



Foreign-Trade Zones: *An Effective Tool to Boost U.S. Manufacturing, Exports and Jobs*

**House Manufacturing Caucus
November 14, 2017**

FOREIGN-TRADE ZONES

- Erik Autor –** NAFTZ President
- Rebecca Williams –** Chair of NAFTZ Board of Directors and
Managing Director of FTZ Services,
Rockefeller Group Development Corp.
- Gail Morin –** Director of Trade Compliance,
Stanley Black & Decker
- Shane Williams –** Manager, FTZ & Economic Development,
Port Houston



U.S. FOREIGN-TRADE ZONES PROGRAM

Many other countries have programs that expedite and encourage foreign commerce

- Free Trade Zones
- Special Economic Zones
- Export Processing Zones
- Entrêpôts
- Maquiladoras



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U.S. FOREIGN-TRADE ZONES PROGRAM

- **Established by Congress in 1934**
- **“Level the Tariff Playing Field” for U.S. companies facing foreign competition**
- **Defer payment of duties until goods are entered into the commerce of the United States**
- **Incentives for companies to operate and manufacture in U.S.**
 - **Duty Deferral**
 - **Duty Elimination**
 - **Duty Reduction**



WHAT IS A FOREIGN-TRADE ZONE?

- **A Secure Area Located in or near a U.S. Port of Entry**
- **Legally Outside the U.S. Customs Territory (for duty purposes only)**
- **Merchandise may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed, or destroyed**
- **Retail Sale is Prohibited**



FTZ PROGRAM PROFILE (2015)

U.S. FOREIGN-TRADE ZONES PROMOTING TRADE, JOB CREATION & 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 in order to participate in the program.
- There are 186 active FTZs in the United States. More than 2,900 companies currently utilize the program.

2,900 
Companies located in U.S. FTZs

420,000 
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 the 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.

Value of exports
from U.S. FTZs

\$85B

URGENT NEED TO COMPLETE INTEGRATION OF FTZ USERS INTO ACE

Today, obsolete paper reporting requirements still handicap FTZ users, who must adhere to strict reporting requirements when admitting and transporting merchandise. With FTZs processing more than 10% of total U.S. goods imports, it is critical for U.S. Customs to complete implementation of the Automated Commercial Environment (ACE). NAFTAZ seeks to ensure the Trump Administration will support the goal of full participation of key Partner Government Agencies (PGAs) in the International Trade Data System (ITDS).

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 overseas 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.

FTZ Facts:

- **186 Active Zones**
- **2,900 U.S. Companies**
- **420,000 American Workers**
- **Exports: \$85 Billion**
5% of all U.S. Exports
- **Imports: \$231.5 Billion**
10% of all foreign goods imported

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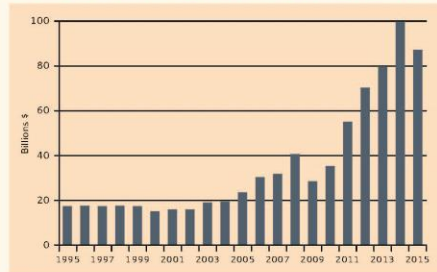


FTZ PROGRAM PROFILE (2015)

FOREIGN-TRADE ZONE FACTS

EXPORTS, EMPLOYMENT & MANUFACTURING REMAIN STRONG

FTZ EXPORTS DECLINE SLIGHTLY IN 2015 FOLLOWING RECORD GROWTH



In 2015, U.S. Foreign-Trade Zones:

- **Exported** \$84.6 billion in merchandise – a slight decline from 2014, attributable mostly to petroleum market conditions.
- **Employed** approximately 420,000 Americans in well-paying jobs throughout the country; and
- **Received** almost \$660 billion worth of foreign and domestic merchandise.

Source: 77th Annual Report of the U.S. Foreign-Trade Zones Board

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

The two primary activities carried out in FTZs are:

- **Production/Manufacturing:** As of 2015, there were 324 active manufacturing and production operations located in foreign-trade zones throughout the United States. These operations received \$431 billion in merchandise, accounting for 65% of zone activity.
- **Warehousing/Distribution:** The remaining FTZ activity occurs in warehousing and distribution centers. These operations received \$228 billion in merchandise in 2015.

