



Foreign-trade zones are secure areas under U.S. Customs supervision that are considered outside the Customs territory of the United States for the purposes of Customs duty payment upon activation under the regulations of the U.S. Customs Service. Located in or near U.S. Customs ports of entry, they are the U.S. version of what are known internationally as free trade zones.

Authority for establishing these facilities is granted by the Foreign-Trade Zones Board under the Foreign-Trade Zones Act of 1934, as amended (19 U.S.C. 81a-81u), and the Board's regulations (15 C.F.R. Part 400). The Executive Secretariat of the Board is located within the Import Administration of the U.S. Department of Commerce, Washington, D.C. 20230.

Foreign and domestic merchandise may, subject to FTZ Board and Customs regulations, be moved into zones for operations not otherwise prohibited by law involving storage, exhibition, assembly, manufacturing and processing. All zone activity is subject to public interest review, and all manufacturing and processing activity requires a case-by-case review. Under zone procedures the usual formal Customs entry procedure and payment of duties is not required on the foreign merchandise unless and until it enters Customs territory for domestic consumption, in which case the importer normally has a choice of paying duties either on the original foreign materials or the finished product. Domestic goods moved into a zone for export are considered exported upon entering the zone for purposes of excise tax rebates and drawback.

Zones are sponsored by qualified public or public-type corporations, which may themselves operate the facilities or contract for their operations with public or private firms. The operations are conducted on a public utility basis, with published rates. A typical general-purpose zone provides leasable storage/distribution

space to users in general warehouse type buildings with access to all modes of transportation. Most zone projects include an industrial park site with lots on which zone users can construct their own facilities. Subzones are usually private plant sites authorized by the Board through zone grantees for operations that cannot be accommodated within an existing general purpose zone.

The regulations of the Foreign-Trade Zones Board are published in the Code of Federal Regulations at Title 15, Part 400 (15 C.F.R. Part 400), and the regulations of the U.S. Customs Service concerning zones at Title 19, Part 146 (19 C.F.R. Part 146). Information on Foreign-Trade Zones is available on the FTZ web site at: <http://ia.ita.doc.gov/Ftzpage/index.html>.

For additional information, please contact: