



Global Reach. Local Benefits.

U.S. Foreign Trade Zone Program

FTZ #40

DECEMBER 2020

Foreign-Trade Zone Program

- Created to provide special Customs procedures to US companies engaged in international trade activities
- Designed to increase the global competitiveness of U.S. companies competing with foreign suppliers for domestic market
- Established to provide incentives to US and foreign companies to retain, repatriate or relocate activities to the US

What is a Foreign-Trade Zone?

- A federal program administered by the U.S. Department of Commerce
- Specially designated areas within the United States exempt from import duties (*)
- Considered to be outside of US Customs territory for the purpose of Customs Duty payment
- Especially useful for firms which import components to manufacture finished products

* ***While in the FTZ***

Types of Foreign Trade Zones

- General Purpose (GPZ)
 - Established for multiple users – located within 60 miles of a U.S. Customs port of entry
 - Generally public warehouses, ports or industrial parks used by different companies
 - Most useful for small and medium size companies
- Sub Zone
 - Established for a single company for its own plant or facility
 - Generally located at the company's facility
 - Suitable for activities not easily accomplished at GPZ's

Foreign Trade Zone Allowed Activities

- Packaging and repackaging
- Distribution
- Warehousing
- Cleaning
- Sorting, Mixing and Grading
- Testing and Repairing
- Exhibiting
- Manufacturing
 - Requires specific FTZ approval
 - Must demonstrate significant public benefit
- Destruction

Foreign Trade Zones - Main Benefits

- Duty Deferral, Reduction or Exemption
 - Domestic Consumption: Deferral, Reduction or both
 - Exports: Exemption
 - Scrap: Exemption
- Weekly Entry Consolidation
 - Merchandise Processing Fees' savings
- State and Local inventory tax relief
 - Eliminated in Ohio but payable in other states
- Quota Relief
 - Exports: All
 - Domestic: As long as goods are held in zone
- Direct Delivery
- No time limits on storage

Cash Flow
Improvement

Duty Deferral—Example 1

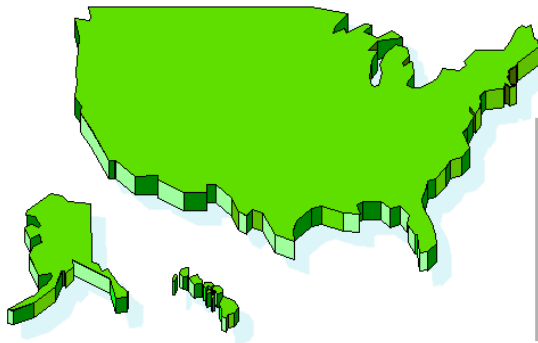
Zone to U.S. Commerce



Auto Parts
Dutiable at 2.5%
Admitted to FTZ



Stored in
Warehouse for
Unlimited Time



Withdrawn from FTZ for
Entry into U.S. Commerce
2.5% Duty Paid
Duty Deferral



Duty Deferral—Example 2

Zone-to-Zone Transfer



Auto Parts
Dutiable at 2.5%
Admitted to Zone 1



Stored in
Warehouse 1 for
Unlimited Time



Transferred to Zone 2
In-Bond and Stored in Warehouse
**Duty Paid Upon Removal from
Zone 2 - Entry into U.S. Commerce**



Duty Elimination/ Zone to Foreign Market



Auto Parts
Dutiable at 2.5%
Admitted to FTZ



Stored in
Warehouse for
Unlimited Time



Withdrawn from FTZ for
Export
No Duty Payment

Duty Elimination/Destruction



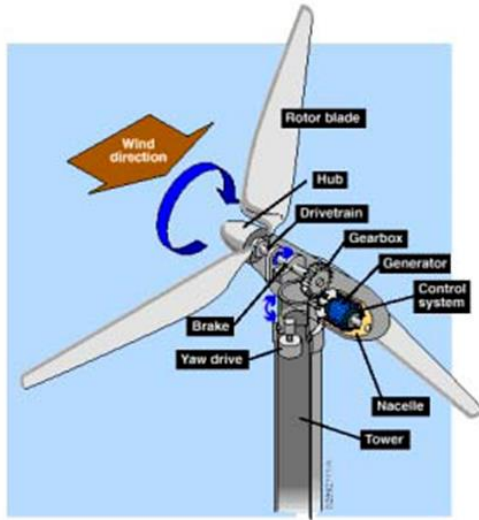
Pens
Dutiable at **0.8¢ each + 5.4%**
Admitted to FTZ

Destroyed in the FTZ; no
entry into commerce/ **No
Duty Paid**

Received at
warehouse and
determined to have
no commercial
value



Duty Reduction/Inverted Tariff



Wind Turbine Parts valued at \$10,000
Average Duty at 5%
Without FTZ
 $\$10,000 * 5\% = \500 duty owed

Inverted Tariff: Value of parts are multiplied by duty rate of finished product to determine duty
 $\$10,000 * 2.5\% = \250 duty owed

Manufactured into
Finished Wind
Turbine
Dutiable at 2.5%



B2B SEAMLESS TRANSACTIONS: Reducing Supply Chain Cycle Times

Direct Delivery

- Expedites arrival of goods
- Reduces exams/delays

Weekly Entry

- Expedites departure of goods
- Reduces paperwork/recordkeeping
- Reduces MPF
- Reduces broker fees

Weekly Export

- Expedites departure of goods
- Reduces paperwork/recordkeeping
- Reduces broker fees

= **Lower Inventory Levels**

FTZ Activated Area:



In Gate A:
Out Gate B:



Other Benefits

- Production equipment may be admitted, assembled, stored, and tested without duty payment until use in production begins
- Co-mingling of foreign and domestic merchandise
- Lower Administrative Costs
- Lower Security and Insurance Costs
- No Time Constraints on Storage
- Improved Security
- Improved Compliance

Applying for FTZ Status

- Types of Applications
 - General Purpose Foreign-Trade Zone
 - Special Purpose Subzone
- Activation
 - Obtained after application for FTZ approved
 - Necessary to receive benefits of FTZ program
- Manufacturing
 - Separate approval required by FTZ board

Activation Steps

- Develop Procedures Manual
 - Inventory control
 - Documentation
 - Security
- Obtain FTZ Bond
- Request Background Checks
- File USCBP Blanket 216 Form

FTZ Ongoing requirements

- Operator/User files USCBP 216 annually
- Operator/User submits information for FTZ Annual Report
- Operator/User notifies USCBP of Annual Reconciliation Report
- Maintain FTZ Bond

Foreign Trade Zone - Summary

If your company...

- Exports products containing imported components subject to duties
Or...
- Manufactures or distributes products containing imported components subject to duties
Or...
- Imports high value products subject to duties
Or...
- Files multiple weekly entries

FTZ's may Add to your Bottom Line!

THANK YOU!

DAVE GUTHEIL

Chief Commercial Officer

DAVID.GUTHEIL@PORTOFCLEVELAND.COM

www.portofcleveland.com

216-377-1363 office

440-935-3893 mobile

