

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 470,000 American workers in more than 3,400 companies currently using the program.

3,400 
Companies located in U.S. FTZs

470,000 
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 foreign merchandise that is subsequently 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

- **Tariffs:** Correct the misapplication of special duties under Sec. 301 and other trade actions on FTZ merchandise
- **USMCA:** End restrictions that impose U.S. duties on foreign components of FTZ exports to Canada and Mexico. Allow FTZ manufacturers to use established USMCA rules of origin to make FTZ products more cost-competitive with Canadian and Mexican products in USMCA markets
- **Illicit Trade/Forced Labor:** Allow secure storage of targeted merchandise pending final determination of admissibility into U.S. commerce
- **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)

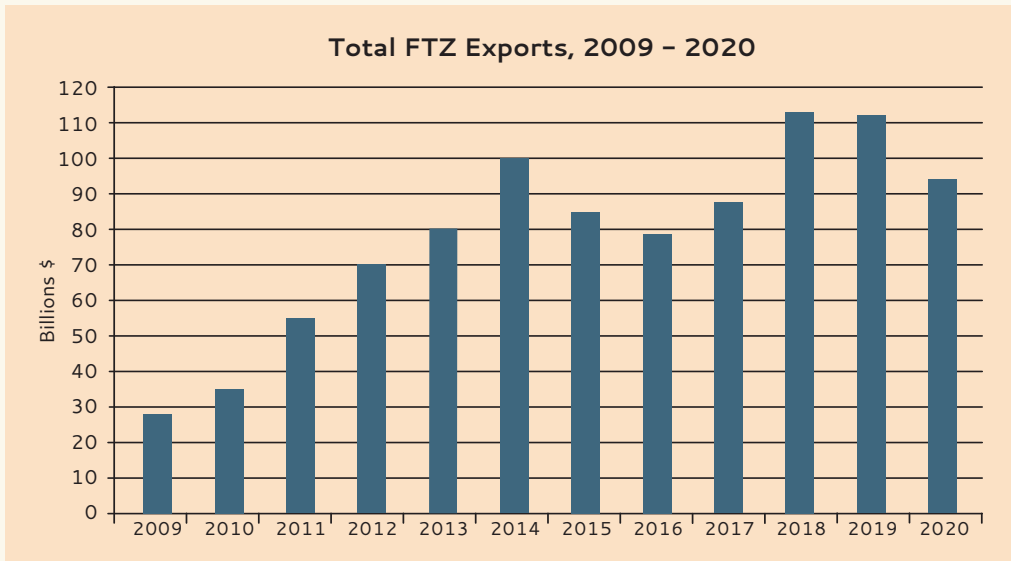
Value of exports
from U.S. FTZs

\$94B

FOREIGN-TRADE ZONE FACTS

EXPORTS, EMPLOYMENT & MANUFACTURING REMAIN STRONG

TOTAL FTZ EXPORTS FROM 2009 - 2020



In 2020, U.S. Foreign-Trade Zones:

- **Exported** \$94 billion in merchandise
- **Employed** over 470,000 Americans in well-paying jobs throughout the country
- **Received** over \$624 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 2020, there were 347 active manufacturing and production operations located in FTZs throughout the United States. These operations received \$341 billion in merchandise, accounting for 55% of zone activity.
- **Warehousing/Distribution:** The remaining FTZ activity occurs in warehousing and distribution centers. These operations received \$283 billion in merchandise in 2020.

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

- **Foreign vs. Domestic inputs:** The majority (59%) 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 use 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 (2020)

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

For more information, contact us:

The National Association of Foreign-Trade Zones
529 14th Street NW, Ste. 1071
Washington, DC, 20045

Tel 202.331.1950
Fax 202.331.1994
www.naftz.org


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