

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is centered in the narrow neck of the hourglass. The text is centered within the hourglass shape.

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*U.S. FOREIGN-TRADE ZONES: CURRENT ISSUES*

Mary Jane Bolle, Economics Division

Updated July 28, 1999

**Abstract.** This report provides an overview of the U.S. foreign-trade zone system. The report covers what zones are and how they function, the history of the U.S. zone system, how the zone system has evolved from its original intent, and policy issues and legislative issues relating to zones. Twelve tables and figures provide a list of zones and subzones by state, and information on zone or subzone application, cost savings available to zone users, winners and losers from zone use, and major zone legislation in the 105th and 106th Congresses.

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## U.S. Foreign-Trade Zones: Current Issues

July 28, 1999

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## **ABSTRACT**

This report provides an overview of the U.S. foreign-trade zone system which has evolved under the U.S. Foreign-Trade Zones Act of 1934 [P.L. 73-397, 19 U.S.C. 81(a)-81(u)]. The report covers what zones are and how they function, the history of the U.S. zone system, how the zone system has evolved from its original intent, and policy issues and legislative issues relating to zones. Twelve tables and figures provide a list of zones and subzones by state, and information on zone or subzone application, cost savings available to zone users, winners and losers from zone use, and major zone legislation in the 105<sup>th</sup> and 106<sup>th</sup> Congresses. While this report mentions specific bills, it is not intended as a bill-tracking device. It will be updated periodically, as needed.

# U.S. Foreign-Trade Zones: Current Issues

## Summary

*Foreign-trade zones* are the U.S. version of *free trade zones* scattered around the world. Free trade zones are geographic areas which primarily facilitate economic development, and *co-production* — the joint production of a single good through the efforts of workers in two or more countries. All zones are geographic areas which are physically located *inside* the boundaries of the country, but treated as if they were located *outside* the country for customs purposes. Thus, for goods or materials which are imported, processed, and later re-exported, no tariffs are payable and customs procedures are streamlined.

The 235 U.S. zones are among nearly 850 zones world-wide, but differ from them in two major ways. First, two-thirds of the world's zones are in developing countries, producing primarily for *export*, while U.S. zones produce primarily for *import*. Second, whereas many foreign zones are exempt from customs oversight, taxes, and regulations, U.S. zones are subject to customs control as well as most other federal, state and local laws and taxes.

Most goods enter the United States through customs at the port of entry, and then travel to their ultimate destination. Imports which are not yet complete, needed, or allowed to enter the United States (for quota reasons, for example) after being unloaded at ports of entry, may be taken to a nearby foreign-trade *general purpose zone* (for warehousing or further processing) or to a *special purpose subzone* (a manufacturing site which is separate from but linked to a zone.)

The system of U.S. foreign-trade zones has evolved greatly over its 65-year history since it was set up by the U.S. Foreign-Trade Zones (FTZ) Act in 1934 [P.L. 73-397, 19 U.S.C. 81(a)-81(u)]. Envisioned by some as an engine of export growth, it has become largely a system for avoiding *inverted tariff structures* on imports (higher duties on components than on finished products.)

Policy questions relating to zones today are similar to those of a decade ago; however, the answers are different, largely because of the evolution of the U.S. and world economies. Issues today are: Is the Act fulfilling its original intent? (No. The intent has evolved.) Have U.S. foreign-trade zones helped or hurt U.S. workers? (The question has been eclipsed by the perceived effects of NAFTA and other trade influences). Do U.S. foreign-trade zones set U.S. trade policy by circumventing Congress and U.S. trade negotiators?" (Perhaps, but the issue has dimmed as tariffs and trade barriers decline, and since new regulations went into effect in 1991.)

Legislative issues pertaining to zones have moved from the macro to the micro level. P.L. 106-36 (S. Report 106-2), approved June 25, 1999, provides that commercial importation data for foreign-trade zones shall be included under the National Customs Automation Program under construction. In addition, H.R. 975 (H.Report 106-52), which passed the House on March 17, 1999, provides for a reduction in the volume of steel imports, and requires a steel notification certificate for any steel entering through a foreign-trade zone. Other bills, instead of being focused on how zones affect the U.S. economy, are now focused more on whether zone policy should be used to help specific industries and specific localities.