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 (2015)

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

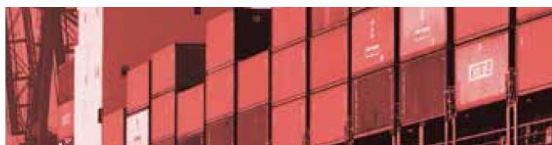
Top 10 Foreign-Status Products in FTZs :

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

For more information, contact us:

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FTZ PROGRAM PROFILE (2015)

MERCHANDISE RECEIVED AND EXPORTS – TOP 25
(\\$ million)

Top 25 States for FTZ Activity

Merchandise Received

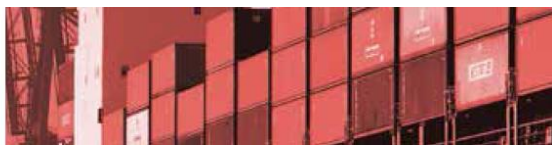
	State
1	Texas
2	Louisiana
3	California
4	South Carolina
5	Arizona
6	Tennessee
7	Pennsylvania
8	Kentucky
9	Illinois
10	New Jersey
11	Ohio
12	Alabama
13	Mississippi
14	New York
15	Georgia
16	Puerto Rico
17	Washington
18	Maryland
19	Florida
20	Indiana
21	Hawaii
22	Michigan
23	Delaware
24	Alaska
25	North Carolina

Exports

	State
1	Texas
2	Arizona
3	South Carolina
4	Louisiana
5	Alabama
6	Florida
7	Mississippi
8	Indiana
9	California
10	Tennessee
11	Puerto Rico
12	Kentucky
13	Washington
14	Illinois
15	New York
16	Georgia
17	Hawaii
18	Virginia
19	New Jersey
20	Michigan
21	Ohio
22	Alaska
23	Pennsylvania
24	Massachusetts
25	Wisconsin

Top 25 States for FTZ Activity:

- Merchandise Received
- Exports



FTZ PROGRAM PROFILE (2015)

Warehouse/Distribution Activity

Merchandise Received

	State
1	California
2	Louisiana
3	Texas
4	Tennessee
5	South Carolina
6	Pennsylvania
7	New York
8	New Jersey
9	Georgia
10	Ohio
11	Maryland
12	Florida
13	Illinois
14	Kentucky
15	Puerto Rico
16	Washington
17	Arizona
18	Michigan
19	Nevada
20	North Carolina
21	Alaska
22	Massachusetts
23	Missouri
24	Indiana
25	Hawaii

Exports

	State
1	South Carolina
2	Texas
3	Florida
4	California
5	New York
6	Tennessee
7	Illinois
8	Georgia
9	Ohio
10	Michigan
11	Hawaii
12	Alaska
13	Pennsylvania
14	Puerto Rico
15	Massachusetts
16	New Jersey
17	Louisiana
18	Washington
19	Virginia
20	Arizona
21	New Mexico
22	North Carolina
23	Kentucky
24	Maryland
25	Montana

Top 25 States for FTZ Activity:

- **Warehouse/Distribution Activity**
 - **Merchandise Received**
 - **Exports**



FTZ PROGRAM PROFILE (2015)

Production Activity

Merchandise Received

	State
1	Texas
2	Louisiana
3	California
4	South Carolina
5	Arizona
6	Kentucky
7	Illinois
8	Alabama
9	Pennsylvania
10	Mississippi
11	New Jersey
12	Tennessee
13	Ohio
14	Indiana
15	Washington
16	Puerto Rico
17	Hawaii
18	Delaware
19	Georgia
20	Virginia
21	Michigan
22	Alaska
23	Wisconsin
24	Maryland
25	Missouri

Exports

	State
1	Texas
2	Arizona
3	Louisiana
4	Alabama
5	Mississippi
6	Indiana
7	California
8	Puerto Rico
9	Tennessee
10	Kentucky
11	South Carolina
12	Washington
13	Virginia
14	Georgia
15	Hawaii
16	New Jersey
17	Wisconsin
18	Illinois
19	Florida
20	Missouri
21	Nebraska
22	Alaska
23	Michigan
24	Iowa
25	New York

Top 25 States for FTZ Activity:

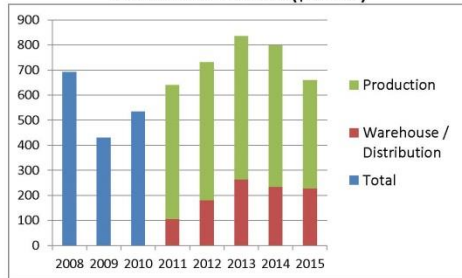
- **Production Activity**
 - **Merchandise Received**
 - **Exports**



