

FOREIGN-TRADE ZONES



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NAFTZ actively engages with policymakers to shape legislation and regulatory frameworks that impact FTZ operations.

Enhancing trade policy

NAFTZ aims to shape legislation, regulatory frameworks

By Melissa Irmen



The National Association of Foreign-Trade Zones (NAFTZ) serves as a crucial advocate for the interests of US Foreign-Trade Zones (FTZs) across the country. Founded in 1973, NAFTZ has played a pivotal role in promoting and supporting the benefits of US FTZs to businesses, policymakers and the public. Its advocacy agenda encompasses a wide range of issues aimed at enhancing the use of US FTZs as strategic tools for economic development and international trade.

The NAFTZ represents trade professionals involved in the almost 300 FTZs nationwide, comprising a diverse array of industries and sectors. FTZs are designated areas within the country where foreign and domestic goods are considered outside of US customs territory for tariff purposes until they enter the US market. This designation offers numerous advantages to businesses, including duty deferral, duty reduction or elimination, streamlined customs procedures and improved logistical efficiencies.

As global trade dynamics evolve, NAFTZ remains committed to promoting policies that boost the efficiency, effectiveness and attractiveness of US FTZs, ensuring they continue to serve as valuable tools for businesses seeking to compete in the global marketplace while contributing to the growth and prosperity of local economies across the United States.

NAFTZ actively engages with policymakers to shape legislation and regulatory frameworks that impact FTZ operations. Below are some of the top advocacy initiatives the association is undertaking at the request of its members.

De minimis parity

NAFTZ urges Congress to provide de minimis parity to US FTZs to level the playing field for companies distributing e-commerce from US FTZs with the benefits currently realized only by foreign-based shippers and distributors.

Goods distributed from US FTZs are not eligible for de minimis entry

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due to statutory language put into place in 1938 by an amendment (Section 321) to the Smoot-Hawley Tariff Act. Signed into law in 1930, the act raised import duties to protect US businesses and farmers. The de minimis entry exemption actively incentivizes the movement of e-commerce distribution operations out of the US, resulting in significant American job loss.

Parity for US FTZs would not expand the volume of de minimis shipments; it alters where they originate, moving them offshore to secure, bonded US facilities. It also helps alleviate existing compliance concerns with US health, safety, intellectual property and labor laws with de minimis shipments.

Equal treatment under USMCA

For many years, NAFTAZ has fought to correct the disparity first created by the North American Free Trade Agreement (NAFTA) and perpetuated in the United States-Mexico-Canada Agreement (USMCA) between US FTZ manufactured

goods and those manufactured in Mexico and Canada. Implementing legislation denies US manufacturers similar duty treatment on components used in US FTZ-based production to that provided to producers in Mexico and Canada, by excluding goods produced in a US FTZ from qualifying for preferential-duty treatment when entered into the United States. Additionally, exports from a manufacturing US FTZ to Canada and Mexico are initially treated as imports into the United States, requiring duty payment before export, whereas such duties are avoided in Mexico and Canada before exporting to the US. All of this means higher cost of goods sold and less manufacturing in the US.

NAFTZ urges Congress to amend USMCA's implementing legislation to allow US FTZ manufacturers to qualify their goods as originating under the agreement's rules of origin to make their products more cost-competitive in USMCA markets. Further, tariffs on components

for US-manufactured goods exported to Canada and Mexico must be adjusted to match actions the respective countries have taken to make manufacturing with imported inputs duty-free.

Storage of goods suspected of forced labor

NAFTZ's position regarding the storage of goods suspected of being produced with forced labor in US FTZs is guided by its commitment to ethical and legal business practices. The association recognizes the importance of ensuring compliance with US laws and international standards, particularly concerning forced labor and human rights violations.

Included in the US FTZ regulations is the ability to store potentially inadmissible goods while those goods are either being brought to admissible standards, or a determination is made that such goods must not enter US commerce. Until August 2023, US Customs and Border Protection (CBP) followed this regulation.

Port Freeport: Change your channel

Ranked the 15th largest port in the nation based on foreign waterborne tonnage and 5th in Texas by the same measure, Port Freeport is making waves on the Gulf Coast. With an abundance of land available for development, accessibility through road and railway and the shortest — and soon to be deepest — channel on the Texas Gulf Coast, the port has 300 acres mitigated and is shovel ready.