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# U.S. Foreign-Trade Zones: Current Issues

*Foreign-trade zones* are the U.S. version of *free trade zones* scattered around the world. Free trade zones are geographic areas which primarily facilitate economic development, and *co-production* — the joint production of a single good through the efforts of workers in two or more countries.<sup>1</sup> In the United States, this means that zones are places where some foreign components are typically mixed with U.S. components in the manufacturing process.

Current policy issues reflect the impact of U.S. zones relative to other influences on the U.S. economy. Many current legislative proposals tend to focus on fine-tuning the workings of the zone system or reflect the difference that zone status can make in promoting economic development for a community and improving competitiveness of a company in a specific industry.

First, however, this report examines what the U.S. zone system is, how it relates to zones abroad, and how the U.S. foreign-trade zone program has changed from its original intent. Tables detail trade zone legislation in the 105<sup>th</sup> and 106<sup>th</sup> Congresses, provide information on application methods and requirements for zone status, and list zones and subzones, by state.<sup>2</sup>

## U.S. Zones in a World Context

Zones all over the world have an important characteristic in common: They are geographic areas which are physically *inside* the boundaries of a country, but which are treated as if they were located *outside* the country for customs purposes — that is, zones are declared to be outside the customs territory of a country.

This separation from the country for customs purposes links world zones together into a type of international “no-man’s-land,” which has two important traits. First, no tariffs (taxes on imported goods), and in many cases, (including the United States) no other taxes (sales, excise, or other) are payable on goods so long as they remain in the zone system. Only when they leave the system and enter a country are

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<sup>1</sup> The difference between *free trade zones* and *free trade areas* is this: *Free trade areas* involve agreement to reduce or eliminate certain trade barriers to all members of the group, while each country is free to negotiate its own barriers with countries outside the group. *Free trade zones*, on the other hand, do not affect a country’s trade barriers. Rather, they set up secure locations (often fenced) which are inside the boundaries of the country but which are considered to be outside the country for tariff purposes. Hence, the trade barriers do not apply as long as the good is within the zone. When the good exits the zone, only if it then enters the country in which the zone is located, do normal trade barriers apply.

<sup>2</sup> While this report mentions a number of specific bills, it is not intended as a bill-tracking device. It will be updated periodically as needed.

tariffs payable on the imported value of the product and are sales taxes payable on imported goods sold. If the goods are re-exported, no duties are payable.

Second, customs procedures are streamlined for all goods entering and leaving the zone system. As a result, if buttons from Indonesia and fabric from India are sent to a trade zone in the Philippines for assembly into a shirt, which is then exported to the United States, *no tariffs* are payable in the Philippines, and *all customs procedures are streamlined* until the completed shirt enters the United States for consumption. At that time, tariffs are payable on the import value, and the shirt goes through normal customs procedures.

The 235 U.S. zones are part of the world system of 850 zones.<sup>3</sup> Two thirds of these zones are in developing countries, which produce primarily for export. In these countries, zones are often used as an economic development tool. Production takes place in *export processing zones* which are typically islands of modernization, located at ports, in countries which lack extensive infrastructure. Supplies which are unloaded from container ships travel a short distance to be manufactured into components or completed goods, which are then reloaded on ships for export. Multinational corporations in developed countries may view these zones as low-cost offshore production sites.

## Characteristics of U.S. Zones

U.S. zones, in contrast with the export emphasis of zones in developing countries, are primarily for warehousing or processing of *imports* prior to going through customs at the port of entry.

U.S. zones differ from other zones around the world in other ways as well. U.S. imports which are not complete, not yet needed, or not allowed to enter the United States (for quota reasons, for example) after being unloaded at ports of entry, prior to facing full customs procedures, may be taken to a nearby foreign-trade *general purpose zone* for warehousing or further processing, or to a subzone — a unique U.S. invention. The 235 zones include seaports, airports, and fenced industrial parks with warehousing and processing facilities, which are run by public corporations as if they were utilities — with published rates. *Subzones*, of which there are about 427, are manufacturing operations which are administratively linked to a zone, but physically separated from it. They are typically pre-existing operations which have

