

# U.S. FOREIGN-TRADE ZONES

## EXPANDING U.S. EXPORTS, JOBS, & ECONOMIC DEVELOPMENT

### ABOUT FOREIGN-TRADE ZONES

- The Foreign-Trade Zone (FTZ) program was created by Congress in 1934 to expedite and encourage foreign commerce. The FTZ Board at the Department of Commerce reviews all FTZ applications.
- Foreign-trade zones (FTZs) are secure areas within the United States that are considered to be outside of U.S. Customs territory for tariff purposes. U.S. Customs and Border Protection oversees daily operations. All other U.S., state, and local laws apply.
- FTZ benefits are available to any U.S.-based company. Firms do not need to locate in a specific area or region to participate in the program.
- There are 195 active FTZs in the United States, employing over 440,000 American workers in more than 3,300 companies currently using the program.

3,300   
Companies located in U.S. FTZs

440,000   
American workers employed in U.S. FTZs

### BENEFITS FOR BUSINESSES

FTZs provide significant advantages for U.S.-based firms:

- **Duty Deferral:** Customs Duties are paid only if and when goods are transferred out of a Zone and into U.S. Customs territory.
- **Duty Elimination:** No duties are paid on merchandise exported from an FTZ.
- **Duty Reduction:** FTZ users may elect to pay duties at either the rate of the foreign inputs used, or the rate applied to the finished product – which is often lower.
- **Expedite Trade:** Direct Delivery reduces transit times for receipt of merchandise. Weekly entry simplifies the customs-entry process.

### BENEFITS FOR THE UNITED STATES

FTZs provide substantial economic benefits to our nation:

- **Job Creation and Retention:** FTZs provide a competitive advantage for U.S.-based manufacturing and distribution operations. As a result, jobs that otherwise might be located abroad are created and retained in the United States.
- **Increased Exports:** The elimination of duties on exported merchandise makes U.S.-based companies more competitive in export markets.
- **Investment:** FTZs encourage multinational firms to establish U.S.-based operations, attracting foreign investment to the United States. These firms are also more likely to utilize U.S.-made components, providing added stimulus to local and regional economies.

### ADDRESS KEY POLICY ISSUES TO PROTECT AND STRENGTHEN THE U.S. FTZ PROGRAM

- **USMCA:** End restrictions imposing U.S. duties on FTZ exports to Canada and Mexico and on using rules of origin to make FTZ products more cost-competitive with Canadian and Mexican products in USMCA markets
- **Tariffs:** Correct the misapplication of special duties under Sec. 301 and other trade actions on FTZ merchandise
- **321/De Minimis:** prevent mass transfer of U.S. e-commerce fulfillment to other countries by allowing FTZs to use the duty-free de minimis procedures (Sec. 321)
- **Regulations:** update regulations governing the FTZ program (19 CFR Part 146/15 CFT Part 400)
- **Automated Commercial Environment (ACE):** Complete integration of FTZ compliance data onto the ACE software platform

Value of exports  
from U.S. FTZs

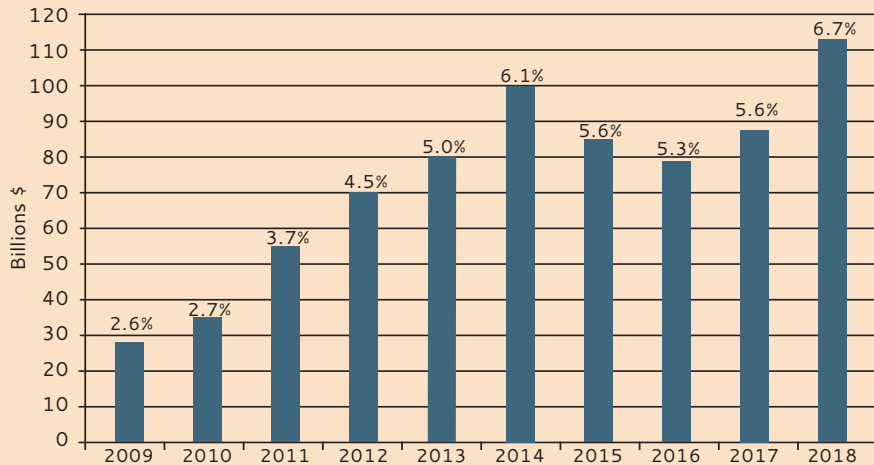
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# FOREIGN-TRADE ZONE FACTS

## EXPORTS, EMPLOYMENT & MANUFACTURING REMAIN STRONG

### SIGNIFICANT FTZ EXPORT GROWTH IN 2018

Total FTZ Exports, 2009–2018 & Percentage of Total U.S. Exports



#### In 2018, U.S. Foreign-Trade Zones:

- **Exported** \$112 billion in merchandise – an annual increase of 12.6%
- **Employed** approximately over 440,000 Americans in well-paying jobs throughout the country
- **Received** over \$793 billion worth of foreign and domestic merchandise

Sources: FTZ Board Annual Reports and U.S. Census Bureau.

### ACTIVITIES AND PRODUCTS FOUND IN U.S. FOREIGN-TRADE ZONES

The two primary activities carried out in FTZs are:

- **Production/Manufacturing:** As of 2018, there were 330 active manufacturing and production operations located in FTZs throughout the United States. These operations received \$504 billion in merchandise, accounting for 63.5% of zone activity.
- **Warehousing/Distribution:** The remaining FTZ activity occurs in warehousing and distribution centers. These operations received \$290 billion in merchandise in 2018.

A combination of both foreign and domestic merchandise is used in many FTZ manufacturing operations.

- **Foreign vs. Domestic inputs:** The majority (63%) of merchandise admitted to FTZs is of domestic origin. FTZ activity commonly involves domestic operations that combine foreign inputs with significant U.S. domestic components.

A wide range of industries utilize the FTZ program to access foreign components at competitive prices. The most common foreign-status inputs include the following:

#### Top 10 Foreign-Status Products in FTZs (2018)

1. Oil/Petroleum
2. Consumer Electronics
3. Vehicles
4. Consumer Products
5. Vehicle Parts
6. Electrical Machinery
7. Pharmaceuticals
8. Other Electronics
9. Machinery Equipment
10. Textiles/Footwear

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