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Port of Battle Creek Foreign-Trade Zone 43

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What is a Foreign-Trade Zone?

Foreign-Trade Zones were legislated by the US Congress in 1934 to facilitate international trade and enhance the global competitiveness of US-based companies. The FTZ program continues to thrive and adapt as it meets the needs of companies engaged in global trade. It attracts investment, contributes to the creation and retention of US jobs, and supports economic development. FTZs operate under public utility principles.

A FTZ is a designated area in or near a US Customs and Border Protection (CBP) port of entry. In the FTZ, foreign and domestic merchandise is considered to be outside the United States. Certain goods may be imported into the FTZ without going through formal CBP entry procedures, and without paying import duties. Customs duty and excise taxes are due only when the merchandise is transferred out of the FTZ for US consumption. If the merchandise never enters US commerce, no duties or taxes are paid on those items.

FTZs offer other advantages:

- Reduction and possible elimination of US Customs duties. When imported raw materials, parts or components are transformed into a finished product within a FTZ, duty may be paid on the product with the lower duty rate.
- Reduced transit time with direct delivery. With authorization from US CBP, goods arrive directly at your facility, where you break the seal and file import documents.
- Logistical benefits with weekly entry filing summaries. Qualified users receive merchandise into their facilities prior to making a Customs entry and triggering payment of duty. When merchandise leaves the facility, one entry summary is filed to cover the entire business week of shipments.

A message from the Executive Director

Welcome to our first issue for 2011. I'm pleased to inform you that FTZ 43 reports favorable export data in its *2009-2010 Annual Report* (details on page 3). Next, the bad news: the US international trade deficit in goods and services increased from December 2010 to January 2011.

Jan Frantz
Licensed U.S. Customs Broker
Executive Director
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Development Corporation

Under President Obama's National Export Initiative, US exports did indeed increase in industrial supplies and materials; automotive vehicles, parts, and engines; and foods, feeds, and beverages. Kudos to the US firms accounting for the increases.

The US goods deficit with the European Union decreased by $1 billion, while our goods deficit with Japan decreased just under $1 billion – the result of declining imports AND US export growth with both trade regions. During the same one-month period, the US trade deficit with China increased by $2.6 billion. A US-China trade balance favorable to the US may be impractical for a host of reasons. Nonetheless, the US economy would benefit from increased exports to China's immense market potential.

Foreign-Trade Zones are part of the solution for exporting "Made in America." I encourage you to consider the information in this newsletter, and how it could impact your business operation – not only the bottom line, but also your ability to outdo your international competitors.

FTZ 43 would like to be part of ***your*** export success.

Pending trade agreements

Korea-US Free Trade Agreement – Important improvements to the 2007 version include provisions to increase auto sales to South Korea, and strengthen enforcement and protections from sudden harmful import surges. The US International Trade Commission (USITC) anticipates a $10 to $11 billion increase of US exports to Korea through the reduction of newly added tariff cuts alone.

US-Colombia Trade Promotion Agreement – In 2007 a trade agreement with Colombia was concluded, which still awaits Congressional consideration. In February of 2011, US Trade Representative Ron Kirk sent a delegation to Columbia, with the intent of developing a workable plan for moving the Colombia agreement forward. Issues included laws and practices impacting the protection of internationally-recognized labor rights, violence against labor leaders, and the prosecution of the perpetrators. The US ITC estimates that implementing the agreement will increase US exports by $1.1 billion and add $2.5 billion annually to US Gross Domestic Product.

US-Panama Trade Promotion Agreement – The US and Panama signed a trade agreement in 2007, which also awaits Congressional approval. While significant liberalization of trade in goods and services is anticipated, Panama has also agreed to bilateral resolution of trade barriers in agricultural goods ranging from meat and poultry to processed products including dairy and rice. Labor practices and tax policies remain as outstanding issues.

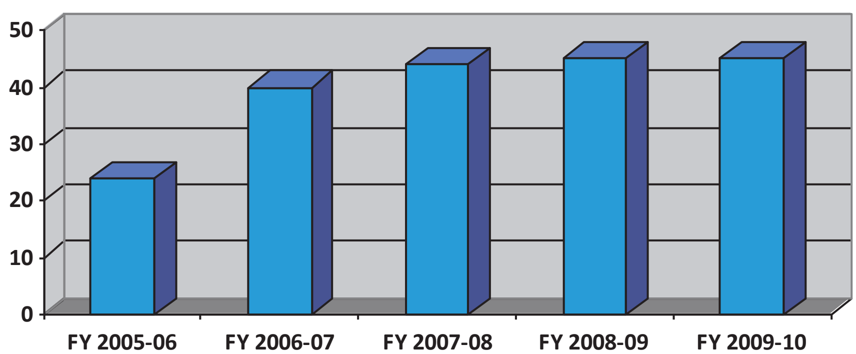
Exports strengthen local economy

Exports from FTZ 43 reached a total of $44,673,850 this fiscal year – holding steady and a strong indicator toward continuing prowess in international trade for West Michigan. Approximately 97% of goods received into FTZ 43 sites were exported.

The FTZ 43 general purpose zone project employed 10 people full-time, and served two firms on a continuous basis. Nationwide, approximately 330,000 persons work at 2,500 firms operating under FTZ procedures.

Manufacturing Subzones served by FTZ 43 include Mead Johnson Nutritionals in Zeeland, Ross Products Division of Abbott Labs in Sturgis, Perrigo Company in Allegan, and Pfizer Inc. in Kalamazoo.

FTZ 43 Annual Exports ($ millions):



News & trade briefs

The National Association of Foreign-Trade Zones (NAFTZ), a membership organization representing FTZ grantees, operators, users, and administrators, undertook review of newly proposed regulations for Foreign-Trade Zones. NAFTZ intends submitting its comments to ensure the best possible regulatory environment for the FTZ community.

Volkswagen Group of America (Chattanooga, TN), **Vestas Nacelles America** (Denver, CO), **Klaussner Home Furnishing** (Asheboro & Candor, NC), and **Tulkoff Food Products** (Baltimore, MD) have been approved in 2011 for manufacturing authority in a FTZ.

The US and Chinese agricultural trade relationship has grown significantly in recent years. The world's largest producer and consumer of agricultural products, China, is the United States' second largest buyer after Canada, accounting for 14% of total US agricultural exports. The US supplies 26% of China's total agricultural imports.

Producers of US beef and beef products now may ship a larger array of products to Chile, opening new markets after months of bilateral meetings between Chile, US Trade Representative and the US Department of Agriculture. The US shipped approximately $6.2 million in beef and beef products to Chile in 2010.

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General Purpose FTZ v Subzone

Historically, two designations serve the needs of FTZ users. Before pursuing either type, a cost benefit analysis should be undertaken. FTZ 43 provides the analysis free of charge. You may consider warehouse, distribution, assembly, or manufacturing operations in a FTZ:

General Purpose – a warehouse for public use typically exists within the service area of a General Purpose FTZ. It is also possible to establish FTZ procedures at a facility of your own. Costs to use FTZ 43 in the Customs Cargo Center in Battle Creek are similar to market rates.

Subzone – used by a single company for a specific operation, Subzone sites are generally at a company's own facility. Originally intended for manufacturers, Subzones today serve distribution and assembly operations as well. Subzone operations are approved after a rigorous public process which lasts 12 months and examines the domestic impact of a proposed project.