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<sup>3</sup> Zones around the world are called by at least 19 different names, depending on the country in which they are located or the author or organization referring to them. Among these are the following: Generically they are often called *free trade zones*. Those in the United States are called *foreign-trade zones*. Those in developing countries producing specifically for export are typically called *export processing zones*. They are also called *maquiladoras* in Mexico, *special economic zones* in China, *industrial free zones* or *export free zones* in Ireland, *free zones* in the United Arab Emirates, and *duty free export processing zones* in the Republic of Korea. In addition they are called *tax free zones* or *tax free trade zones* by Walter H. and Dorothy B. Diamond, authors of *Tax-Free Trade Zones of the World*. They have been called *free export processing zones* by the Organization for Economic Cooperation and Development. Source: International Labor Organisation. *Economic and Social Effects of Multinational Enterprises in Export Processing Zones*. Geneva, 1988, p.5.

applied for and been granted subzone status. However, businesses may also apply for zone status before beginning construction on a new manufacturing operation.<sup>4</sup>

U.S. zones and subzones, like other zones around the world, are viewed, in part, as an economic development tool. They allow businesses to save money on *imports* through duty (tariff) deferral, duty exemption, elimination of the need for duty drawback, and tax avoidance. They also allow U.S. businesses to save small amounts through quota storage, zone-to-zone transfer, and customs and inventory efficiencies. (See table 1 for details.) Most importantly, however, *subzones* in particular, allow businesses to save money, in part because they are places where inverted tariff structures can be changed to uniform rate structures (explained below). The Foreign-Trade Zones Board estimates that slightly less than 50% of all foreign merchandise entering through trade zones is being used in the inverted tariff situation.

## What is an Inverted Tariff Structure?

An *inverted tariff structure* means that the tariff rate on a product used as a component of a finished product is higher than the tariff rate on the finished good containing the component. When imported components are combined with domestic supplies in subzones, importers can effectively reduce the tariff rate on components to the same level as those levied on a completed good.<sup>5</sup>

Thus, if a zone manufacturer applies for and is granted subzone status, he can use his zone status to eliminate the adverse cost effect of the inverted tariff in the industry in which he produces. This is because customs provisions allow zone users to choose (when the component enters the zone) between paying, (when the component leaves the zone system as part of a completed good) the tariff on the component itself or the tariff on the component as if it were incorporated into the completed good.<sup>6</sup> Industries where there may be inverted tariffs include oil refining, auto manufacturing, electronics, chemicals, food products, pharmaceuticals, apparel

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<sup>4</sup> Another difference is that many foreign zones allow companies to operate under special or relaxed rules with respect to taxes and customs oversight. Certain foreign zones require neither customs documentation or supervision of merchandise while materials are admitted, stored, or processed in the zone. Some allow significant tax exemptions, including income and property taxes. U.S. foreign-trade zones, on the other hand, are fully subject to all federal, state and local laws and taxes, except for federal excise taxes and local inventory taxes. They are also subject to full customs supervision throughout while materials are admitted, processed, and shipped, and to customs penalties for failure to adhere to requirements, and to customs penalties for failure to adhere to requirements. In addition, prohibited goods (including illegal products) are not allowed into U.S. zones.

<sup>5</sup> World Wide Shipping. *Economic Impact Analysis*, by Dennis Puccinelli, August, 1985, p. 71.

<sup>6</sup> The procedure the zone manufacturer follows to change the tariff rate is as follows: When the duty rate on the imported component is lower than that on the end product into which the component is to be incorporated, the zone manufacturer must file a formal application for the component to receive "privileged foreign status." If such status is approved, the component, when it leaves the zone, is dutied at its own rate -- typically that applicable to the product of which it will make an integral part.



and textiles, steel, and machinery. Not all zone applicants in these industries have been granted zone status. The granting of zone status by the Foreign- Trade Zones Board means that zone status has been deemed in the “public interest.” The determination is based, in part, on the cause of the inverted tariff structure.

Inverted tariffs have arisen in the very extensive Harmonized Tariff Schedule in two ways: *inadvertently*, and *by design*. When an industry has an inverted tariff by design, it is generally to protect the component industry from import competition. In such cases, application for zone status may be denied or limitation may be placed on zone status. Inverted tariff structures are the major reason for zone application in the United States, and the greatest source of benefit to users (with duty deferral second). In recent years, tariff levels generally have been negotiated to very low levels, and typically the differences between tariffs on components and tariffs on finished products have become smaller and smaller.

**Table 1. Possible Cost Savings Available to U.S. Foreign-Trade Zone Users**

<b>Benefit</b>	<b>How Costs Can Be Saved</b>
<b>Duty Reduction (on Inverted Tariff Situations)</b>	Zone users may choose the lower duty rate when a product is entered into customs territory (for importation) in inverted tariff situations (when the rate of the foreign inputs is higher than the rate applied to the finished product produced in the zone. Zone status, however, is granted by the FTZ Board when it determines that such status will result in a public benefit (typically a net positive effect for U.S. businesses and workers).
<b>Duty Deferral</b>	Cash flow savings can result because customs duties are paid only when and if the goods are transferred from the zone to a U.S. customs territory for import.
<b>Duty Exemption</b>	No duty is payable on goods which are exported from a zone, or which are consumed, scrapped, or destroyed in a zone.
<b>Drawback Elimination</b>	Zones eliminate the need for duty drawback. That is, the refunding of duties previously paid on imported and then re-exported merchandise.
<b>Tax Savings</b>	Goods stored in zones and goods exported are not subject to state and local ad valorem taxes, such as personal property and sales taxes.
<b>Quota Storage</b>	Cash flow savings and savings from buying in bulk can be made because U.S. quota restrictions do not apply to merchandise admitted to a zone until it is entered into customs territory. When the quota opens, the goods may be immediately entered into U.S. customs territory for importation.

<b>Benefit</b>	<b>How Costs Can Be Saved</b>
<b>Zone to Zone Transfer</b>	Zones can transfer merchandise “in-bond” from one zone to another. Customs duties may be deferred until the product’s eventual entry into U.S. customs territory.
<b>Customs and Inventory Efficiencies</b>	Cost savings (especially cash-flow savings) can occur from zone efficiencies affecting inventory control. These efficiencies include customs procedures such as direct delivery and weekly entries.

Source of table data: U.S. Foreign-Trade Zones Board.

## How to Achieve Zone Status

The primary constituent interest relating to zones is how to achieve zone status, as quickly as possible. Appendix table 4, p 20, includes information on how to apply for zone or subzone status and requirements for applications, together with telephone and website contacts.<sup>7</sup> While new zones are approved when the Board finds that existing or authorized zones do not adequately serve the “convenience of commerce,”<sup>8</sup> subzones can be approved only when a “public benefit” —(i.e., increased employment without detrimental effects on other competitors) can be clearly demonstrated.<sup>9</sup>

Zone or subzone status is achieved by applying to the U.S. Foreign-Trade Zones Board in the Import Administration of the U.S. Department of Commerce in Washington, D.C. (202) 482-2862. The Board is a committee of two, made up of the Secretaries of Commerce and the Treasury, whose agencies each play a role in the approval and oversight of foreign-trade zones.<sup>10</sup>

The U.S. Foreign-Trade Zones Board is supported by a professional staff of 11, under the leadership of an executive director. It is responsible for reviewing applications for zone approval and making recommendations to the Board. Regulations covering zone application may be found at 15 CFR Part 400. The general purpose zone applications process takes about 18 months, and the subzone application process takes about 12 months. Zones are operated by public or public-

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<sup>7</sup> Most successful zone applicants use general purpose zones for storage, manipulation, and manufacturing, and special purpose subzones for specific larger scale manufacturing. However, some creative uses of zones are also emerging. The International Wildlife Recovery Center has set up an operation in the Medford-Southern Oregon FTZ. The Center specializes in the decontamination and rehabilitation of wildlife affected by oil and other hazardous material spills around the world. By locating the center in a foreign-trade zone, in a pollution event involving 250 birds, for example, the IWRC can save \$500,000 in customs duties associated with food imports for the animals.

<sup>8</sup> Foreign-Trade Zones Act, P.L. 73-397, sec. 2(b).

<sup>9</sup> Da Ponte, John J., Jr. *United States Foreign-Trade Zones: Adapting to Time and Space*. The Maritime Lawyer, Fall, 1980, p. 211.

<sup>10</sup> Authority is typically delegated to the Assistant Secretary of Commerce for Import Administration, and the Deputy Assistant Secretary of the Treasury for Enforcement.

type corporations, which may contract out operations. Zones are operated like utilities, with published rates.