FTZ PROGRAM PROFILE (2015)

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U.S. FOREIGN-TRADE ZONES – SUMMARY STATISTICS 2008-2015
Merchandise Received (\$ billion)



2015 Top 25 Production Operations by State – Merchandise Received

#	Zone	State	Location	Company	Amount
10	98A	AL	Birmingham	Mercedes-Benz U.S. International	\$10,000-25,000 mil
1	75J	AZ	Phoenix	Honeywell Aerospace, Inc.	\$25,000-50,000 mil
14	50H	CA	Long Beach	Tesoro Refining and Marketing LLC	\$5,000-10,000 mil
19	202B	CA	Los Angeles	Chevron Products Company	\$5,000-10,000 mil
23	3B	CA	San Francisco	Chevron Products Company	\$5,000-10,000 mil
16	47C	KY	Greater Cincinnati	GE Engine Services Distribution LLC	\$5,000-10,000 mil
20	29E	KY	Louisville	Toyota Motor Manufacturing Kentucky	\$5,000-10,000 mil
2	154A	LA	Baton Rouge	ExxonMobil Oil Corporation	\$10,000-25,000 mil
5	124E	LA	Gramercy	Marathon Petroleum Company	\$10,000-25,000 mil
18	87B	LA	Lake Charles	CITGO Petroleum Corporation	\$5,000-10,000 mil
22	92D	MS	Harrison Co.	Chevron Corporation	\$5,000-10,000 mil
25	49E	NJ	Newark/Elizabeth	Phillips 66 Company	\$5,000-10,000 mil
6	35C	PA	Philadelphia	Philadelphia Energy Solutions, LLC	\$10,000-25,000 mil
3	38	SC	Spartanburg Co.	ZF Transmissions Gray Court LLC	\$10,000-25,000 mil
7	38A	SC	Spartanburg Co.	BMW Manufacturing Company, LLC	\$10,000-25,000 mil
11	78A	TN	Nashville	Nissan North America, Inc.	\$5,000-10,000 mil
4	84O	TX	Harris Co. - Houston	ExxonMobil Corporation	\$10,000-25,000 mil
8	116A	TX	Port Arthur	Motiva Enterprises, LLC	\$10,000-25,000 mil
9	199A	TX	Texas City	Marathon Petroleum Corporation	\$10,000-25,000 mil
12	168	TX	Dallas/Fort Worth	Samsung Electronics America	\$5,000-10,000 mil
13	116B	TX	Port Arthur	Total Petrochemicals USA, Inc.	\$5,000-10,000 mil
15	115B	TX	Beaumont	ExxonMobil Oil Corporation	\$5,000-10,000 mil
17	122L	TX	Corpus Christi	Flint Hills Resources, LP	\$5,000-10,000 mil
21	84I	TX	Harris Co. - Houston	Shell Oil Company	\$5,000-10,000 mil
24	116C	TX	Port Arthur	The Premcor Refining Group	\$5,000-10,000 mil

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Top 25 Production Operations by State:

- **Merchandise Received**
- **Exports**



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FTZ EXAMPLES – DUTY DEFERRAL 1

