

FOREIGN

TRADE

ZONES

US tariffs on an increasing number of imports from China and other countries are undermining the goals of the FTZ program.

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FOREIGN TRADE ZONES



US trade actions impact FTZ program

By Erik Autor

LIKE MOST INDUSTRIES in the United States, companies manufacturing and distributing in US foreign trade zones (FTZs) are increasingly impacted by Trump Administration tariffs on an expanding number of imported products under various trade actions — safeguards measures on washing machines and solar cells/panels under Sec. 201 of the Trade Act of 1974; tariffs on Chinese products under Sec. 301 of the 1974 Trade Act; national-security tariffs on steel/aluminum under Sec. 232 of the Trade Expansion Act of 1962; and possible Sec. 232 tariffs on autos/auto parts. These trade actions are unprecedented in their size and scope — since at least the infamous Smoot-Hawley tariffs in 1930 — and have fueled concerns of an escalating global trade war.

Whether inside or outside an FTZ, US companies and their global supply chains are adversely impacted in two ways. First is the significantly higher duty liability from the US tariffs on

goods they import as inputs or final products, even when domestic sources are unavailable. Tariffs as high as 25 percent substantially increase the cost of manufacturing and distributing goods in the United States and weaken global competitiveness vis-à-vis companies outside the US that do not bear these additional costs. This situation also undermines FTZ program goals, which are intended to balance tariff treatment and improve the competitiveness of US manufacturing versus imports.

The second impact is from retaliatory tariffs and restrictions that other countries are imposing on exports of US goods and services in response to the US trade actions. Retaliation reduces the competitiveness of US goods in major export markets, such as Canada, China, the European Union, and Mexico. This result is significant for US foreign trade zone manufacturers, which account for more than 5 percent of all domestic exports.

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The foreign-trade zone program does provide companies distinct ways to mitigate some adverse consequences of the tariffs. FTZ importers must admit goods into a zone in Privileged Foreign (PF) status that are subject to additional duties, which flags those goods for collection of those duties when withdrawn from the zone and entered for US consumption, whether unchanged or as an input of a zone-made product. However, unlike US manufacturers outside a zone, zone manufacturers can delay duty payments until merchandise leaves the zone and is entered into US commerce and then consolidate those payments through the FTZ-entry process. Except goods destined to Canada and Mexico under NAFTA rules, FTZ manufacturers can avoid duty payment if they export goods from a zone, whereas manufacturers outside a zone would have to pay those duties and file a drawback claim (if the option is available) for a refund on exportation.

Despite these benefits for zone operations, the trade actions have hit FTZ companies in some unique, unintended, and troubling ways. The most disturbing is the assessment of additional duties under Sections 201 and 301 on products manufactured and substantially transformed in a US foreign trade zone. A quirk in the FTZ customs-entry process has resulted in US Customs and Border Protection (CBP) incorrectly treating FTZ-manufactured products, not as a product of the United States as would be the case for products

manufactured in the United States outside a zone, but as an imported product subject to additional duties if on the Sec. 301 or 201 target lists.

This unwarranted, discriminatory treatment arises

Exacerbating this problem is the failure of the Administration, specifically the Office of the US Trade Representative (USTR), to issue directives excluding finished products manufactured and substantially

Trade actions have hit FTZ companies in some unique, unintended, and troubling ways.

mainly from misapplication of US Census Bureau and CBP guidance directing FTZ manufacturers to report the country of origin of the highest-value foreign input on customs-entry documentation for FTZ-manufactured products. To collect import data on FTZ articles for which no customs entry is filed on importation, Census requests that information when finished goods are withdrawn from a zone. For the government to then use this as a basis to treat a zone entry as a foreign importation, subject to additional duties solely because of the country-of-origin of an input, contravenes the rationale for the requirement, which is solely for statistical purposes. It also ignores prior CBP rulings and body of case law on the origin of goods substantially transformed in an FTZ, including a recent pronouncement that an entry from a zone is not an importation.

transformed in a US FTZ from Section 301 and Section 201 duties as was done in the Presidential Proclamations in the Section 232 actions on imported steel and aluminum administered by the US Commerce Department. That language states:

Articles shall not be subject upon entry for consumption to duties established under this [proclamation], merely by reason of manufacture in a US foreign trade zone. However, articles admitted to a US foreign trade zone in "privileged foreign status" shall retain that status consistent with 19 CFR 146.41(e).