Day-to-day supervision of goods into and out of zones is the responsibility of the U.S. Customs Service in the Treasury Department. Customs Service regulations relating to zones are included at 19 CFR Part 146. Overhead costs for zones include reimbursement to Customs for services rendered.

## How Did the U.S. Foreign-Trade Zones Program Begin?

The Foreign-Trade Zones Board was created by the *U.S. Foreign-Trade Zones Act* in 1934 [P.L. 73-397, 19 U.S.C. 81(a)-81(u)]<sup>11</sup>. It was given the power to approve applications by public corporations for zone status. The act itself was fairly short — less than six pages in length. It entitled each U.S. port of entry to at least one zone, and prescribed physical conditions and standards for each zone, requirements for operation, recordkeeping, and goods being moved into and out of zones, activities permissible in zones, and the applicability of all U.S. laws to zones

When the U.S. foreign-trade zones program began in 1934, it was a program designed to help accelerate U.S. trade in the wake of the restrictive impact of the Smoot-Hawley Tariff bill of 1930, which raised U.S. tariffs on imported goods as high as 53%.<sup>12</sup> Some have argued that zones were designed originally to be way stations where goods coming in from one foreign port could be *transshipped* (*reloaded* for export to another foreign port) or *re-exported* (*processed* for subsequent export).<sup>13</sup>

The foreign-trade zones legislation was controversial, however, because there was some fear that it would promote imports of cheaper components used in the manufacturing process, and thereby put domestic components manufacturers at risk. To make sure this would not happen, the Act prohibited manufacturing in zones.

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<sup>11</sup> Regulations issued by the U.S. Foreign-Trade Zones Board for establishing and maintaining a foreign-trade zone can be found at 15 CFR 400.

<sup>12</sup> Yarbrough, Beth V., and Robert M. *The World Economy: Trade and Finance*. Harcourt Brace, 1991, p. 368.

<sup>13</sup> U.S. General Accounting Office. *Foreign-Trade Zone Growth Primarily Benefits Users who Import For Domestic Commerce*. GAO/GGD 84-52, March 2, 1984, p. 3, 5.

## Changes to the FTZ Act<sup>14</sup>

After the Foreign-Trade Zone Act was passed, it proved restrictive enough to be very little used. It did not encourage U.S. exports, as some had expected. Even sixteen years after the Act was passed, in 1950, there were still fewer than ten zones.<sup>15</sup> Intense lobbying by manufacturing trade groups to make the zone concept more useful led Congress to permit manufacturing in zones. Many reasoned that zones were too small for much manufacturing to occur there.

The Foreign-Trade Zones Board took the amendment one step further. This one step led the zone system on a course which eventually made it successful in a way that was very different from what some originally intended the program to be. Two years after Congress passed the amendment permitting manufacturing in zones, the Foreign-Trade Zones Board issued regulations creating the concept of *subzones*. Those regulations declared that when a zone was of insufficient size to accommodate manufacturing, an employer could apply for subzone status, and thereby have access to full zone benefits without having to relocate.

Two administrative decisions by the U.S. Treasury Department served to make zone status even more attractive for manufacturing operations. These decisions — one in 1980 (U.S. Treasury decision 80-87) and another in 1982, modifying the first decision, clarified that manufacturers need not pay duty either on *value added* or on *brokerage* or *transportation fees* connected with imported goods.<sup>16</sup>

### 1980s: The Zone System Began Expanding Rapidly

Once the second Treasury decision was handed down in 1982, the zone program began growing very rapidly and changing in nature, for a number of reasons. Among these were that the world-wide technological support system (communications, transportation, merchandise tracking, etc.) was at last ready to handle the huge demands of expanded international trade. Second, increased international price competition led U.S. businesses to seek new ways of shaving costs.

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<sup>14</sup> Historical material in this and the following two sections is taken from: U.S. General Accounting Office. *Foreign-Trade Zone Growth Primarily Benefits Users Who Import For Domestic Commerce*. GAO/GGD 84-52. March 2, 1984, and *Foreign-Trade Zones Program Needs Clarified Criteria*. GAO/NSIAD 89-85; U.S. International Trade Commission. *The Implications of Foreign-Trade Zones for U.S. Industries and for Competitive Conditions Between U.S. and Foreign Firms*. USITC Publication 1496, February, 1984, and *The Implications of Foreign-Trade Zones for U.S. Industries and for Competitive Conditions Between U.S. and Foreign Firms*. USITC Publication 2059, February, 1988.