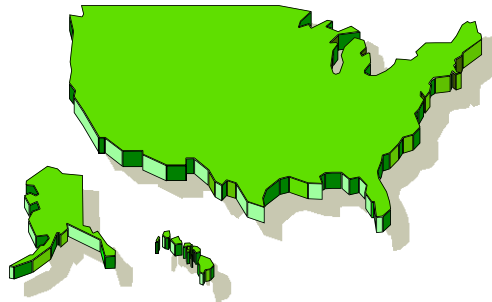
Zone to U.S. Commerce



Flexible Plastic Hoses
Dutiable at 3.1%
Admitted to FTZ



Stored in
Warehouse for
Unlimited Time



Withdrawn from FTZ for Entry
into U.S. Commerce
3.1% Duty Paid
Duty Deferral



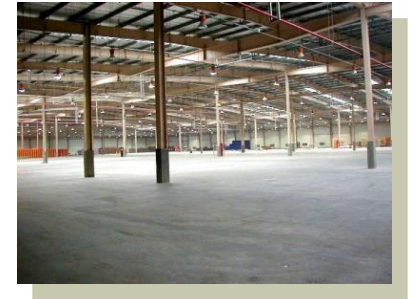
FTZ EXAMPLES – DUTY DEFERRAL 2

Zone-to-Zone Transfer



Flexible Plastic Hoses
Dutiable at 3.1%
Admitted to FTZ

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**



FTZ EXAMPLES – DUTY ELIMINATION Zone to Foreign Market



Flexible Plastic Hoses
Dutiable at 3.1%
Admitted to FTZ



Stored in Warehouse
for Unlimited Time



Withdraw from FTZ for Export
No Duty Payment



FTZ EXAMPLES – DUTY ELIMINATION

Destruction



Flexible Plastic Hoses
Dutiable at 3.1%
Admitted to FTZ



Received at Warehouse
and Determined to
Have no Commercial
Value



Destroyed in the FTZ; No
Entry into Commerce
No Duty Payment



FTZ EXAMPLES – DUTY REDUCTION

Inverted Tariff

With approval from the Foreign-Trade Zones Board:
When merchandise is admitted into the zone,
the importer may elect a zone status that requires
payment of either:

1. Duty rate applicable to either the materials
as admitted
OR
2. Duty rate applicable to the finished product
as removed from the zone,
depending upon which is lower



FTZ EXAMPLES – DUTY REDUCTION

Inverted Tariff Example 1



Flexible Plastic Hoses
Dutiable at 3.1%
Admitted to FTZ
Without FTZ
 $\$100 * 3.1\% = \3.10 duty owed

Value of plastic hose is multiplied by duty rate of finished product to determine duty
 $\$100 * 2\% = \2 duty owed
\$1.10 duty savings

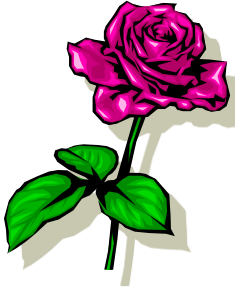


Manufactured into
Circuit Breakers
Dutiable at 2%



FTZ EXAMPLES – DUTY REDUCTION

Inverted Tariff Example 2



Rose Extract valued at \$100
Dutiable at 8%
Admitted to FTZ
Without FTZ
 $\$100 * 8\% = \8 duty owed

Manufactured into
Perfume
Dutiable at 0%



Value of rose extract is
multiplied by duty rate
of finished product to
determine duty
 $\$100 * 0\% = \0 duty
owed



ADMINISTRATIVE/LOGISTICS BENEFITS

- Expedite receipt and shipment of inventory
- Consolidated reporting to CBP
- Administrative fee savings



StanleyBlack&Decker

FTZ OVERVIEW

November 14, 2017

Gail Morin

Director – Trade Compliance



Agenda

- Introduction to SBD and Current FTZ Footprint
- US planned expansion plans for 2018
- FTZ Decision Factors
- Savings
- Summary

A Brief Introduction -

Stanley Black & Decker is a Global Diversified Manufacturer and Marketer of tools, accessories, fasteners and equipment.

- \$11.4B in annual sales for 2016 across 3 business verticals
 - **Global Tools and Storage (65% of Revenue)**
 - Stanley, Dewalt, Proto, Black & Decker, Porter-cable, Bostitch, Powers, Vidmar, Lista, Cribmaster brands...
 - **Industrial (17%)**
 - Industrial includes Engineered Fastening, Oil & Gas, and Infrastructure equipment.
 - Pipeline bending and welding equipment, Hydraulic tools and breakers, Fasteners and fastening equipment for the automotive industry
 - **Security (18%)**
 - Security includes electronic and mechanical assess and monitoring, and healthcare (patient monitoring thru surgery and aftercare)
 - Stanley Security, Sonitrol, AeroScout, InnerSpace, Stanley Healthcare brands...

Current FTZ Footprint

We Are Subzone Operators for 2 different FTZs within the Global Tools & Storage business

- Fort Mill, SC (app. 1.2 million square feet)
 - Distribution FTZ since 2005 – 12 YEARS
 - Manufacturing FTZ (and DC) since 2014
 - Approximately 1300 employees
 - Export globally
- Fontana, CA (985K square feet 2015)
 - Rialto, CA (480K square feet)
 - Distribution FTZ since 2006 – 11 YEARS



Planned Expansion/Growth

York County SC

- Outgrew our Fort Mill FTZ footprint and moving our manufacturing operation to a larger building 1 mile down the road
- Over 300K square feet – new FTZ facility go live projected July 2018
 - Incremental employees + 600

Hidalgo County TX

- New Mission TX Manufacturing facility will become an FTZ Q2 2018
- About 300K square feet
- When at full capacity will employ about 450 people.