This omission has created inconsistent and confusing messages to CBP on how to administer the Sec. 201 and 301 duties. As a result, an increasing number of FTZ manufacturers report being hit with unanticipated and sizable duty bills

THE PORT THAT WORKS

THE PORT OF Brownsville is the only deep-water seaport directly on the US-Mexico border. Opened in 1936, at the southernmost tip of Texas and connected to the Gulf of Mexico by a 17-mile-long ship channel, the Port of Brownsville also is the largest land-owning public port authority in the nation, with approximately 40,000 acres.

As a bulk and breakbulk commodity port, the Port of Brownsville has developed a versatile marine terminal operation for both liquid and dry bulk cargoes. Petroleum products, gasoline, diesel, heavy naphtha, steel bulk materials, ores, scrap, sand, grains, windmill components, and limestone are some of the many commodities moving through the port.

The Port of Brownsville offers excellent services to facilitate the international movement of goods between Mexico and the United States and to the rest of the global marketplace. Recognized as the worldwide premier US port for ship recycling, it is home to the largest US fabricator of offshore drilling platforms.

The port's infrastructure includes 13 cargo docks, five liquid cargo docks with a sixth currently under construction, more than 1 million square feet of covered storage facilities, and more than 3 million square feet of open storage. The port's intermodal transportation system is geared to move cargo by rail, vessel, barge, truck, and pipeline.

The Port of Brownsville is the grantee and administrator of Foreign Trade Zone No. 62, which ranked No. 2 for the value of exported goods of 195 FTZs in the US, reaching \$2.8 billion in 2016. This is the second time in as many years that the port's FTZ has ranked No. 2. The upcoming report

demonstrates dramatic export value growth, achieving \$3.6 billion in 2017, according to the FTZ administrator.

In addition to growing exports of steel, recently implemented Mexican oil reforms are contributing to the uptick of cargo crossing the border. Ultra-low-sulfur diesel, premium gasoline, and specialty lubricants make the trip southbound with increasing volumes and frequencies. Fuel imports, like No. 6 fuel, travel northbound with unimpeded rail crossings to the port as well.

These increases firmly entrench the port's foreign trade zone as a consistent leader among its peers. ■

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FOREIGN TRADE ZONES



The growth rate of FTZ exports over the past 20 years far exceeds the growth rate of total US goods exports during the same period.

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on the value of all foreign inputs in their FTZ-manufactured goods, even if those inputs are a product or from a country not subject to the trade remedy, merely because the FTZ-made final product happens to correspond to a product on the Sec. 201 or 301 import list.

The National Association of Foreign-Trade Zones and its member companies are alarmed by the implications of this problem as the scope

of the Sec. 301 tariffs grows. We do not believe it is the intention of either Congress or the Administration to penalize the US-made products these trade remedy actions were intended to protect. We are working all avenues in Congress, the Administration, industry allies such as the Sec. 301 Coalition, and media to correct this situation by clarifying that all American-made goods manufactured and substantially transformed in a

US foreign trade zone will not be improperly hit with duties under Sec. 301, 201, or other trade remedies. This clarification is essential to protect the integrity and viability of the FTZ program, US manufacturing, and American jobs. ■

Erik Autor is president of the National Association of Foreign-Trade Zones in Washington, DC.

CANAVERAL'S FTZ NO. 136 BOOSTS CENTRAL FLORIDA COMPETITIVE EDGE

PORT CANAVERAL IS an efficient world-class ocean gateway for cargo into Florida and beyond. The port's deep-water container and multipurpose cargo berths combined with its experience, equipment, and facilities can handle a variety of cargoes including containers; breakbulk; roll-on, roll-off; project; and bulk commodities. The port's facilities include: 10 deep-water berths; a dedicated ro-ro ramp; over 370,000 square feet of enclosed, dry, and secure dockside warehouse, plus 280,000 square feet of refrigerated warehouse space.

Located directly on the main shipping lanes along the east coast of Florida, Port Canaveral's man-made, deep-draft harbor offers direct access to the Atlantic Ocean. One-hour transit time from sea buoy to dock provides easy transit for carriers while allowing for highly efficient routing and reduced vessel costs.

Port Canaveral is the Grantee for Foreign Trade Zone No. 136, encompassing all of Brevard County. FTZ No. 136 provides advantages for businesses either currently engaged

in international trade, or considering the possibilities. Port Canaveral can help you take advantage of FTZ No. 136 benefits to enhance your competitive edge in the international import/export arena. Multimodal transportation options, receiving and warehousing facilities, and affordable services are available to help you extend your market reach and improve your bottom line. Current operators such as American Cruise Aid and SeaPort Canaveral are utilizing FTZ No. 136 to strengthen their international competitiveness.

