



Foreign-Trade Zone Overview




PointTrade Services, Inc.



History of Foreign-Trade Zones

- FTZ Act of 1934 - created Foreign-Trade Zones in order to expedite and encourage participation in international trade - an economic development program
- Act of 1934 - was amended in 1950 to authorize manufacturing in zones



**The Foreign Trade Zones
program is an economic
development program,
established to *retain and expand*
jobs in the United States**



CBP & FTZ Board Cooperation

- Foreign-Trade Zones are established under a grant of authority from the Foreign-Trade Zones Board
- Customs and Border Protection must provide concurrence
- Customs and Border Protection provides on-going oversight



Some Quick Statistics

- 2,500 firms used foreign-trade zones in the United States in FY 2009
- Over 330,000 jobs in the United States are directly related to foreign-trade zones (in FY 2009)

Source: Foreign-Trade Zones Board Annual Report of 2009

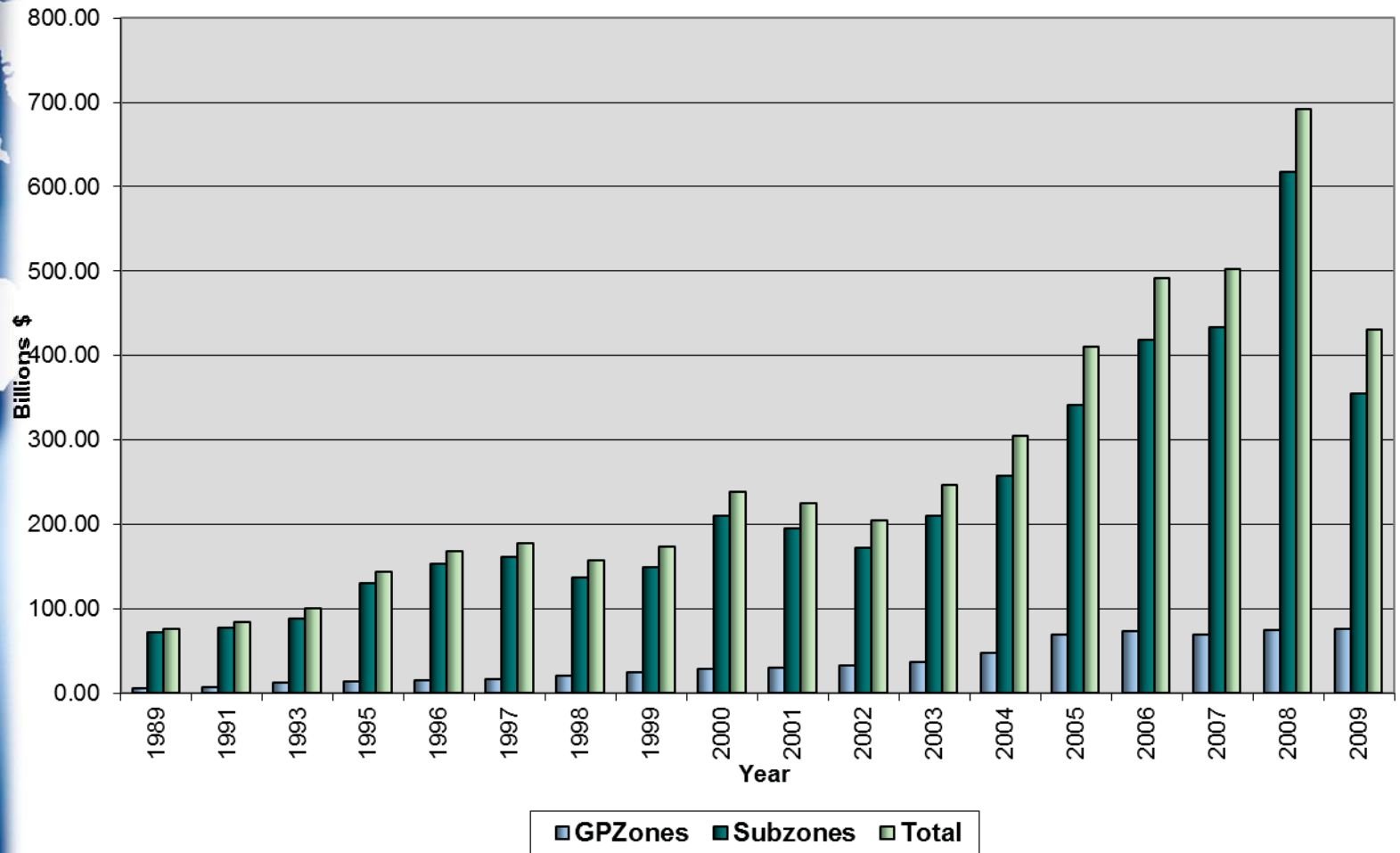


Some Quick Statistics

- As of 2009, there were 168 active general purpose zones, and 261 subzones in the U.S. (including Puerto Rico)
- As of 2009, receipts were valued at \$430.6 billion dollars
- Exports from FTZ's amounted to over \$28 billion dollars

Source: Foreign-Trade Zones Board Annual Report 2009

FTZ Statistics: Total MDSE Received





History of Foreign Trade Zone #20

- Established with one site in Suffolk on April 15, 1975
- Givens site added and activated in 1994
- Extensive expansion approved in 1997 (included several sites in Chesapeake)
- Further expansion approved in 2010



