

## The basics

A Foreign-Trade Zone (FTZ) is a site in or adjacent to a port of entry where, for U.S. Customs purposes only, merchandise is considered outside commerce. The FTZ program is a flexible *public utility*, and can be uniquely tailored to fit seemingly any business.

Enacted by Congress in 1934, FTZs were designed to level the playing field, lower the cost of production and, in turn, generate jobs and scalability for domestic manufacturers. FTZ users realize cost savings through tariff relief—and time savings through reduction of administrative hurdles.

Zones offer a mechanism for (1) eliminating, (2) reducing or (3) deferring duties on merchandise admitted into the U.S. Duties are paid if and when the merchandise enters the domestic market. No duties are paid if the merchandise is exported.

## In Southwest Michigan

The Port of Battle Creek, Mich.—and Foreign-Trade Zone #43—is an inland port of entry. Historically, under an old framework, FTZ-bound product had to enter through the Port of Battle Creek. That is no longer the case.

Today, companies across Southwest Michigan can take advantage of the FTZ at their existing facilities. Product arrives in bonded, sealed containers. The FTZ program is overlaid to align with a company’s existing operations; users do not have to change the way they do business to leverage the program.

All businesses within the 14-county service area of FTZ #43 receive like treatment and full benefits of the program.

The 14 counties include: Allegan, Barry, Berrien, Branch, Calhoun, Cass, Clinton, Hillsdale, Ionia, Jackson, Kalamazoo, Ottawa, St. Joseph and Van Buren.



## Zone merchandise can be:

- *Assembled*
- *Cleaned*
- *Destroyed*
- *Displayed*
- *Mixed*
- *Manipulated*
- *Manufactured*
- *Processed*
- *Salvaged*
- *Repackaged*
- *Repaired*
- *Tested*
- *Sampled*
- *Stored*
- *And more...*

## New possibilities

- Reduce cost of goods sold
- Reduce freight forwarder/brokerage fees
- Consolidate, reduce merchandise processing fees
- Eliminate duty on waste/scrap or destroyed merchandise
- Warehouse bulk items without incurring duties
- Increase supply chain velocity and global sourcing potential

## Popular applications

- Elimination of duties for exported merchandise (with foreign inputs)
- Realize duty inversion—via material transformation—for domesticated merchandise
- Import pass-through merchandise for domestic and foreign markets
- Reclassification of raw materials, parts or components for manufacturing and assembly