Importers and exporters engaged in inter-

national trade have the opportunity, when using the port's FTZ, to benefit from special customs procedures that provide many cost-saving benefits. For additional information about the port's on-dock, 15,000-square-foot FTZ warehouse, email cpa.ftz136@portcanaveral.com.

Our goal is to make it easy for you to take full advantage of our strategic location for the fast-growing Central Florida market including domestic and international services. Contact our business development representatives to learn more at cpa.cargo@portcanaveral.com or visit our website at www.portcanaveral.com. ■



FOREIGN TRADE ZONES

Telling the FTZ success story

By Shannon Fura

MUCH HAS BEEN made over these past 18 months regarding the various tools that are available to shape and influence trade practice and policy in the United States. But one constant that has existed for the past 84 years as an effective tool to facilitate legitimate trade is the US foreign-trade zones (FTZ) program.

First established by US Congress in 1934 as means to spur exports, economic growth, and help bring the United States out of the Great Depression and the damaging impact of the Smoot-Hawley Act tariffs, foreign trade zones are now ubiquitous. Based on most-recent data, there are currently 264 approved FTZs situated throughout the United States with 3,300 companies engaged in production and distribution zone activity across industries such as auto parts and vehicles, chemical products, construction equipment, consumer electronics, energy-storage systems, flavor products, lawn and garden equipment, lumber products, metals and minerals, oil refining, outdoor power products, passenger aircraft, pharmaceutical

products, office equipment and supplies, sports equipment and furniture.

Foreign trade zones have long been an engine for US economic growth and sustainability. In 2016, the value of shipments admitted into zones totaled \$610 billion, with \$384 billion used for

Given this level of activity, it should come as no surprise that they are a catalyst for generating jobs, with more than 420,000 people directly employed in zones and many thousands more employed through suppliers, customers, transportation and other logistics service providers, software solutions,

Fully 63 percent of all shipments admitted into an FTZ involve domestically sourced or duty-paid merchandise.

production and the remaining \$226 billion intended for warehouse and/or distribution operations.

However, FTZs are not solely reliant on imported merchandise, as fully 63 percent of all shipments admitted into a zone involve merchandise that is either domestically sourced or previously duty-paid.

and zone operators that are all related to zone activity.

FTZs have myriad uses, encompassing the full range of permissible and authorized activity. Manufacturers use zones to produce goods for consumption in the United States as well as for

PORT FREEPORT'S FTZ NO. 149 OFFERS VAST, DIVERSE BENEFITS

UNDER THE LEADERSHIP of Phyllis Saathoff, former chair of the National Association of Foreign-Trade Zones, Port Freeport offers vast benefits to prominent companies from throughout the world through its FTZ No. 149.

Indeed, the FTZ expertise at Port Freeport – on the Texas Gulf Coast south of Houston – is incomparable, as Saathoff, the port's executive director and CEO, is the only seaport official to ever serve as chairperson or president of NAFTAZ.

All told, FTZ No. 149 users saved more than \$937,000 in US Customs duties in 2017 while employing 2,312 people in active zone sites.

Fortune 100 firms Phillips 66 Company and The Dow Chemical Co. are among those benefiting from Port Freeport's FTZ, which has included all of Brazoria and Fort Bend counties in its service area since 2012 approval of its alternative site framework.

For 30 years, Riviana Foods has taken advantage of the FTZ with its on-port rice mill, while relative newcomers include Luxembourg-based Tenaris, bringing steel pipe into its 12-acre site, and Houston-based Geokinetics Inc., the first general purpose zone

operator in Fort Bend County, moving oilfield and subsea exploration equipment.

Reactor Service International handles catalysts used in refining and petrochemical processes on a duty-deferred basis at its warehouse in FTZ No. 149, while Netherlands-based DSM Nutritional Products uses Port Freeport's FTZ for an entirely different kind of chemicals – bringing in compounds that are processed in the zone and shipped out as vitamin-related health products without having to pay customs duties.