Known for reliable and flexible customer service, Port Freeport has experienced exponential growth and is undertaking strategic initiatives to provide customers with competitive expansion options while creating jobs. One of these initiatives includes the Freeport Harbor Channel Improvement Project, which will deepen and partially widen the channel from its current 46 feet to depths ranging from 51 to 56 feet. The final portion of the project is underway and is expected to be completed in 2025, as Port Freeport celebrates its 100th anniversary.

Port Freeport serves its customers and stakeholders through state-of-the-art infrastructure, OEM processing and

multimodal terminal services, along with Foreign Trade Zone No. 149. The initial construction of Velasco Container Terminal was completed in 2014 and includes 800 feet of berth, a container storage yard and two post-Panamax gantry cranes with two more super post-Panamax gantry cranes coming in 2025. The expansion of Velasco Terminal is underway, and the construction of a new berth was completed in May 2023 featuring an additional 927 linear feet of berth and an 85-foot ro/ro platform. The initial phase of rail development was completed in 2019, and the expansion of the rail infrastructure completed in

July 2023. In 2022, Volkswagen Group of America chose Port Freeport as its new home for Gulf Coast operations with a 125-acre facility and an additional 14,000 parking spots bringing the port to a total of 24,000. Del Monte Fresh Produce has relocated to Port Freeport and began operations in June 2024.

Since 2015, over \$31 billion of projects have been or are being constructed in Brazoria County, \$18.5 billion of which are situated along the Freeport Harbor Channel.

■ For more information, please visit www.portfreeport.com or call 800-362-5743.



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However, in a sudden policy reversal, CBP declared goods under suspicion of forced labor can no longer be stored in US FTZs and must only be stored in bonded warehouses. This created an overwhelming demand for such warehouse space, increasing storage costs and disrupting the supply chain for those utilizing US FTZs as established, bonded facilities.

NAFTZ is working with CBP to establish guidelines making it possible once again for US FTZs to be utilized in combating forced labor while making it financially feasible for companies complying with such regulations and insulating the financial impacts for those ultimately found compliant.

FTZ-directed resources within CBP

Because the US FTZs are overseen by CBP, it is critically important that CBP has the resources and personnel necessary to support the program so it can fulfill its economic potential as originally envisioned by Congress. Existing deficits have resulted in systematic educational and operational gaps and led to decisions that chip away at US FTZ program benefits, including delaying new US FTZ activations and expanding operations of current US FTZs.

NAFTZ recommends sufficient directed funding of the US FTZ program within CBP in order to support zone operations, modernize the antiquated federal regulations governing the US FTZ program (19 CFR Part 146) and make needed improvements to CBP's Automated Commercial Environment which presently disallows FTZ processing despite regulatory requirements.

Get involved

NAFTZ works to ensure that FTZ legislation supports the evolving needs of businesses, including championing comprehensive trade policy reforms and enhancements to FTZ benefits. By forming targeted working groups, NAFTAZ gathers members with specific expertise or interest in particular topics relevant to US FTZs, such as legislative reform, regulatory compliance and economic impact studies. This allows members to focus efforts on their areas of expertise, maximizing the effectiveness of their contributions. Working groups also facilitate networking among members who share common interests or concerns, fostering the exchange of ideas, best

practices and strategies.

NAFTZ's advocacy agenda is multifaceted, encompassing policy, promotion and education; research and data analysis; international trade and competitiveness; sustainability and innovation; and networking and

collaboration. By advancing these priorities, NAFTAZ seeks to strengthen the role of FTZs as critical components of US trade policy and economic development plans. ■

Melissa Irmen, AZS, CZS, is the director of advocacy and strategic relations at the NAFTAZ.



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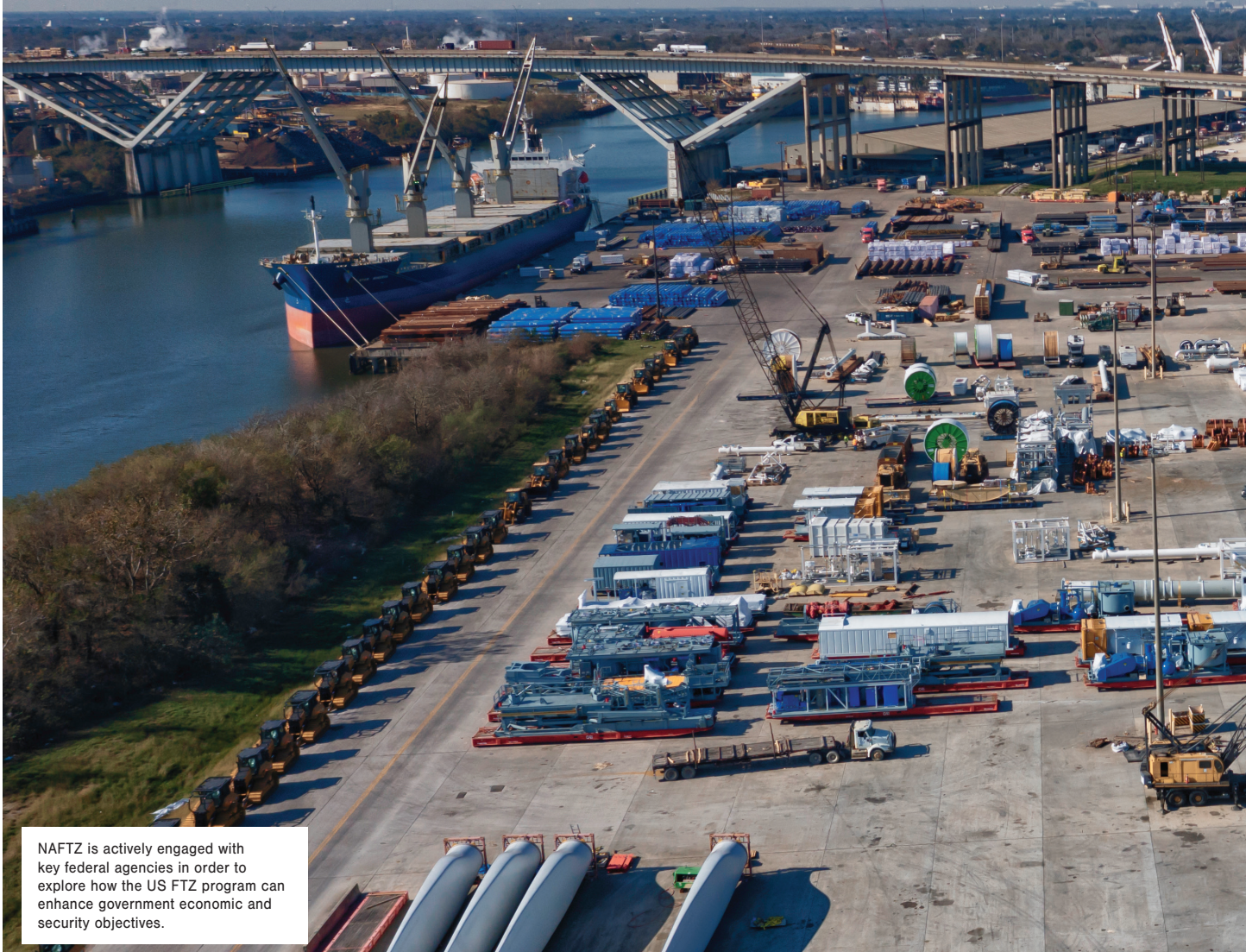
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Unlocking supply chain strength

US FTZs seek to augment government objectives

By James Grogan and Gabriela Heizer



NAFTZ is actively engaged with key federal agencies in order to explore how the US FTZ program can enhance government economic and security objectives.

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In March, the Office of the United States Trade Representative (USTR) sought public input to enhance supply chain resilience and noted its role in strengthening the US manufacturing base and workforce. In response, the National Association of Foreign-Trade Zones (NAFTZ) established a dedicated task force, submitting formal comments on the importance of the US Foreign-Trade Zone (FTZ) program in April and participating in

subsequent public hearings in May.

