

FAST FACTS

FOREIGN TRADE ZONES



OVERVIEW

Foreign Trade Zones (FTZ) in the United States are designated by the U.S. federal government. Their purpose is to facilitate trade by postponing payment of applicable import tariffs and duties until the product formally enters the U.S. market. If the imported good is re-exported to another country, an FTZ may eliminate applicable import tariffs and duties altogether.

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For the purposes of tariff laws and customs entry procedures, FTZs are treated as being outside the customs territory of the United States. An imported product that arrives at a FTZ has not yet formally entered the United States and thus is not subject to U.S. duties or tariffs.

Example: A computer manufacturer may import plastic casings to a FTZ, where the casings can “wait” until the manufacturer is ready to use them. Once the product leaves the FTZ and enters commerce in the U.S., the duty is applied. Alternatively, if the final computer product were to be exported, it may be that no duty would be applicable.

When imported merchandise enters directly into a FTZ and is then removed for immediate export, U.S. customs duties may be avoided. This creates another use for the FTZ- a business may import finished goods with the sole purpose of re-shipping or exporting the same goods.

Example: A company in Richmond that has an overseas supplier could import the product, deliver the product to the FTZ in Richmond, and export the same product a month later without tariffs or duty costs. This occurs because the goods imported into a FTZ have not technically “entered” the country, and thus are not subject to national tariffs. The FTZ in this case may have also helped the Richmond company alleviate overseas production schedules in relation to their export sales schedule. They can receive the goods whenever the overseas supplier ships them, and the goods can be secured in the FTZ and can even undergo quality assurance testing by the Richmond company. The goods can then be exported to the overseas customer based on that customer’s needs, sales schedule, or financial criteria, with the end result that the Richmond company avoids duty costs.

Subzones of FTZ’s are located outside the actual FTZ, typically in manufacturing plants, and are approved for use by one company for a specific activity. A subzone can be approved if the company is unable to relocate existing facilities to an established FTZ. To submit an application or see if your company qualifies for a subzone, please see the following document:

<http://ia.ita.doc.gov/Ftzpage/forms/sz-form.pdf>

Example: A tractor manufacturer has a subzone designated in part of its factory. Duty will not be applicable until the parts are actually used to assemble the tractor. If the tractor is exported, the duty on the imported part may qualify to be exempt from any applicable tariff. For merchandise that is manufactured in a FTZ, the importer may elect to pay customs duty at the lower rate of either the finished product or its foreign components. In this way, use of a FTZ can result in the reduction of customs duty owed by companies that manufacture products in a FTZ.

(National Association of Foreign Trade Zones)

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FOREIGN TRADE ZONES IN VIRGINIA*

FTZ #20 **Norfolk** (Tel: 757-683-2120)
Grantee: Virginia Port Authority

FTZ #137 **Dulles** (Tel: 703-572-8714)
Grantee: Washington Dulles Foreign-Trade Zone Inc.

FTZ #185 **Culpeper** County (Tel: 540-825-8628)
Grantee: Culpeper County Chamber of Commerce

FTZ #207 **Richmond** (Tel: 804-226-8520)
Grantee: Capital Region Airport Commission

FTZ #238 **Dublin** (Tel: 540-267-0007)
Grantee: New River Valley Economic Development Alliance

*Some Virginia companies are served by a regional FTZ that is physically located in a neighboring state. For example, some businesses in southwest Virginia will use FTZ #238 in Dublin, while some may be located within the boundaries of the Tri-Cities FTZ #204 in Blountville, Tennessee (Tel: 423-325-6090). See “Additional Resources” below for more information.

VEDP TRADE EVENTS

For a complete listing of VEDP’s international trade events, please visit the “Events” tab on our website: www.ExportVirginia.org

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ADDITIONAL RESOURCES

- U.S. International Trade Administration. FTZ Homepage. <http://ia.ita.doc.gov/ftzpage/index.html>
- Completed Subzone Application Sample: <http://ia.ita.doc.gov/Ftzpage/forms/szs/sample.pdf>
- Foreign Trade Zone Resource Center: <http://www.foreign-trade-zone.com>
- Cornelia Steiner, FTZ Consultant, Stellar Trade: www.stellartrade.com, or email at cornelia@stellartrade.com

WORKS CITED

National Association of Foreign Trade Zones. <www.naftz.org>
United States International Trade Administration. <<http://ia.ita.doc.gov/ftzpage/index.html>>

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