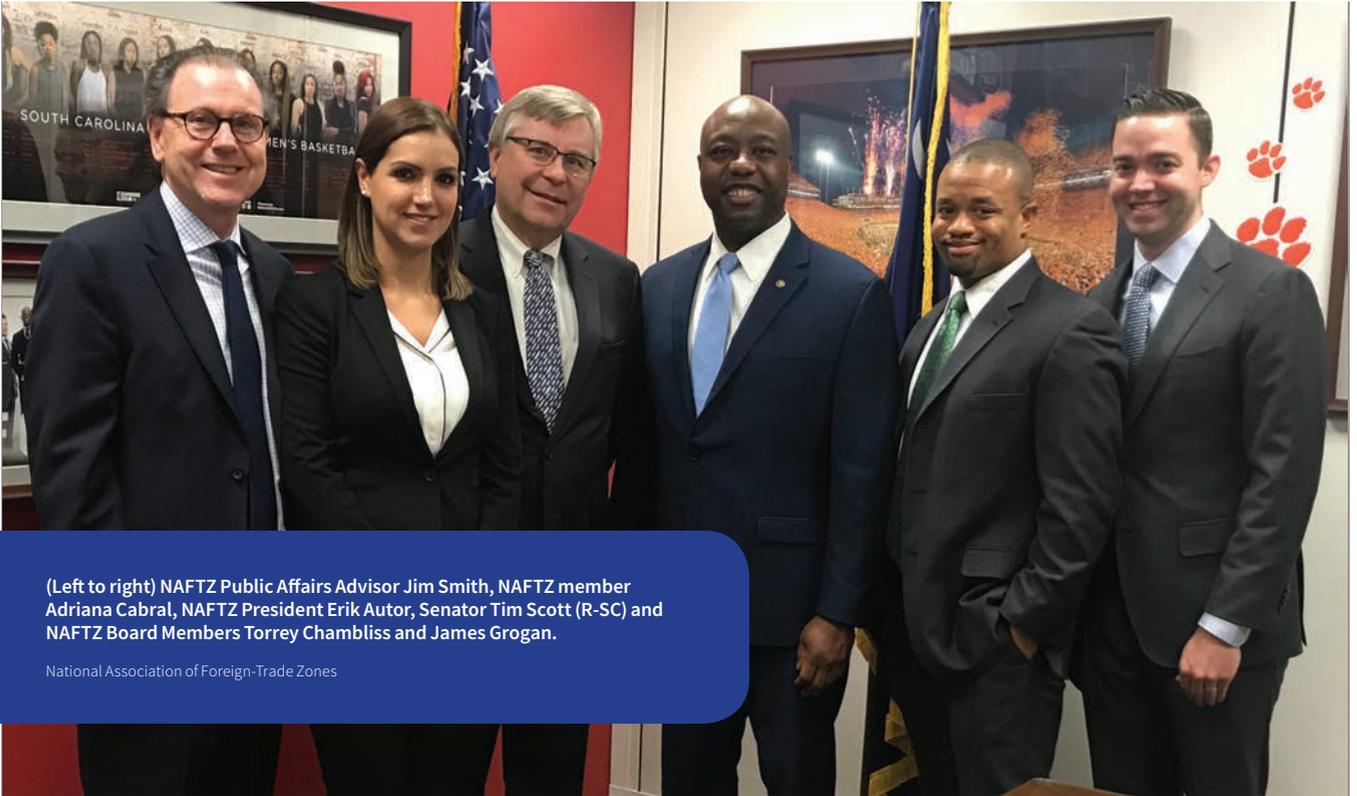
A recent 40-acre expansion of the active port is allowing Mammoet USA South to fur-

ther extend FTZ benefits to movers of project cargo, including oversized industrial units for \$25 billion in regional petrochemical plant expansions.

With weekly container service by Dole and Chiquita, utilizing two post-Panamax ship-to-shore cranes and highly skilled labor, as well as roll-on, roll-off services of Höegh Autoliners, also under long-term contract, plus advancement of efforts to deepen the port channel to as many as 55 feet from its present 45 feet, Port Freeport is positioned to provide FTZ users with productive global links for years to come. ■



FOREIGN TRADE ZONES



(Left to right) NAFTAZ Public Affairs Advisor Jim Smith, NAFTAZ member Adriana Cabral, NAFTAZ President Erik Autor, Senator Tim Scott (R-SC) and NAFTAZ Board Members Torrey Chambliss and James Grogan.

National Association of Foreign-Trade Zones

JAXPORT'S FTZ: GET IN AND GET MORE

JACKSONVILLE PORT AUTHORITY (JAXPORT) is the driving force behind Foreign Trade Zone No. 64 – a port-managed FTZ that is streamlining trade and boosting the bottom line for a variety of importers.