Since then, the association has maintained proactive engagement with key federal agencies, including the USTR, Department of Commerce and US Customs and Border Protection (CBP), alongside Congressional offices. This ongoing collaboration aims to explore how the US FTZ program can effectively bolster the government's overarching economic and security objectives.

Below outlines NAFTZ's key arguments and proposals in support of these critical supply chain initiatives.

Supply chain transparency

Supply chain transparency exists in several layers throughout FTZ application, activation and ongoing compliance processes. The US FTZ program increases supply chain transparency by protecting company data and supporting US resiliency initiatives.



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Companies seeking FTZ designation undergo rigorous application and approval processes through the FTZ Board, often involving public comments to satisfy trade policy compliance.

Once approved by the FTZ Board, CBP then works with companies at the local level to confirm that physical security measures meet FTZ standards

through the normal importation process.

Supply chain diversity

The US FTZ program fosters nationwide supply chain diversity across industries, improving US competitiveness and flexibility. Because FTZs are available for all types of US ports — including seaports, airports and land border ports

types of companies, there is also diversity between the agencies that engage with FTZs. The federal agencies discussed above, which approve and oversee FTZs, also work with grantees: local government agencies such as counties, cities and economic development entities. This holistic approach to FTZs and its implementation allows for true diversity in supply chain partnerships and ultimately leads to more robust supply chains.

By relying on domestic operations and resources, FTZs contribute to the endurance and adaptability of American supply chains.

and minimize potential risks. Once the FTZ is approved and operational, CBP continues working with companies to track inventory control and verify the payment of appropriate duties. CBP and the FTZ Board collaboratively enforce FTZ regulations and conduct regular compliance checks, promoting transparency and adherence to operational standards. These efforts by both agencies provide more insight into merchandise than what is available

— all modes of international transportation can use FTZs uniquely.

Participants from all industry sectors leverage the program's benefits, which support economic growth and job creation in ways that other programs cannot. Geographically dispersed across all 50 states and Puerto Rico, FTZs collaborate with a wide range of stakeholders, reinforcing their role as critical components of domestic supply chains.

Along with diversity in industries and

Supply chain security

US FTZs uphold rigorous security standards and are considered a Customs Trade Partnership Against Terrorism (CTPAT) best practice by CBP, ensuring secure handling of imported merchandise. FTZ merchandise must be properly accounted and tracked throughout the transaction flow. CBP also requires maintaining a multi-layered bonding system to safeguard against unauthorized goods entering US commerce. This security in the handling and bonding of merchandise increases security and reduces risk of theft within FTZs.

Additionally, CBP oversees security measures of the facility through regular compliance reviews, including unannounced visits and document reviews. CBP reviews the physical security of the FTZ facility,

Port Houston's Foreign-Trade Zone — FTZ 84

Owner and operator of the eight public wharves and terminals along the Houston Ship Channel — including the area's largest breakbulk facility and two of the most efficient container terminals in the US — Port Houston is an advocate and a strategic leader for the channel. The Houston Ship Channel complex and its more than 200 private and eight public terminals is the nation's largest port for waterborne tonnage and an essential economic engine for the Houston region, the state of Texas and the US.

Port Houston is the grantee of Foreign-Trade Zone 84 (FTZ 84), which includes privately owned and port-owned sites across Harris County, Waller County and Wharton County. As of 2022, businesses operating within the usage-driven and subzone sites of FTZ 84 support approximately 8,001 to 9,000 jobs and have contributed between \$25 billion and \$50 billion to the US economy.

Port Houston's FTZ 84 gives customers a distinct advantage through its prime location, with direct access to the Houston Ship Channel and all major highways, allowing seamless connectivity to move cargo efficiently. As a premier foreign-trade zone, FTZ 84 also provides various benefits to businesses such as reduced inventory tax rates; access to duty reductions for storage facilities, manufacturing sites and distribution centers; and the ability to defer duty payments until goods are sold or transferred outside the zone.

The economic activity generated by FTZ 84 leads to significant job creation, both directly and indirectly, supporting the local community and boosting the regional economy. The presence of a vibrant FTZ attracts large exporters and investment from domestic and international companies alike, fostering a dynamic business environment and stimulating growth. ■

For more information about Port Houston's FTZ 84 or to begin the application process, visit <https://porthouston.com/ftz/>.