Chesapeake Sites:

- Givens - all sites
- Cavalier Industrial Park
- First Potomac Site (formally D.D. Jones warehouse site)
- New Boone Farm Industrial Park
- Battlefield Lakes Technical Center
- Butts Station Commerce Center

(sites will sunset in May 2013, and can be re-added as activated usage driven sites)



Advantages of an FTZ

- No duty or MPF paid on exports or scrap
- Items may be manipulated, sorted, repackaged, relabeled, cleaned, inspected, repaired, exhibited, and temporarily removed - in a duty free environment
- Inverted tariff
- Duty on admitted machinery is deferred until it is put into actual production
- Streamlined Customs programs are available



Distribution Savings

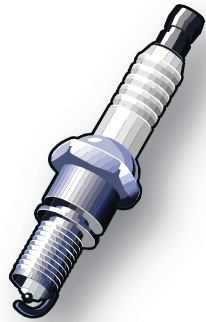
- Save duty/MPF until actual shipment from zone for U.S. consumption
- Save duty/MPF on scrap and waste
- Save duty/MPF on re-exports
- Paperwork efficiency - weekly entry for distribution
- Possibility of direct delivery: shipments arrive directly at the importer's facility, rather than being held up at point of entry



Manufacturing Savings

- Allows raw materials to be admitted into a zone with no payment of duty or MPF
- Duty paid on lowest applicable rate to finished goods - duty paid on foreign content only (inverted tariff)
- Weekly entry and direct delivery = greater documentation efficiency
- Note: a special permit is required from the Foreign-Trade Zones Board for manufacturing

Duty Deferral: Zone to U.S. Commerce



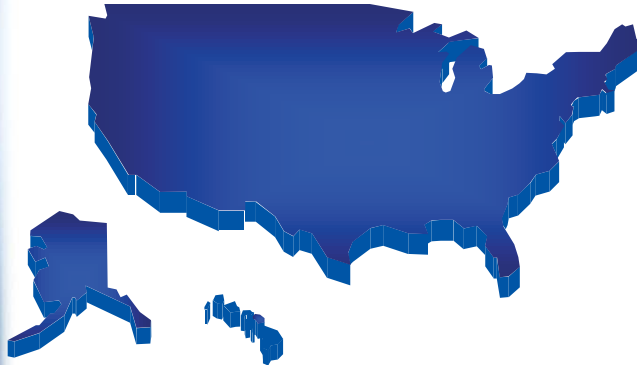
Spark plugs
Dutiable at 2.5%
Admitted to FTZ



Stored in FTZ -
Duty Deferral



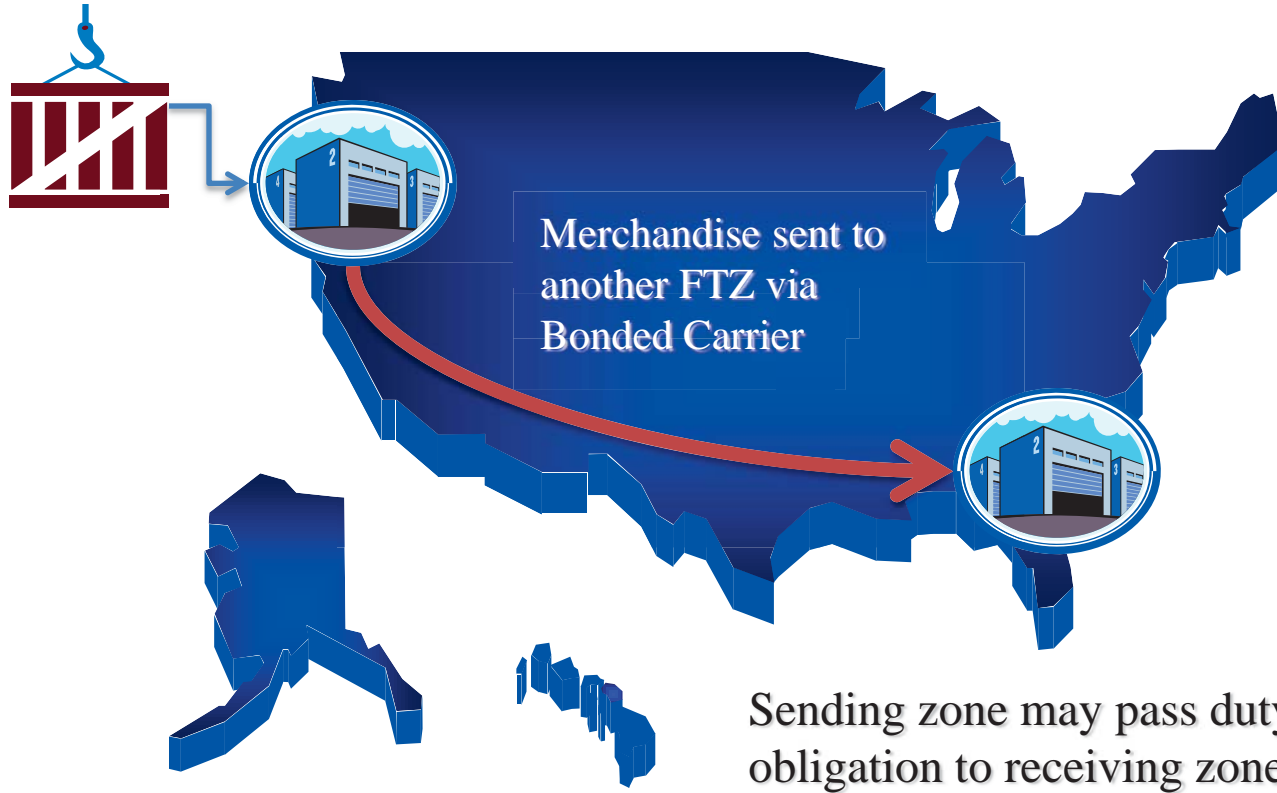
Withdrawn from FTZ for entry into
U.S. commerce
2.5% Duty Paid



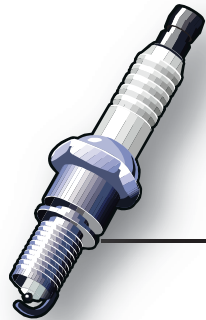
Zone-to-Zone Transfers:
Duty deferral benefits may be
further extended by transferring
merchandise from zone to zone.

