
 - Exception: retail trade

Foreign-Trade Zones

- **US Foreign-Trade Zones** – foreign & domestic merchandise admitted into FTZs not subject to CBP entry procedures, and not subject to payment of duties or federal excise taxes
- **Free Zones** – merchandise stored, then exported or entered into host country
- **Export Processing Zone** – duty-free zones dedicated to manufacturing for export with no duty on raw materials, components, machinery used in processing
- **Enterprise Zones** – encourage new domestic activity by eliminating most zoning, taxation, federal & local regulations from defined districts
- **Duty Free Shops** – retail locations allow for resale to travelers who do not pay taxes and duties

Foreign-Trade Zones

- Advantages
 - Increase profit margins
 - Globally competitive
 - Cash flow benefits
 - Imports subject to compliance with FDA, DOT, EPA, or USDA
 - Logistics benefits from direct delivery and weekly entry procedures
 - Reduced Harbor Maintenance Fees
 - Zone to zone transfers

Foreign-Trade Zones

- For Battle Creek FDI brought more than 6,000 jobs and millions of dollars in capital investment and tax revenues
- Japan, Germany, Denmark, Scotland and Austria
- FTZ warehouse serves numerous businesses
- Regional manufacturers remain globally competitive