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including access control and the company's operational security — this entails policies for visitor access, employee identification and background checks for key personnel, among others. With the implementation of additional security and CBP oversight, FTZs offer much more security to supply chains than non-FTZ US operations and those located outside the US.

Supply chain sustainability

The FTZ program strengthens American supply chain sustainability by reducing duty expenses and enhancing operational efficiencies. The cost-saving benefits of FTZs are ultimately passed on to US consumers.

FTZs are located within the US, providing proximate supply chain solutions, minimizing disruptions and supporting environmental and labor standards. Heightened inventory control and recordkeeping within FTZs further contribute to sustainable supply chain practices. By relying on domestic operations and resources, FTZs contribute

to the endurance and adaptability of American supply chains.

Additional opportunities

To continue amplifying FTZ benefits and create more supply chain versatility, NAFTAZ has made recommendations, including allowing use of the de minimis provision for FTZ withdrawals to the US and restoring FTZ competitiveness in Free Trade Agreement environments. Because FTZs do not currently have these additional eligibilities, current program participants are unable to fully compete with overseas counterparts in e-commerce and certain manufacturing sectors. As these are large markets in the US, allowing these opportunities within the FTZ will further supply chain resiliency.

Establishing a federal task force dedicated to FTZ promotion will also be beneficial as it will allow multiple government stakeholders to work collaboratively on the FTZ program. Streamlining FTZ production authority

processes and expanding CTPAT fast-track approvals for FTZ operators are also crucial for optimizing program effectiveness.

Finally, advocating for CBP funding and resources to support FTZ operations is essential, addressing operational challenges and modernizing regulatory frameworks to align with current trade practices and security needs.

Looking ahead

Regardless of the outcome of the November US presidential election, it is reasonable to expect that supply chain security, transparency and economic resilience will be central to the government's international trade strategy. FTZs must play a role in the ongoing dialogue aimed at addressing these critical and evolving priorities. ■

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Global trade is seamlessly integrated into our daily lives.

Close to home

US FTZ program affects lives daily

By Eric Berry

The Andersen family eagerly awaited their summer vacation. This year, they planned to visit the Florida coast, set to enjoy a blend of relaxation, adventure and family bonding.

Two days before departure, Sarah, the family's designated planner, double-checked their **luggage**. She packed comfortable **clothing**, ensuring her husband, John, didn't forget his **fishing shirts** and everyone had their **walking shoes**. She included **swimwear** for pool days and **activewear** for morning jogs, although they might never happen. Despite all the planning, they almost forgot their essential **medications** — health doesn't take a break, even on a vacation.

her to stay connected.

Upon arriving at the resort, the Andersens were enchanted by the luxurious **home furnishings** and **decor** of their vacation rental. The kitchen was stocked with the latest **appliances** and **cooking utensils**, making meal preparation easy. They also tried some chef-prepared meals from the **kitchens** of popular local restaurants.

During their stay, the family engaged in various activities. Their destination, while tranquil, wasn't far from great shopping. They explored **local fashion, beauty products, apparel, fine watches** and shops with **household supplies** to keep their room stocked. Sarah enjoyed serene moments at the resort's spa, indulging

routine, but an unwitting engagement with a globalized economy and how the US Foreign-Trade Zones (FTZ) program helps maintain US competitiveness within it. Although summer fun was on their minds, they were surrounded by reminders of how interconnected the world is and how many everyday conveniences are products of complex trade networks and thoughtful logistics.

The Andersen family's diverse experiences spotlight the intricate role that the US FTZ program plays in daily life, supporting a wide array of industries from pharmaceuticals to golf merchandise. The bolded items represent just a portion of the products and services brought to us through the US FTZ program. Such stories underscore the mission of the National Association of Foreign-Trade Zones (NAFTZ), which advocates for and enhances the effectiveness of these zones across the country.