Located in Northeast Florida in the heart of the South Atlantic, JAXPORT's FTZ No. 64 spans more than 5,000 acres at the crossroads of the nation's rail and highway network.

JAXPORT's foreign trade zone ranks as Florida's busiest zone by acreage and number of active sites, handling a variety of cargoes from food products and autos to over-dimensional cargo, leather goods, furniture, beverages, and more.

FTZ No. 64 operates under the Alternative Site Framework (ASF), which allows for easy integration into the program using a company's existing location and greatly simplifies the process for new site applications. Storage and distribution sites can be approved in 30 days or less under ASF. Manufacturing plants can be approved in as little as four months.

The benefits of an FTZ include streamlined US Customs clearance and the opportunity to defer, reduce, or even eliminate customs

duties on imported products. A growing number of household names, including Bacardi USA, Michaels, Coach, and Mazda, operate in FTZ No. 64, taking advantage of the zone's cost savings and operational efficiencies.

North Florida Warehouse FTZ operates an outdoor foreign trade zone near JAXPORT terminals. "Doing business in Jacksonville's FTZ has so many benefits, and it's exciting when we can help customers lower their landed costs and improve their global solutions," CEO Robert Fox said.

JAXPORT's investment in port infrastructure and expanding service options is supporting the growth of nearby distribution centers and manufacturing sites. The federal project

to deepen Jacksonville's shipping channel to 47 feet is underway and will allow the largest containerships serving the US East Coast to call JAXPORT more fully loaded.

Cargo owners find a competitive edge shipping through JAXPORT with global service from THE Alliance, 2M, and Ocean Alliance. Northeast Florida also offers outstanding intermodal options including 40 daily train departures from three railroads and fast reach to more than 70 million consumers within a day's truck drive.

Learn how your business can get in and get more with FTZ No. 64 at JAXPORT.com/FTZ. Connect with our FTZ expert Lisa Diaz for a free consultation at Lisa.Diaz@JAXPORT.com or (904) 357-3072. ■



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export worldwide. Indeed, in 2016, a total of \$78 billion of goods were directly exported from manufacturing and distribution FTZs – approximately 5 percent of total US exports. Even with this understated figure, which does not include indirect exports and additional value added from FTZ activities, the growth rate of FTZ exports over the past 20 years far exceeds the growth rate of total US goods exports during the same period.

Besides benefitting from a skilled domestic workforce and domestic added value from US-based activities, manufacturing zones are also able to take advantage of the zone program's unique "inverted tariff" benefit. With approval by the US Foreign-Trade Zones board, FTZ manufacturers can elect to pay customs duties on imported components at either the imported component duty rate or the zone-manufactured finished good duty rate, whichever is lower. These benefits allow US zone manufacturers to operate on a level playing field with foreign competitors that import the finished good at the lower duty rate with little or no US content or labor. The inverted tariff benefit is a critical tool offered by the US government to encourage and expand US-based manufacturing activities. In 2016, the largest FTZ manufacturing industries were oil/petroleum, vehicle parts, consumer electronics, pharmaceuticals, machinery/equipment, chemicals, and aircraft/spacecraft.

Zones are also extensively used as a cost-management tool in companies' warehousing or distribution operations. For example, retailers use FTZs as a way to rationalize their import costs in a just-in-time distribution system by retaining inventory in a duty-deferred state until needed within their retail network. Similarly, companies will use zones as a "launch pad" for onward distribution to distributor or store networks located regionally throughout the Americas.

Finally, zones also play a significant and growing role in the burgeoning e-commerce trade. With stringent inventory control and recordkeeping requirements, zones are particularly well-positioned to satisfy the increased scrutiny required by US Customs and Border Protection (CBP) and Partner Government Agencies (PGAs), while also supporting the needs of e-commerce companies in meeting the just-in-time order fulfillment increasingly expected of their customer base.

In October 2017, the National Association of Foreign-Trade Zones (NAFTZ) kicked off a public affairs advocacy campaign, "Telling the FTZ Success Story." Recognizing the turbulent and unpredictable trade-policy environment descending on the United States, NAFTZ took proactive measures to promote and defend the program and its value to the US economy. The advocacy campaign pursued a multi-pronged approach: enhancing lobbying efforts with US Congress; collecting FTZ grantee and operator/user success stories; and commissioning an FTZ economic impact study, which will be completed in February 2019. These efforts aim to communicate effectively to

Congress, the Administration, and the public the critical role and positive impact FTZs have on US-based activities, jobs, investment and exports.

Taken collectively, foreign trade zones have been and continue to be meaningful, reliable contributors to global trade and the US economy and American jobs. Whether measured in terms of their contribution to economic growth, their flexibility in adapting to

the ever-evolving needs of the international trade community, or their critical role in support of trade compliance and supply chain security, the FTZ program is here to stay. ■

Shannon Fura is a member of the NAFTZ board of directors and a partner with Page-Fura, P.C. in Chicago, Illinois.

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NAFTZ Officers meet with CBP Commissioner and senior CBP officials on customs issues impacting foreign-trade zones. (Left to right) NAFTZ President Erik Autor, NAFTZ Chairman Rebecca Williams, CBP Commissioner Kevin McAleenan, NAFTZ Vice Chairman Eva Tomlinson, NAFTZ Treasurer Frankie Bryson, CBP OTR Exec. Dir. Bradley Hayes.

National Association of Foreign-Trade Zones

FTZ community faces unique challenges in reporting partner government agency data

By James Grogan

FOREIGN TRADE ZONES (FTZs) have grown accustomed to their unique role within the US import-export landscape. By operating in the United States, but treated as being outside US customs territory, managing a distinct set of regulations, and having multiple points of data transmission to the

US government, any changes to US trade policy and associated data-capturing systems require FTZ operators to thoroughly analyze how new rules affect them (e.g., Section 201, 232, 301, etc.) and communicate these challenges to US Customs and Border Protection (CBP). From a customs-systems

standpoint, major changes to the Automated Commercial Environment (ACE) demand that the FTZ community fully appreciate the implications of such changes and embrace necessary solutions.

CBP recently received \$30 million in funding for additional ACE enhancements in FY 2018.

RAPID GROWTH DEFINES PORT HOUSTON'S FOREIGN TRADE ZONE NO. 84

PORT HOUSTON MANAGES Foreign Trade Zone No. 84, one of the largest and most active zones in the United States. The zone includes many privately owned and port-owned sites located throughout the Houston region and Harris County, Texas. The zone also includes sites in Fort Bend and Brazos counties.

FTZ No. 84 users are taking advantage of large savings, allowing them to better compete in the global market.

As the Houston region's population continues to grow, FTZ No. 84 has seen a huge increase in authorizations as more large importers and exporters learn the financial perks to utilizing the program. Currently, FTZ No. 84 contains nine magnet sites, 26 general purpose zones, and 13 traditional subzones. In 2016, more than \$6 billion worth of cargo moved through FTZ No. 84 and a total of 13 new zone sites were added.

Foreign trade zones were originally

designed as an economic development tool to promote capital investments and trade, as well as manage imports. The primary benefits typically come in the form of import duty and tariff savings. In Houston, some of the largest companies in the world use the program, including ExxonMobil, Intel, Dell, General Electric, and BMW.

Texas is the top state for FTZ activity in regards to merchandise received and exports. A total value of \$660 billion was received into active foreign trade zones in 2015.

FTZs allow for distribution, storage, re-packaging, testing and inspection, assembly, repair and manufacturing. No duty is paid if merchandise is exported directly from the zone. Public benefits of the program include expediting international commerce, encouraging export activity and creating employment opportunities.

"FTZs help encourage activity and value-added at U.S. facilities," Camille Evans, senior analyst at the US Foreign Trade Zones Board, told attendees at the Houston conference. ■



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ACE enhancements will streamline government and FTZ community processing by incorporating PGA requirements into the e214 Customs form.

US Customs & Border Protection

One important area slotted to receive a portion of this allocation is the electronic CBP Form 214 (e214) process within ACE for admitting articles into a zone. In a Cargo Systems Messaging Service (CSMS) message dated May 24, 2018, CBP highlighted that the “enhancement will streamline processing for government and the foreign trade zone community by incorporating PGA requirements into e214. Specifically, this will enable trade to submit PGA data simultaneously via the PGA Message Set transaction set or the Document Image System (DIS) when reporting the admission of goods into an FTZ.”

For the past several years, the National Association of Foreign-Trade Zones (NAFTZ) has actively engaged CBP and relevant Partner Government Agencies (PGAs) to seek clarification from these agencies on how and when PGAs want to collect their FTZ compliance data and how to manage exceptions surrounding the sharing of these necessary data elements.

