

## National Association of Foreign-Trade Zones

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The Foreign Trade Zones (FTZ) program is the most flexible trade and Customs-related program in a U.S. company's tool box. Realizing its potential could add significantly to our national wealth, promote exports, create and maintain employment and encourage investment in the U.S. In December of last year, the FTZ Board proposed new rules for the first time since 1991. The National Association of Foreign-Trade Zones (NAFTZ) has filed comprehensive comments in response to these proposed rules. Getting these rules right is vital to the continued success of the FTZ program and will set the tone for the program for years to come.

The Association's recommendations, highlights of which are outlined below, are intended to further these goals. They are the result of an unprecedented process that developed ideas from NAFTZ members throughout the nation.

The NAFTZ recommendations are based on four key principles:

1. The FTZ program should encourage activity in the United States that could, for trade or Customs reasons, otherwise be done in other countries.
2. FTZs can and should promote U.S. exports in accord with international trade rules.
3. FTZ procedures should be as prompt, transparent and straightforward as possible.
4. Effective zone administration requires that FTZ grantees, operators, and users be clearly informed by government agencies of their compliance obligations.

Highlights of the Association's comments include:

**Manufacturing/Production.** The NAFTZ proposes adding a specific section and processes for expedited export production authority, including provision for a fast track Board Order to authorize export production. We address the need for expedited approval of new imported materials in U.S. production by proposing a new and simplified process for approval of intermediate and finished goods for U.S. manufacturers, avoiding the complexity and delay for Board approval of all new inputs in advance.

**Expedited FTZ Approval.** A clear consensus exists among all parties that FTZ status should be granted expeditiously to qualified applicants. This is especially critical if export promotion is involved. The NAFTZ proposes an expedited schedule for processing applications that would sharply reduce current time periods.

**New Ideas for FTZ Program Improvements.** The NAFTZ recommends provisions to strengthen and improve the FTZ program that:

1. Address the role of the Customs (CBP) Port Director as the designated local representative of the FTZ Board and provide for expedited FTZ activation interim authority;
2. Require government agencies to document FTZ compliance requirements;
3. Achieve the Board's twin concerns of Grantee "equal treatment" and activity under "public utility" principles in an entirely different, and the NAFTZ believes, more balanced and comprehensive manner than the Board's proposed significant changes to the way zones are

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managed by Grantees, Administrators, and consultants, which resulted from concerns in certain limited circumstances that these parties control and dictate the terms of zone project use;

4. Reduce the chilling effect the Board's proposed penalty provisions could have had on Grantees and Operators currently participating in the FTZ Program as the Proposed Rule very significantly increased FTZ Board penalties; and,
5. Add a new export promotion process acting in concert with the Commerce Department's domestic and overseas export promotion efforts.

The final regulations must strike the proper balance of interests for all affected groups. The NAFTZ will work with all sides to accomplish our goal of export promotion within the law. We want to make products here and export them and not send that work to other countries. FTZs are a secure way to do this. Admissions of material into zones are not entries and they are not subject to AD/CVD duties just like entries into a third country. We are firmly opposed to delay in approvals, which encourages investments and job creation elsewhere. Our recommendations meet the requirements of the law, promote enforcement of AD/CVD orders, and allow objections to be heard.

The National Association of Foreign-Trade Zones (NAFTZ) is a not-for-profit trade association of 650 members representing public and private organizations involved in the foreign-trade zones (FTZ) program and is the primary voice of communities and industries that utilize the program.