As the premier voice for the FTZ program, the NAFTZ facilitates educational outreach, promotes the economic impact of the zones and serves as a bridge between FTZ professionals and the public. In 2023 alone, FTZs received merchandise worth approximately \$1,011.3 billion, employed 500,000 US residents, facilitated exports worth \$161.9 billion and operated 1,201 active zones nationwide. By fostering understanding and supporting the growth of FTZs, the NAFTZ ensures that the benefits of global trade reach businesses and consumers, exemplifying how strategic trade practices can enhance local economies and enrich our daily lives. ■

The US FTZ program supports a wide array of industries, ranging from pharmaceuticals to sporting goods.

An avid golfer, John didn't forget to pack his **golf clubs** and brand-new **golf shoes** he'd been eager to use. He even managed to strap the **golf bag** to the top of their family car. This was their first trip in their new **electric vehicle**, and everyone was excited. Sure, they considered flying and enjoying the view from 35,000 feet in a **plane**, but John thought, "Who doesn't love a family road trip?"

Their teenage daughter, Emily, was responsible for **electronics** so she could keep up with new music and share pictures of the family's adventures. She didn't quite know how all the **fiber optics** and **data transmission equipment** worked, but she was glad it did, enabling

in **fragrances** and treatments using **biotech-enhanced** products.

The Andersens also took part in a local marine conservation tour, learning about sustainable practices and the importance of environmentally friendly **marine products**.

Throughout their vacation, the family passed by several **warehouses** and **distribution centers** in both urban and rural areas, wondering what might be inside. Their journey highlighted the seamless integration of global trade into daily life, from the **lens** in their **camera** to the **construction equipment** that maintained the resort and the roads they traveled.

The trip was not just a break from

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Economic engine

FTZs promote advocacy, fiscal advancement

By Shannon Fura



The US FTZ program has become a critical cog in the US economy since its inception in 1934.

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In the National Association of Foreign-Trade Zones (NAFTZ), the “A” really stands for Advocacy.

As we move into the election cycle, both sides of the political aisle will be discussing ways to strengthen the US economy and its competitive position globally. Trade continues to remain in the spotlight as the US evaluates the success and impact of the current tariff regimes levied against China, grapples with the implementation and enforcement of measures to thwart the import of goods produced using forced labor, and further strengthens sanctions and export controls against various bad actors. While the notion of trade facilitation has definitely taken a back seat to enforcement, one tool that remains available in support of US commerce is the US Foreign-Trade Zones (FTZ) program.

The US FTZ program has been around

since 1934, but its pertinence from a job growth and economic development perspective has never been more relevant. Originally created to spur exports and export growth, the program has exploded over the years to become a critical cog in the US economy. As reflected in the April 2023 report issued by the US International Trade Commission, the value of merchandise admitted into FTZs during CY 2021 was \$836 billion, a 37% increase over the preceding five-year period. Approximately \$294 billion of that value was associated with foreign-status merchandise, or more than 10% of overall imports into the country. Export growth was also exemplary, seeing a 22% increase to \$642 billion in CY 2021.

With the focus on buzzwords such as nearshoring, reshoring and now friendshoring, FTZs continue to contribute significantly as an integral component

in any company’s global supply chain toolbox. Coupled with the data visibility and security requirements essential to zone operations, FTZs remain well-positioned as the government enhances the processes used to support fair commerce with the United States.

This growing presence has directly contributed to the development of a positive working relationship with both Congress and agencies with oversight to the FTZ program, including US Customs and Border Protection (CBP) and the Foreign-Trade Zones Board. NAFTAZ is proud of this relationship and has worked tirelessly over this past year to build upon that historical foundation. This includes representing NAFTAZ’s interests on Capitol Hill to advocate for additional funding for CBP, ensuring a level playing field concerning the application of de minimis, and championing revisions to the US-Mexico-Canada Agreement to implement rule changes that treat US FTZs equally to their counterparts in Mexico and Canada. In all instances, the NAFTAZ’s goal is to promote American economic development and job growth.

This fact, if anything, is the underappreciated benefit of the US FTZ program and a critical reason why Advocacy with a capital “A” remains at the forefront of the association’s message. As we spread the word, we are repeatedly asked “Why don’t more people know of and take advantage of this program?” For those not in the know, we welcome you to join us — either as a member or participant in one of our conferences. Our annual Legislative Conference is held in February in Washington, DC; our Spring Conference in May in Savannah, Ga.; and our Annual Conference in September in Kansas City, Mo. ■

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