While significant progress has been made, certain unique challenges remain. These challenges cannot be resolved by applying blanket treatment of FTZ data across the various PGAs and industries that use the program. Each PGA requires different types of data elements and expects to receive that

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FOR OVER 30 years, Seaonus has provided customized port, terminal, and warehouse solutions driven by collaboration, innovation, and creativity. Headquartered in Jacksonville, Florida, Seaonus also has operations in the ports of Mobile, New Orleans, and Savannah. Our trusted, professional team provides stevedoring and terminal services, along with dry, frozen, and temperature-controlled warehousing, while supporting logistics solutions.

Seaonus has extensive experience in handling breakbulk; bulk; roll-on, roll-off; lift-on, lift-off; heavy lift; and out-of-gauge cargoes and specializes in handling all types of forest products, metals, and steel.

In July 2018, Seaonus Stevedoring-New Orleans was granted permission to operate Foreign Trade Zone No. 2, site 88 at its Alabo Street Wharf location, providing the only on-dock FTZ service in New Orleans.

The facility offers both covered and non-covered storage for a variety of cargo including breakbulk commodities such as non-ferrous metals and steel. It will also con-

tinue to serve its non-FTZ customers for other bulk, breakbulk, and project cargo.

Providing the FTZ service helps importers efficiently manage cash flow and save a significant amount of money and time through streamlined US Customs & Border Protection clearance and other efficiencies.

“We are the only on-dock FTZ in New Orleans, which means significant savings for our customers by avoiding drayage to an inland FTZ,” said Alin Campián, chief commercial officer. “This marks another fundamental milestone in our vision to integrate our ports and rail services units. It ideally positions our company to bring to market first-class logistics

and cargo handling solutions that save our customers time and money and provide full turn-key services with one-stop shop convenience. We are very excited to add this service to our portfolio.”

Seaonus Stevedoring-New Orleans will offer customers flexible storage terms, 24/7 security, and live visibility to their cargo. The location also provides stevedoring, terminal, barge, and warehousing service to those entering the New Orleans market.

For FTZ sales information, please contact Cassie Dull, manager strategic business development, at (904) 626-7889 or cassie.dull@patriotrail.com.

For more information on Seaonus or its affiliated companies Portus and Patriot Rail, please visit www.seaonus.com, www.portus-us.com, and www.patriotrail.com. ■



FOREIGN TRADE ZONES



There are currently 264 approved FTZs across the US with 3,300 companies engaged in production and distribution zone activity across industries.

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CATALYST FOR ECONOMIC GROWTH IN THE TAMPA-ORLANDO REGION

PORT TAMPA BAY (PTB) is Florida's largest cargo tonnage port and one of the most diverse ports in the US, which handles a wide mix of containerized; breakbulk; roll-on, roll-off; and liquid and dry bulk cargoes. Additionally, PTB's foreign trade zone (FTZ) operation complements many of its tenants' and clients' business development strategies. The combination of Port Tampa Bay's cargo diversity and management of its FTZ creates an environment that supports the growth of business activity at PTB and throughout its hinterland.

Located on Florida's central Gulf Coast, Port Tampa Bay serves an immense and ever-expanding local hinterland — the Tampa-Orlando Interstate 4 Corridor Region. This market has a population of 9 million people and welcomes approximately 62 million tourists annually, which results in one of the largest consumer markets in the Southeastern US. In addition, the region is home to the largest concentration of distribution centers in the state of Florida, where companies such as Amazon, Walmart, Publix

Supermarkets, and Rooms to Go have large distribution centers dedicated to servicing the entire state.

Due to the diversity of its multiple lines of business, many of the cargoes that Port Tampa Bay handles flow through its FTZ operation. As an example, Port Tampa Bay is the energy gateway for the Tampa-Orlando I-4 Corridor region and handles more than 40 percent of Florida's energy needs in the form of petroleum, including jet fuel for both the Tampa International and Orlando Inter-

national Airports. Other important sectors benefitting from the FTZ program include shipbuilding, steel, construction equipment, cosmetics, food and beverage, and consumer products. As a result, Port Tampa Bay's FTZ operation stretches well beyond PTB's gates and has global benefits for companies involved in distribution and manufacturing.

