

With more than 200 communities across the country with an FTZ program, your company can also become more competitive. For a competitive advantage visit the National Association of Foreign-Trade Zones' website, www.naftz.org.

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US FTZ Manufacturing: A History of Adaptation Should Inform Our Future

Over the course of modern history, many economic realities have incentivized companies to manufacture abroad instead of within the United States. Luckily, for decades foreign trade zones have played a critical role in helping US-based manufacturers compete against foreign-based production. The FTZ program has been one of America's most important tools to encourage and grow US-based manufacturing.

The US Foreign-Trade Zones Act (19 U.S.C. 81a-81u) originally prohibited manufacturing activities in FTZs.

Manufacturing in FTZs was not permitted until June 1950, when Congress passed the Boggs Amendment. Then, in 1952, the US Foreign-Trade Zones Board began authorizing "subzones," which allowed companies located away from seaport areas to take advantage of FTZ benefits including manufacturing. By adapting the program to allow inland FTZ manufacturing, the federal government introduced critical relief from the disincentive to domestic manufacturing created by "inverted" or "irrational" tariffs. Inverted tariff relief addresses situations where imported

Most Efficient Port Ready for Biggest Ships

As the most productive container port in the United States, the Helen Delich Bentley Port of Baltimore continues to experience significant growth and eclipse cargo records.

Recently Baltimore set new marks for TEUs and total general cargo in a fiscal year. This surpassed the previous records for both categories that were established only last year. Baltimore has also had repeated records months in 2017 for both containers and total cargo tons. This follows a record-setting 2016 in which the Baltimore's public marine terminals surpassed 10 million tons of general cargo for the first time and handled a record number of containers.

Averaging 71 container moves per hour per berth, the Port of Baltimore was the nation's most efficient container port by The Journal of Commerce. It also named Baltimore the fourth-fastest-growing port in North America.

One of the nation's most diverse seaports, the Port of Baltimore handles more autos and light trucks and farm and construction machinery than any other port.

Baltimore's geographic advantage of being further inland than any other East Coast port means a quicker and less costly delivery of cargo to and from the Midwest. Within a 24-hour period, cargo from the Port of Baltimore can reach two-thirds of the American population. The Port of Baltimore is also located within one of the nation's largest consumer markets.

Baltimore's public marine terminals are located right off Interstate 95, the main street of the US East Coast. Two Class I railroads, CSX and Norfolk Southern, directly access the port.

The Port of Baltimore has an industry-renowned quality program for different commodities. Labor, manufacturers, shippers, port personnel, and other key players in the supply chains meet monthly to discuss best practices.

With a 50-foot-deep container berth and neo-Panamax cranes, Baltimore is one of only a few East Coast ports with the necessary infrastructure in place today to handle some of the largest container ships in the world.

One of Maryland's largest economic generators, the Port of Baltimore generates about 13,600 direct jobs, while nearly 130,000 jobs in Maryland are linked to port activities. With an outstanding location, large consumer market, excellent highway and rail access, the ability to handle some of the largest ships, and a renowned quality program, the Port of Baltimore is well positioned for continued success into the future. ■



parts for use in US-based manufacturing maintain higher customs duty rates than the finished products into which they will be incorporated. From a cost of goods sold perspective, irrational tariffs sometimes incentivize the importation of the foreign-made finished product to avoid higher customs duties on the parts. While some inverted tariffs were established on purpose, others were created unintentionally through tariff reduction negotiations under the General Agreements on Tariffs and Trade. FTZ manufacturing was born out of the need to solve this problem.

In 1970, some 20 years after manufacturing became part of the FTZ program, there were still only approximately 10 subzones approved in the United States and approximately \$100 million in merchandise received in all FTZs. But just 17 years later, in 1987, hundreds of zones were approved and over \$40 billion in merchandise value

was received at FTZs, including \$8.8 billion foreign value. Why the significantly increased use of FTZs over that 17-year period? The answer is yet another critical adaptation to the program. In the early 1980s, certain regulatory changes saw US-based FTZ manufacturing increase dramatically. Specifically, the exclusion of US value added from the customs dutiable value of finished products made in FTZs provided a strong incentive for companies to manufacture under FTZ procedures as a remedy to irrational tariffs.

In 1987, 36 out of 101 subzones (approximately one-third) were US auto manufacturing plants, which represented approximately 80 percent of the entire US auto manufacturing industry. By 1997, the industry sectors that accounted for most FTZ manufacturing activity were automobiles, office equipment, machinery, computers, telecommunications, and other electronic

products, pharmaceuticals, and oil refining. By 2007, and yet again in 2015, the largest FTZ manufacturing activities involved oil refining, automotive parts, pharmaceuticals, and electronic product sectors. In its 77th Annual Report to Congress published in September 2016, the FTZ Board reported FTZ production operations received more than \$431 billion in merchandise value, which represented 65 percent of all FTZ activities. Interestingly, over the course of that nearly 30-year period, between 60-75 percent of shipments received at manufacturing FTZs involved domestic status merchandise. This statistic underscores the longstanding reality that US FTZ manufacturing activities combine foreign inputs with significant domestic inputs, thereby supporting ancillary US manufacturing.