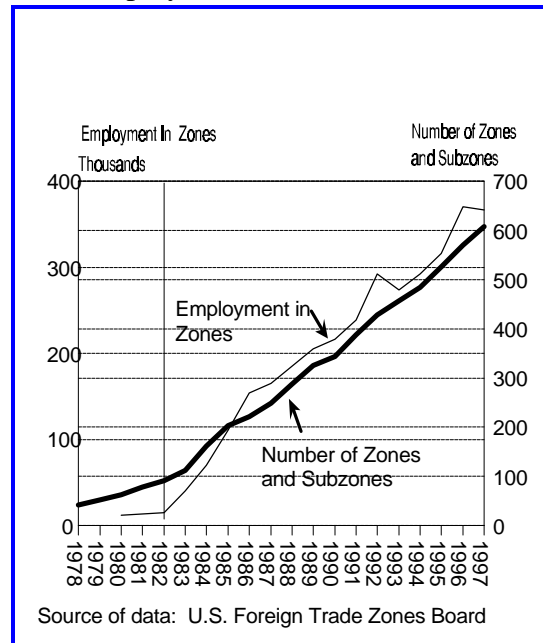
<sup>15</sup> In fact, even as recently as 1970, there were still fewer than ten cities with zones. All of these were ocean or Great Lakes ports. Source: Da Ponte, John J., Jr. *United States Foreign-Trade Zones: Adapting to Time and Space*. The Maritime Lawyer, Fall, 1980, p. 202.

<sup>16</sup> GAO Report, 1984, op. cit., p. 12.

In addition, the value of the dollar was quite high in the 1980s, making cheaper imports even more attractive.<sup>17</sup> On top of this, the Tariff Schedule of the United States (TSUS, replaced by the Harmonized Tariff Schedule in 1989) contained a number of *inverted tariffs*. Many inverted tariffs were later reduced or eliminated by the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade (GATT) in 1994.

Soon businesses figured out that, if they could achieve zone status, they could import components in industries with inverted tariff structures, assemble them together with domestic inputs in zones, and import from U.S. zones products that were less expensive to produce by the amount saved in customs costs on each item times the number of items. Word of how to take advantage of the inverted tariff structure and other cost-saving means afforded by zones (reported in table 1) spread through trade organizations. Zone use and zone employment accelerated dramatically. (see figure 1.)

**Figure 1.** Growth in Number of and Employment in Zones, 1978-1997



## Congressional Oversight of Zone Growth

The House Ways and Means Committee, concerned about the potential impact that zone status was having on U.S. industries (especially domestic components industries), employment, communities, tariff and tax revenues, competitiveness abroad, and the U.S. economy in general, asked both the General Accounting Office (GAO) and the International Trade Commission (ITC) to examine the economic impact of U.S. foreign-trade zones, in 1983 and again in 1987. Primary findings of these agencies were that the zone program, while growing rapidly, was having only a small (but difficult to measure) effect on U.S. revenue collection, employment, and the economy in general, and a somewhat larger effect on the U.S. components industry, particularly in the auto sector. Not only did the auto sector have an inverted tariff, but application for zone status there was reportedly met with relatively little objection from components manufacturers.<sup>18</sup>

<sup>17</sup> U.S. Congress. House. Committee on Government Operations. *Foreign-Trade Zones (FTZ) Program Needs Restructuring*. House Report 101-363. November 16, 1989, p. 11.

<sup>18</sup> Quantitative findings included the following:

**Effect of Zones on Tariff Revenues:** International Trade Commission (ITC) reports (referred to in footnote 13) found that the net effect of zone operations on customs revenue was small — 0.04% of total customs duties collected in 1982 and 0.3% of the total customs (continued...)