Please visit the following websites for additional information about the Tampa Bay FTZ (www.TampaFTZ.com) or Port Tampa Bay (www.PortTB.com). ■



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FOREIGN TRADE ZONES

data in a particular way. Some agencies still utilize pre-ACE legacy systems, such as the Lacey Act Web Governance System (LAWGS) used to capture and disclaim certain types of activity. Most PGAs do not

been communicated previously) and requesting sufficient time to address them proactively. Similar letters have been sent to CBP. Examples of FTZ-specific challenges include:

Lack of clarity jeopardizes the success and operational functionality of the US FTZ program.

fully appreciate unique foreign trade zone concepts, such as privileged foreign (PF) versus non-privileged foreign (NPF) zone status election, direct delivery, treatment of scrap/waste, and FIFO reporting. FTZs that are manufacturing under zone procedures add an extra layer of complexity since the imported raw material may differ from the finished product entered for US consumption.

To address these obstacles, the NAFTAZ recently sent a letter to key representatives from nine PGAs describing these challenges (many of which have

- Neither CBP nor the PGAs have provided an estimated timeline for any ACE system changes.
- Most PGAs have not communicated to the trade community if they will switch to data collection at the time of admission, maintain reporting in conjunction with the customs entry, or design a model to collect at both transaction points.
- Some PGAs have struggled to address certain unique aspects of FTZs. For example, zone-to-zone transfers may need a mechanism to disclaim additional PGA reporting based on a written

certification from the initiating zone (i.e. where the zone-to-zone transfer commenced) that it satisfied all admission-facing PGA reporting requirements at the time of admission into the first zone.

- The PGAs must address the distinction between standard admissions and direct delivery admissions, recognize concepts like “conditional admissibility” and “export-only admissions” to avoid unnecessarily slowing FTZ supply chains, while allowing PGAs to collect all necessary information on US imported merchandise.

Although these issues are admittedly complex, a prolonged lack of clarity from CBP and certain PGAs jeopardizes the success and operational functionality of the US FTZ program. None of these challenges are insurmountable, but they do require resolution. If we cannot find solutions to these reporting challenges, it will likely cause major disruptions to FTZ operators. We strongly encourage proactive collaboration by all companies, grantees, and service providers to help ease the forthcoming transitions in ACE. ■

James Grogan is a member of the NAFTAZ board of directors and a senior manager at Ernst & Young Global Trade in Houston, Texas.

NEW INTERNATIONAL LOGISTICS CENTER COMING TO PORT EVERGLADES

PORT EVERGLADES IS moving forward with a public-private partnership to build a logistics center on port property that includes cold storage and is a foreign trade zone (FTZ). The project is being called the Port Everglades International Logistics Center, and it will include design, construction, financing, operation, and maintenance.

Port Everglades International Logistics Center (PE-ILC), will construct approximately 240,000 square feet of warehouse facilities with an attached 45,000-square-foot office building on 16.657 acres of port property west of McIntosh Road. The ground lease term is for 50 years. The project will contain warehouse, refrigerated warehouse and office space, and cross-docking facilities, which will enhance the services available to shippers using Port Everglades. The entire logistics center will be designated as a foreign trade zone. Construction is anticipated to be completed in late 2020/early 2021.

International Warehouse Services Inc. (IWS), a long-time tenant at the on-port FTZ No. 25, is one of three members of PE-ILC, along with ANF Group Inc., and Treadwell Franklin Infrastructure

Capital. IWS is the largest tenant in the FTZ and has been a tenant at Port Everglades for more than 30 years.

Port Everglades, one of the nation's leading container ports handling more than 1 million TEU annually, efficiently handles a diverse spectrum of cargos with cost-competitive services provided by multiple terminal operators. Its users have long enjoyed the benefits of amenities such as:

- On-port foreign trade zone (No. 4 in the US with \$5.1 billion in total activity).
- 24/7 customer-oriented service philosophy.
- Top US gateway for trade with Latin America (15 percent of all US/Latin American trade).
- Direct access and just one green light to the Interstate Highway System.

- Less than 1 mile from Atlantic Shipping Lane.
- Next door to Fort Lauderdale-Hollywood International Airport (FLL).
- US Department of Commerce Export Assistance Center located in the Port Administration Building.

The port's enviable location at the crossroads of north-south and in the heart of South Florida's consumer-rich population, is strengthened by intermodal connections that reach 70 percent of the US population within four days.

Florida East Coast Railway's 43-acre Intermodal Container Transfer Facility opened in 2014 to efficiently transfer international shipping containers between ship and rail. The rail hub also handles domestic cargo.

As Port Everglades continues to advance major investments, all aimed at improving productivity, this South Florida powerhouse seaport will continue to serve as an ideal point of entry for products shipped around the world. ■