Zone-to-Zone Transfers

Dutiable
Merchandise
Admitted to FTZ



Duty Elimination: Exports & Destroyed Goods



Spark plugs
Dutiable at 2.5%
Admitted to FTZ



Stored in FTZ -
Duty Deferral

Withdrawn from FTZ for export



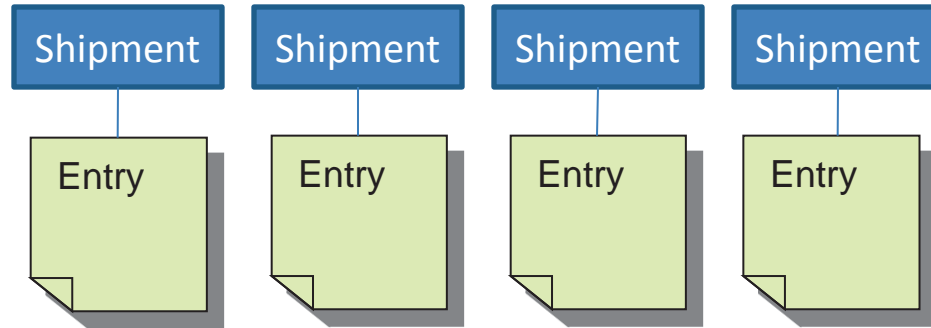
**No duty payment -
eliminates drawback process**

Received at FTZ and
determined to be damaged
beyond repair



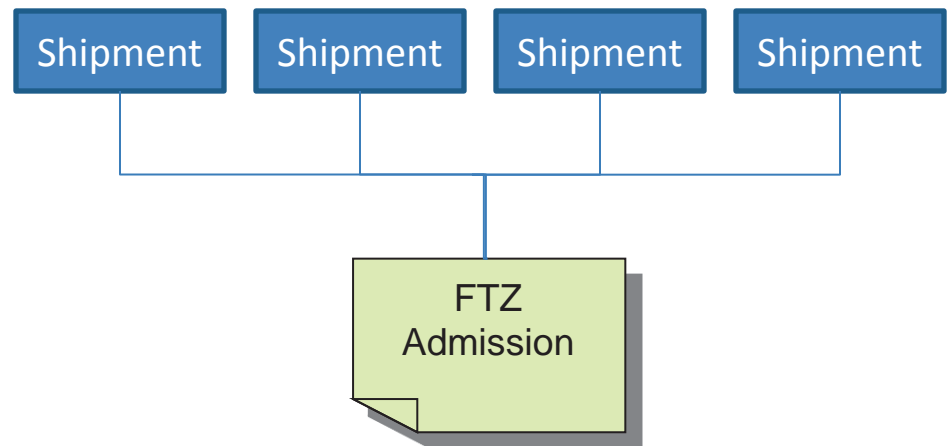
Destroyed in the FTZ under
permit – **no duty payment**

Traditional Import vs. FTZ Admission

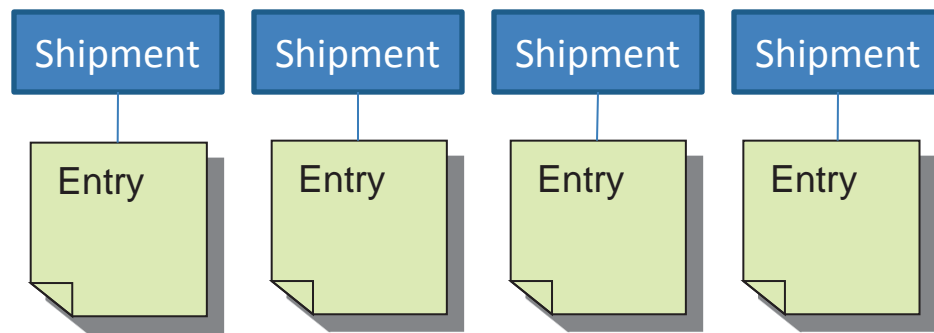


Traditional Import:
Entries are filed per shipment, then released for delivery to importer's facility

FTZ Admission –
Direct Delivery:
Goods delivered to FTZ, reported to CBP following business day;
Ability to combine reporting of multiple shipments

