

Foreign Trade Zone Port of Seattle

NAIOP
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What is a Foreign Trade Zone

- Foreign-trade zones are restricted-access sites that are considered outside the U.S. Customs territory, but are physically located in the United States.
- Companies that operate in foreign-trade zones can defer, reduce, or eliminate Customs duties on foreign products admitted into zones for storage, exhibition, assembly, manufacture, and processing.
- Products that enter the North American stream of commerce pay duty and related fee upon entry.
- Products that never enter the North American stream of commerce never pay duty and related fees.

U.S. Foreign Trade Zone History

- US FTZ Started in 1934 to encourage investment in U.S.
- Department of Commerce and Treasury initiative
- FTZs are within U.S. boundaries, uniquely not within the U.S. Customs territory
- Port of Seattle, Foreign Trade Zone #5 established 1949

Rapid Foreign Trade Zone Development

1970

10 General-Purpose Zones

3 Subzones

1,401 jobs

\$104 million (received)

2010

273 General-Purpose Zones*

647 Subzones*

330,000 jobs**

\$692.6 billion (received)**

* Data as of February 24, 2010

** FY 2008 (latest) FTZ Board statistics published in December 2009

Who are Target Companies

- Companies that import and export merchandise
- Warehouse operators
- Manufacturers
- Third party logistics providers
- Distribution facilities

Foreign Trade Zone Industry Use

- **OIL REFINING** – ConocoPhillips, Chevron, Exxon Mobil, and their competitors
 - 2008 Dollar Volume - \$256 Billion
- **MOTOR VEHICLES** – BMW, Chrysler, Ford, GM, Honda, Hyundai, and their competitors
 - 2008 Dollar Volume - \$22 Billion
- **ELECTRONICS** – Canon, Dell, HP, Intel, Lucent, and their competitors
 - 2008 Dollar Volume - \$9.9 Billion
- **PHARMACEUTICAL INDUSTRY** – Abbott Laboratories, AstraZeneca, Baxter Health Care, GlaxoSmithKline, and their competitors
 - 2008 Dollar Volume - \$4.9 Billion
- **CONSUMER GOODS** – GE Appliance, Eastman Kodak, Pier 1 Imports, and their competitors
 - 2008 Dollar Volume - \$2.1 Billion

Primary Financial Savings

- **Inverted Duty**
 - Lesser of finished goods or component materials duty
- **Cash Flow**
 - No duty payable until market entry
 - Administrative/processing fees payable only on goods admitted to the FTZ by reporting period
- **Surplus goods**
 - Scrap/Waste/Obsolete Material
 - Foreign Returns/Repairs handled as “still outside the US” so no duty is payable
 - Spares unneeded or damaged may be returned or destroyed duty free

Alternative Site Framework

- Gaining FTZ status is now faster and easier under the Port of Seattle's Alternative Site Framework, (ASF), recently approved by the U.S. Department of Commerce.
- The ASF allows businesses in the Seattle area engaged in importing, exporting, assembly, warehousing and distribution to apply for expedited approval through the Port's FTZ program.



Estimated Establishment Costs

- FTZ management and reporting system
 - \$30K to \$200K, depending on size, security, and complexity
- Grantee Annual report filing fee (\$1K-\$5K)