Factors Considered For Our FTZ Projects

- **Savings (Help to Offset US Operational Costs)**

- Manufacturing – Savings are driven by the import duty rate of finished products vs components and raw materials. MPF is also saved
- Distribution Only – Duty deferral/cash flow, duty elimination through exports and administration savings (MPF)

- **Supply Chain Benefits**

- Direct Delivery Benefits – Parts delivered directly to the factory/DC with no Customs inspection or preclearance required.
- No payment of import duties or fees when delivered.
- Zone to Zone transfers extend duty deferral time period

- **Costs to Implement**

- **1 Time** - FTZ Software Implementation, Consultant, Internal I/T resources, FTZB Filing Fees, Grantee Application Fee
- **Ongoing** - FTZ Software maintenance, Grantee fees, dedicated FTZ staff.

Annual Savings

**\$2.4 Mil Manufacturing
(inversion)**

**\$1.1 Mil
Distribution**

**\$1.2 Mil Import
Duty Deferral**

In Summary

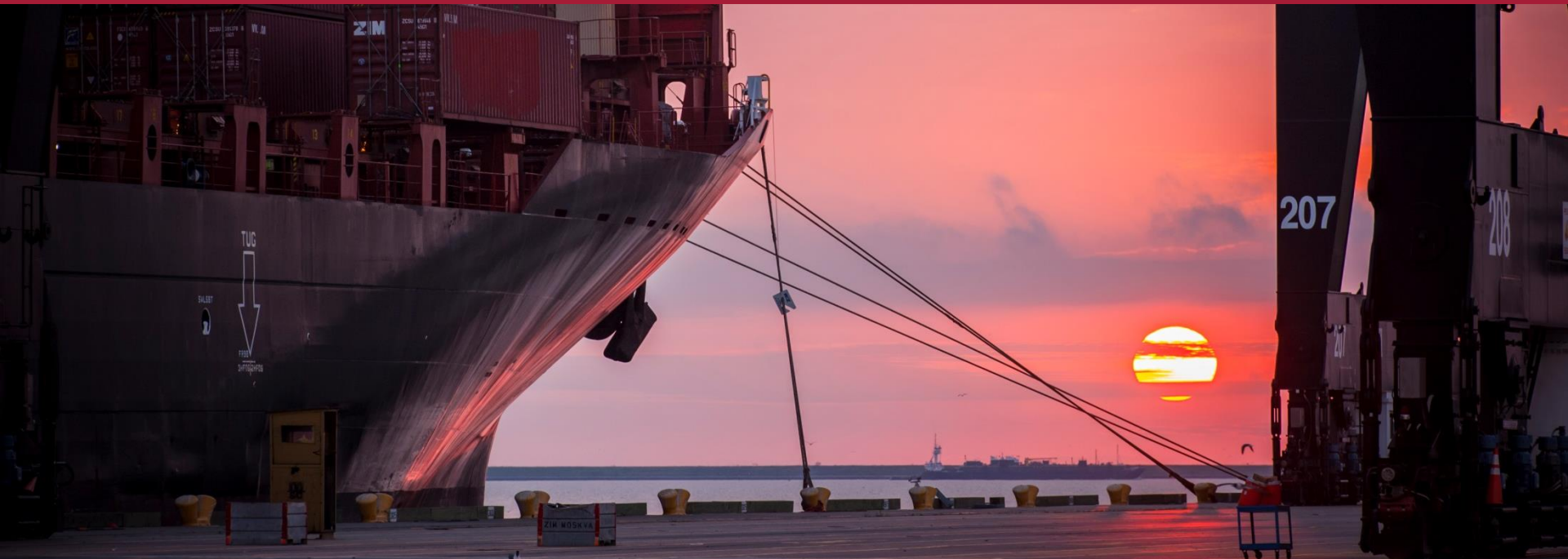
- The FTZ Program offers companies that import and distribute, or import, manufacture and distribute in the US an opportunity to save money.
- There are complexities that should to be taken into account.
 - Additional level of regulations that need to be complied with along with more Customs filings and some operational restrictions,
- The FTZ program needs to go further to level the playing field with other countries who better incentivize companies to manufacture in their geography
 - Mexico's IMMEX Program



