

U.S. Foreign Trade Zone Oversight

FTZ's from the U.S. CBP Experiences and Lessons Learned

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**U.S. Customs and
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History and Background

- The foreign-trade zones (FTZs) program was authorized by Congress in 1934 as part of the New Deal.
- Both CBP and the FTZ Board at Commerce have regulations governing the oversight of FTZ operations.
- Foreign-trade zones are designated sites licensed by the Foreign-Trade Zones (FTZ) Board approved by CBP at which special customs procedures maybe used.
- These procedures allow activity involving foreign items to take place prior to formal customs entry.
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FTZs in the U.S

- Duty payment is deferred on items that are sold in the U.S. market and no duty is paid on items that are re-exported.
- Although a formal customs entry has not been filed on merchandise in FTZs, the merchandise is imported into the territory of the U.S. and reported to U.S. Customs and Border Protection (CBP).
- With the exception of formal customs entry procedures, all other local, state and federal laws and regulations apply (including labor and immigration laws)
- FTZs can have multiple locations but sites and activity must be approved in advance and all locations must be accessible to a CBP port of entry.



FTZs in the U.S. (cont)

- Prior to use of the FTZ, a company within an approved FTZ location must obtain a bond sufficient to secure any potential loss of revenue.
- FTZ merchandise moving into and out of FTZs must be reported to CBP.
- FTZs remain under the direct supervision of CBP and are open to inspection at all times.
- FTZs are within the territory of the U.S. and merchandise stored in a FTZ is considered imported into the U.S.



US FTZ Approvals and Activation

- Prior to use of the FTZ, a company within an approved FTZ location must meet all CBP requirements for FTZ use.
- FTZ merchandise moving into and out of FTZs must be reported to CBP.
- FTZs remain under the direct supervision of CBP and are open to inspection at all times.
- FTZs are within the territory of the U.S. and merchandise stored in a FTZ is considered imported into the U.S.



CBP Oversight of FTZs

- CBP has the responsibility to provide supervision and oversight over the activities and operation of FTZs.
- CBP utilizes a risk-based, shared responsibility process for oversight.
- At the time of activation of facility operators within an FTZ, CBP assesses the physical and operational security of facilities, the intended operations and the required documentation needed to activate the site.
- CBP performs background checks as necessary on employees and assesses the risk associated with the proposed operation.



U.S. CBP Oversight (cont)

- A risk assessment is then used to determine the level of oversight, both physical and documentary, that is needed.
- Activated FTZ facilities are reviewed both by site visits and by post audit review on a regular basis determined by the ongoing risk assessments.
- Violations of regulations and statutes may lead to penalties, damage claims against a bond or other corrective action.
 - Egregious violations may also be investigated for criminal prosecution.
- Ultimately, CBP ensures that it collects any owed duties taxes and fees for imported merchandise entering US commerce.



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Questions

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