One of the most important ITC findings, however, was that the U.S. foreign-trade zones program was doing the opposite of what it was originally intended to do: The International Trade Commission found that “While a stated intention of the 1934 Act was to increase the competitiveness of U.S. products in *foreign* markets, zone status (particularly subzone status) is being used to maintain or improve the competitive posture of firms in *domestic* markets (emphasis added).”<sup>19</sup> The U.S. Foreign-Trade Zones Board points out, however, that this statement is not entirely correct. In fact, the Act itself stated as its purpose “to expedite and encourage foreign commerce,” favoring neither exports nor imports over the other.<sup>20</sup>

In 1989, subsequent to the GAO and ITC studies, subcommittees of the House Ways and Means Committee and the House Government Operations Committee held hearings on foreign-trade zones.<sup>21</sup> In addition, the House Government Operations Committee issued an independent report on the Foreign-Trade Zones Program. Its findings were compatible with those reported by GAO and ITC, but went a step further. It found that the Foreign-Trade Zones Act and program were in need of extensive revision for failing to carry out what it referred to as “the original intent of the Act.” The committee report, like the GAO and ITC reports, criticized the program for promoting instead of exports, domestic competitiveness and imports for domestic consumption.

The House Government Operations Committee report also criticized the Foreign-Trade Zones Board, among other things, for poorly conceived and inefficiently administered processes, for overly general regulations, which failed to list and use a single set of criteria for granting zone or subzone status, for maintaining regulations no longer consistent with Board practice, for relying on improperly conducted economic analyses, for failing to set time limits for stages in the application process, for failing to certify that operations continue to function in the public interest,

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<sup>18</sup>(...continued)

duties collected in 1986. (ITC Report 1984, p. xi) and (ITC Report 1988, p. xix-xx).

**Per-auto savings by manufacturing in zones:** In addition, in 1986, autos accounted for 87% of all shipments from subzones, seven zones accounting for 76% of total zone employment. (ITC Report 1988, p. xiv) and (ITC Report 1988, p. 5-2). For auto plants, the average duty savings per car in 1986-87 was small — about \$8.67, down from \$9.91 in 1983 and up from \$5.54 in 1985 (ITC Report 1988, p. xix).

**Employment effect from zones, in the auto industry:** Overall, the ITC found a 3.5% decline in employment in the auto parts sector for new vehicles, and a 1.6% increase in employment in the auto assembly industry, between 1983 and 1987. (ITC Report 1988, p. 8-7).

<sup>19</sup> U.S. International Trade Commission. *The Implications of Foreign-Trade Zones for U.S. Industries and for Competitive Conditions Between U.S. and Foreign Firms*. USITC Publication 1496, February, 1984, p. viii.

<sup>20</sup> Notes received from Dennis Puccinelli, Executive Director of the U.S. Foreign-Trade Zones Board, July 16, 1999.

<sup>21</sup> U.S. House. Committee on Ways and Means. Subcommittee on Trade. October 24, 1989. *Operation of the Foreign-Trade Zones Program of the United States and its Implications for the U.S. Economy and U.S. International Trade*. Serial 101-56. 442 p. and U.S. House. Committee on Government Operations. Subcommittee on Commerce, Consumer, and Monetary Affairs. March 7, 1989. *Foreign-Trade Zones*. 343 p.

and for failing to operate in a manner consistent with trade policy.<sup>22</sup> The Committee made a number of recommendations to address these perceived weaknesses. Ultimately, in October 1991, in consultation with congressional committees, the Board issued new regulations aimed at codifying its existing practice and meeting congressional criticisms.

In addition to congressional requests to the GAO and the ITC, hearings, and the report mentioned above, continuing periodic congressional interest in foreign-trade zones has been part of a broader focus on trade issues. Zone issues have been addressed by minor amendments to the Foreign-Trade Zones Act and been included in a number of more inclusive hearings and trade laws over the years. Some of the amendments have increased the benefits of zone imports and exports.

## The Zone System Today

Today, as during the 1980s, zones are predominantly instruments for changing inverted tariff structures into uniform rate structures. This is the case even though subzone users may save money in a variety of other ways (listed in table 1) and even though tariffs overall have declined considerably in the past 15 years, from an average rate of 5.5% in 1984 to an average rate of 2.0% in 1998.<sup>23</sup> Today, instead of being places where relatively large tariff savings — (i.e., \$5-10 per car, for example) can be made on a few major components, zones are now more typically places where small savings (i.e., \$1-3 per car, using the same industry example, according to the Foreign-Trade-Zones Board) can be made on a larger volume of components.<sup>24</sup> While the auto industry is still a prime beneficiary of zone status, the petroleum industry is the primary user now, accounting for 64% of the value of all goods entering zones (see figure 6), with motor vehicles accounting for another 23%. Some of the auto production operations have moved offshore, and large numbers of petroleum operations are still applying for zone status.