PORT HOUSTON
THE INTERNATIONAL PORT OF TEXASSM

FTZ No. 84 Harris County

Shane Williams | Manager, FTZ & Economic Development
November 14th, 2017



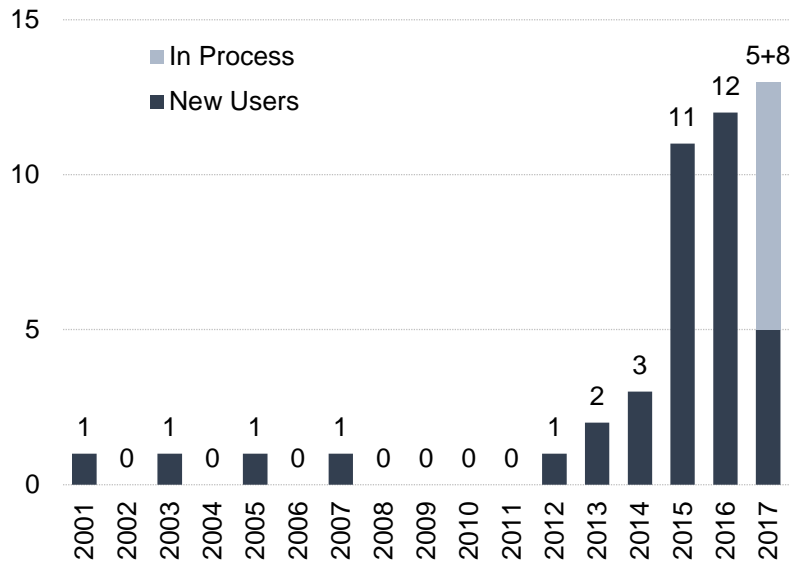
Foreign Trade Zone #84 at a Glance



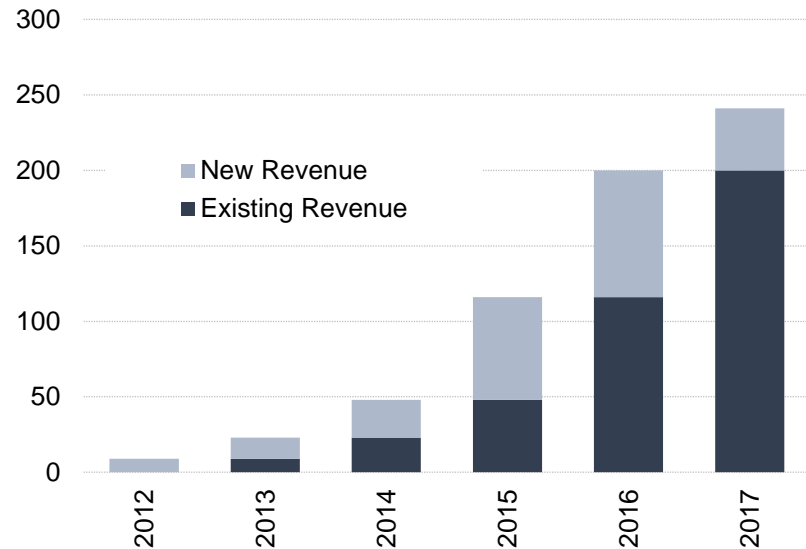
- Includes all of Harris County and parts of three other counties
 - Houston Texas is the largest city in the Service area
 - Port of Houston is the Grantee
- Includes sites that participate in: warehousing, manufacturing, third party logistics and petroleum
- More than 17,000 people work in a location that has FTZ status
- 60 individual FTZ sites (User driven, Subzone or general purpose)
 - 200-plus business used FTZ in our zone last year for various reasons
- FTZ 84 exported over \$600 million in value in 2016

The Foreign Trade Zone program has provided jobs and revenue for Houston through uncertain times

Graph: New FTZ Users Per Year
FTZ #84 Harris County



Graph: Net FTZ Revenue Growth Since 2012
FTZ #84 Harris County, Thousands of \$USD





Who is in FTZ 84

- FTZ has Fortune 500 and very large publicly traded companies as active participants
 - Shell, Exxon, Red Bull, Floor and Décor, GE, Valero etc...
- Small businesses also take advantage of zone usage to be able to compete with large international companies
 - Gulf Maritime Supply
 - Sage V Foods
- The FTZ program has helped Houston keep two large employers with good-paying jobs from leaving our city and the country
 - MFCA
 - Toshiba

FTZS AND NAFTA RENEgociATION

NAFTZ Positions on NAFTA

- **NAFTA Article 303 and FTZ Act section on duty deferral**
- **Restrictions on Rules of Origin in NAFTA implementing legislation**
- **Tariff Inversion**



FOREIGN-TRADE ZONES

Questions?

Thank You

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