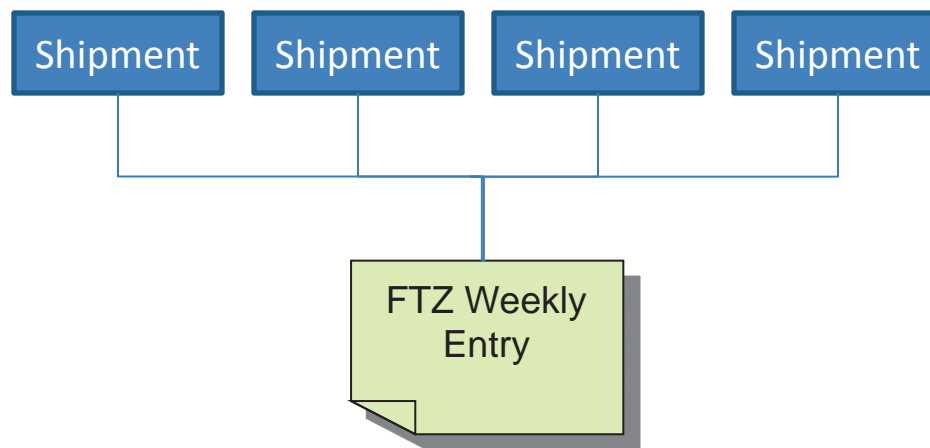


Traditional Entry vs. FTZ Weekly Entry



Traditional Entry:
Entries are filed per shipment, then released for delivery to importer's facility

FTZ Weekly Entry:
One entry filed per week to cover multiple shipments during specified week

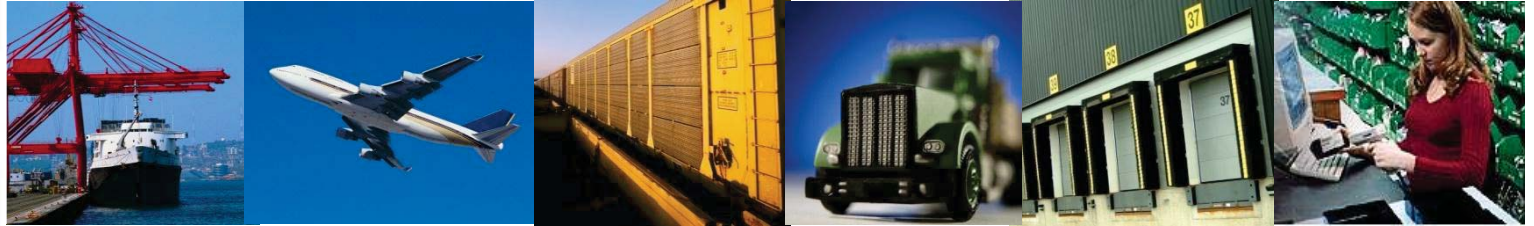




Other Benefits

- Commingling of foreign and domestic merchandise
- Lower Administrative Costs
- Lower Security and Insurance Costs
- No Time Constraints on Storage
- Improved Inventory Control through use of FIFO
 - Recordkeeping Identity vs. Specific Identity (Fungibility)

Lean Supply Chain and Import/Export Compliance



Direct Delivery Benefits

- Reduces CBP inspections and delays at the border/docks
- 24/7 cross-dock, receiving
- *e*-movements to FTZ (paperless and automated; *e*-214)

Weekly Entry Benefits

- Cross-dock/shipping out of the FTZ 24/7
- One *Estimated* CBPF 3461 in advance of withdrawals / One CBPF 7501 Entry Summary five days after close of the seven-day period
- Reduces MPF/Customs Broker fees

Weekly Export Benefits

- 24/7 Cross-dock / export to foreign markets
- *e*-process, Denied Party review



Two-Step Process

- FTZ Designation – Locate in a foreign-trade zone or apply for designation of your site
- FTZ Activation – Activate the FTZ site with U.S. Customs and Border Protection



Sites Become Part of an FTZ

- As part of the initial grant
- As part of an expansion application
- On a minor boundary modification
- As a subzone application



FTZ Activation

- File a FTZ procedures manual with CBP
- Key individuals have to undergo background checks
- An operator's bond needs to be filed
- An operator's agreement needs to be signed with the grantee
- A security review needs to be done with CBP
- Confirm inventory audit trail



Summary of FTZ Discussion

- Benefits are both tangible and intangible
- Implementation has proven to improve inventory control



Conclusion

- Foreign-trade zones offer incentives for U.S. manufacturers. Many U.S. manufacturing plants face competitive situations which can quickly change or evolve. Foreign-trade zones are advantageous and offer a good return on investment as well as a level playing field on which to compete against foreign sources.



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