
Foreign-Trade Zones

FACT SHEET

September 22, 2014

What is a Foreign-Trade Zone?

Foreign-trade zones are designated sites licensed by the Foreign-Trade Zones (FTZ) Board (Commerce Secretary is Chairperson) at which special customs procedures may be used. These procedures allow domestic activity involving foreign items to take place prior to formal customs entry. Duty-free treatment is accorded items that are re-exported and duty payment is deferred on items sold in the U.S. market, thus offsetting customs advantages available to overseas producers who compete with producers located in the United States. Usage-driven sites are approved for a specific company/use. A site which has been granted zone status may not be used for zone activity until the site or a section thereof has been separately approved for FTZ activation by local U.S. Customs and Border Protection (CBP) officials, and the zone activity remains under the supervision of CBP. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies.

Legal Authority and Requirements

- FTZ Act of 1934 ([19 U.S.C. 81a-81u](#)) est. FTZ Board (Commerce, Treasury) to license and regulate FTZ's
- FTZ Board regulations ([15 CFR Part 400](#)).
- Customs regulations ([19 CFR Part 146](#)).

Foreign Trade Zones Board Review Criteria

- Each U.S. port of entry is entitled to a zone project -- more only if need is shown
- Applicants (usually public entities) must have a suitable plan including provisions for facilities and financing.
- Need for the proposed zone must be shown in terms of the local economy and overall economic development objectives.
- Production applications are reviewed under "public interest" criteria -- approval is limited to activity that is consistent with trade policy and yields net positive economic effects, taking into account potential impact on other domestic plants.

What are the public benefits?

When companies increase their cash flow, save taxes and improve their bottom line by locating their operations in FTZs, communities benefit in several important ways.

- Economic growth and development are stimulated because jobs are retained and created in the community.
- Opportunities are created for suppliers and service providers to locate in the community.
- An FTZ project can be a valuable asset when a community is trying to attract new business investment to its area.

- Finally, a community with a FTZ may experience an improved infrastructure and expanded tax-base as a result of higher employment and the influx of new businesses.
- For all of these reasons, more than 250 communities throughout the United States support and rely on the benefits that the FTZ program offers public as well as private entities.

What are the international trade benefits?

FTZs benefit the trade community in several important ways.

- Help facilitate and expedite international trade.
- Provide special customs procedures as a public service to help firms conduct international trade related operations in competition with foreign plants.
- Encourage and facilitate exports.
- Help attract offshore activity and encourage retention of domestic activity.
- Assist state/local economic development efforts.
- Help create employment opportunities.

How do I get more information on a local FTZ?

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