The implementation of NAFTA in 1994 again changed the FTZ manufacturing landscape significantly.

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, windmill components, and limestone are some of the many commodities moving through the port.

The port 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, the port is home to the largest US fabricator of offshore drilling platforms. Other services found here include bulk terminaling for liquids, breakbulk, heavy lift and project cargo, steel fabrication, storage, crane services, and towing and tug services, among others.

The port's infrastructure includes 13 cargo docks, five liquid cargo docks with a sixth currently under construction, 635,000 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 newly constructed general cargo dock includes a new mobile harbor crane with a lift capacity of 125 tons.

Foreign Trade Zone No. 62, operated by the Port of Brownsville, has been ranked as one of the top

three FTZs nationwide since 2012 for exports valued at more than \$3 billion annually.

A component unit of the port, the Brownsville & Rio Grande International Railway has provided port customers efficient and reliable railroad service since 1984. BRG interconnects with Union Pacific and Burlington Northern Santa Fe railroads for northbound cargo, and with Kansas City Southern de Mexico for southbound cargo. ■

For more information about the Port of Brownsville, visit www.portofbrownsville.com or call +1 956 831 4592.

PORT OF BROWNSVILLE
• WORLD CLASS •
 the port that works

In 1994, 37 automobile assembly plants operated under FTZ procedures. Today, only a handful of automobile assembly plants continue to operate FTZs, while instead, a significant number of auto parts manufacturing plants use zones to remedy inverted tariffs. However, despite NAFTA, many other manufacturing industries have found their home in the FTZ program: cosmetics, fragrances, tools, appliances, printers, silicones, locomotives, just to name a few.

In 2012, another adaptation of the FTZ program – this time by way of regulatory revisions – simplified and expedited the process for zone users to obtain production authority. This positive regulatory reform has no doubt improved the ability of most companies to obtain

production approval more quickly and efficiently.

So where does the FTZ industry go from here? How do we keep the program sharply relevant for and responsive to US-based manufacturing needs? Can it be a linchpin in the reshoring efforts that are a priority of the current administration?

Perhaps now is the time for yet another adaptation. Here are a few ideas:

- Modify NAFTA to eliminate burdensome restrictions on US FTZ manufacturers.
- Identify and implement new benefits in line with those now available through TFTEA (drawback simplification).

- Further revise the US FTZ Board regulations and policies to make production authority and compliance more flexible and reduce barriers for certain industries (e.g., textiles and apparel).

NAFTZ is focused on these and other ways to enhance the utility of the FTZ program for US manufacturers. We hope you'll join us in our efforts. ■

Rebecca Williams is managing director at Rockefeller Group Foreign Trade Zone Services and vice chair of the National Association of Foreign-Trade Zones.

A New Supply Chain Solution Serving Florida' Largest Market

Port Tampa Bay, Florida's largest cargo tonnage port and one of the most diverse ports in the United States, offers the lowest cost solution to serve Florida's largest and fastest-growing consumer market, the Tampa-Orlando Interstate 4 Corridor. Port Tampa Bay also manages Foreign Trade Zone No. 79 serving the I-4 Corridor region.

Port Tampa Bay handles a wide mix of containerized; breakbulk; roll-on, roll-off; liquid and dry bulk cargoes for the huge and expanding local I-4 Corridor consumer market, which has a popu-

lation of 9 million people, welcomes more than 62 million tourist visitors per year, and is home to the largest concentration of distribution centers in Florida.

Due to the diversity of its multiple lines of business, many of the cargoes that Port Tampa Bay handles flow through the Tampa Bay FTZ project. For example, Port Tampa Bay is the energy gateway for the Tampa-Orlando region, including much of the jet fuel

consumed at the Tampa International and Orlando International Airports that moves through the Tampa Bay FTZ. Port Tampa Bay is also Florida's largest port for handling steel cargo, which has seen significant growth driven by the strong local construction and building market, with steel products frequently moving through the FTZ. Together with termi-

nal operator partner Ports America and new tenant Port Logistics Refrigerated Services, Port Tampa Bay has a multiphased build-out plan to expand its warehousing, transloading and distribution facilities for containerized cargo, including food and beverage products, all under the FTZ umbrella.

The reach of Port Tampa Bay's FTZ project extends well beyond the port's gates and includes sites throughout the Tampa-Orlando

I-4 Corridor region. Port Tampa Bay's FTZ project operates under the Alternative Site Framework, which allows for an expedited application process for companies looking to set-up new FTZ operation in the region.

The geographical reach of all of Port Tampa Bay's services opens the doors of collaboration with companies in the Tampa-Orlando regional market. This includes companies looking to streamline their processes and minimize their costs associated with qualified importing, exporting, manufacturing, and distribution activities under the FTZ framework.

Companies as varied as Ritchie Bros. Auctioneers, the largest heavy construction equipment auctioneer in the world, Givaudan Flavors Corporation, a global manufacturer of flavors,

fragrances, and cosmetic ingredients, and Tampa Ship, an industry-leading shipbuilding and construction firm, are examples of the diversity of companies that benefit from the Port Tampa Bay FTZ.

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



**PORT
TAMPA BAY**