

# “HOW TO SPEAK FTZ”

Below is a list of some of the most common ‘terms of art’ used when discussing Foreign Trade Zones.

<b>Act</b>	The Foreign Trade Zones Act of June 18, 1934, as amended.
<b>Activation</b>	The process by US Customs for operations and or the admission and handling of merchandise in zone status.
<b>Admit</b>	To bring merchandise into a zone under zone status. Goods brought into customs territory of the US are entered.
<b>Alteration</b>	1) A change in the boundaries of an activated zone or subzone. 2) Activation of a separate site of an already activated zone or subzone with the same operator at the same port. 3) The relocation of an already activated site with the same operator.
<b>Audit-Inspection Procedures</b>	To reduce the on-site supervision of zones by Customs. These systems may be manual, computerized or a combination of both.
<b>Customs Territory</b>	The territory of the US in which the general tariff laws of the US apply. The US Customs territory includes the states, the District of Columbia and Puerto Rico minus any areas within the boundaries of foreign trade zones.
<b>Deactivation</b>	Voluntary discontinuation of the activation of an entire zone or subzone by the grantee or operator. Discontinuance of the activated status of only part of a zone site is an alteration.
<b>Direct Deliver</b>	Procedure for delivery of merchandise to a zone without prior application and approval; designed for low-risk, repetitive shipments whose ordering and timing are under the control of the operator.
<b>Drawback</b>	Import duties or taxes repaid by a government, in whole or in part, when the imported goods are re-exported or used in the manufacture of exported goods.
<b>Entry</b>	Notification of Customs of the arrival of imported goods in to the Customs territory of the US. Merchandise withdrawn from a zone for consumption in the US is entered when it is removed from the zone. Goods brought into a zone are admitted.
<b>Foreign First</b>	An accounting method based on the assumption that foreign status merchandise is disposed of first. Permission to use ‘foreign first’ must be obtained from US Customs and is granted on a case-by-case basis.



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## **Foreign Trade Zones Board**

Established to carry out the provisions of the Foreign Trade Zones Act.

## **General Purpose Zone**

Established for multiple activities by multiple users. Storage, distribution, testing, repackaging and repair are some the possible activities in a GP zone. Processing or manufacturing in a GP zone requires the permission of the FTZ Board.

## **Grantee**

A corporation to which the privilege of establishing, operating and maintaining a FTZ has been granted by the Foreign Trade Zones Board.

## **Inverted Tariff Structure**

Where imported parts are dutiable at higher rates than the finished product into which they are incorporated.

## **Manipulation**

Processing wherein merchandise is packed, unpacked, repacked, cleaned, sorted graded or otherwise changed in condition. The precise distinction between manipulation and manufacturing is subject to interpretation and enjoys a long history of case law.

## **Manufacturing**

The US Customs Service determines what constitutes manufacturing on a case-by-case basis, distinguishing it from other such operations as manipulation, processing, production and blending. The FTZ Board has defined it as any process that results in a change in Customs classification of the merchandise and therefore, requires prior clearance form the Board pursuant to the manufacturing conditions in specific foreign trade zone grants.

## **Merchandise**

FTZ merchandise includes: goods, wares, and chattels of every description, except prohibited merchandise, building materials, production equipment and supplies for use in the operation of a zone.

## **Merchandise, Domestic**

Those goods that have been produced in the US and exported therefrom, or previously imported into the Customs territory of the US with payment of all applicable duties and taxes.

## **Merchandise, Foreign**

Imported merchandise that has not been properly release from Customs custody into the Customs territory of the US.

## **Merchandise, Fungible**

Merchandise that, for commercial reasons, is identical and interchangeable in all situations. Originally applied to bulk liquids or free-flowing substances, it is now applied to shipment s of goods that arrive packed, but are unpacked and placed together in storage or manufacturing locations so that identification with the shipment as admitted to the zone is lost. Concept widely used in manufacturing environments where it is not feasible to store goods in their original lots awaiting manufacture.



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<b>Merchandise, Non-Privileged Foreign</b>	Foreign merchandise or non-tax paid domestic merchandise upon which the duty and applicable taxes will be determined at the time the merchandise enters the Customs territory of the US from the zone for consumption.
<b>Merchandise, Privileged</b>	Foreign merchandise or non-tax paid domestic merchandise upon which the duty and applicable taxes have been determined at the time PF status is approved. PF duty rate and taxes are not subject to future fluctuation and status cannot be changed.
<b>Merchandise, Zone Restricted</b>	Merchandise admitted to a zone for the sole purpose of exportation or destruction. ZR merchandise may not enter Customs territory for consumption except with approval by the FTZ Board.
<b>Operator</b>	A corporation, partnership or person that operates a zone or subzone under the terms of an agreement with the grantee. A grantee may act as its own operator.
<b>Processing</b>	Any zone activity involving a change in condition of merchandise, other than manufacturing, which results in a change in the Customs classification of an article or in its eligibility for entry for consumption.
<b>State</b>	Includes any state of the United States, the District of Columbia, and Puerto Rico.
<b>Subzone</b>	A special purpose zone established as part of a zone project for a limited purpose that cannot be accommodated within an existing zone.
<b>User</b>	A person or firm using a zone for storage, handling or processing of merchandise. Note: An operator may authorize a user to maintain its own inventory system and manual, however, the operator remains responsible for Customs for the system unless the user posts its own operator's bond.
<b>Zone Lot</b>	A collection of merchandise maintained under an inventory control method based on specific identification of merchandise admitted into a zone by lot.
<b>Zone Project</b>	All of the zone and subzone sites under a single grantee.
<b>Zone Site</b>	The physical location of a zone or subzone.
<b>Zone Status</b>	The status of merchandise admitted to a FTZ, i.e.: domestic, non-privileged foreign, privileged foreign or zone restricted status.