The importance of trade zones today is evidenced by the following statistics: Since 1970, the total number of trade zones and subzones combined has grown from 10 to 662, and employment in them has increased from 7,000 to 367,000, as was shown in figure 1. Nevertheless, zones (including subzones) represent only a small part of the U.S. economy. The total zone employment accounts for only 0.2% of total U.S. employment. In addition, all zone inputs (both domestic and foreign — a total of \$178 billion in 1997) represent only a small part — 2% of U.S. gross domestic product (\$8,111 billion in 1997). While the world-wide zone system plays a large role in international trade, it should be noted that very few imported zone inputs in these industries enter the U.S. zone system from other zones around the

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<sup>22</sup> *Foreign-Trade Zones (FTZ) Program Needs Restructuring*, p. 19-24.

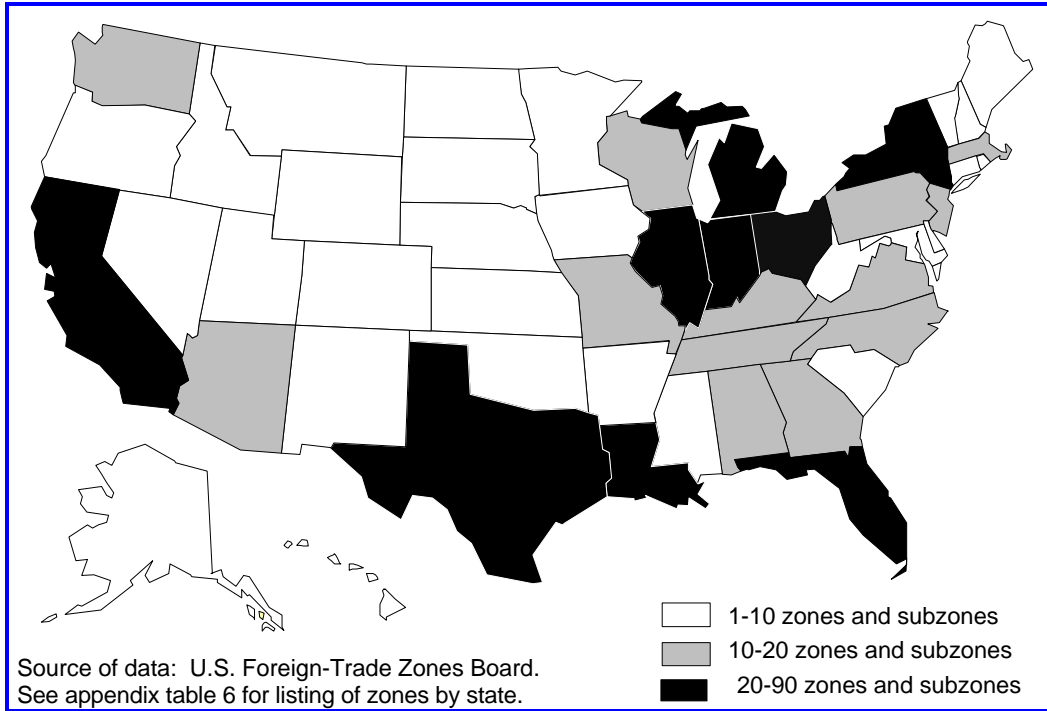
<sup>23</sup> Data for 1984 from U.S. Department of Commerce, Bureau of the Census. Highlights of U.S. Export and Import Trade, FT990/December, 1984, Table 9, p. C-31. Data for 1998 from <http://dataweb.usitc.gov>.

<sup>24</sup> Savings on a particular item may result from the rationalization of inverted tariffs together with other savings of the types detailed in figure 1.

world. In addition, only a small part of *all* U.S. imports (6%) enter the United States through zones in other countries.<sup>25</sup>

The map in figure 2 shows the states in which zone and subzone use is concentrated (darker shading). Zone and subzone use is concentrated primarily in traditionally heavy industrialized states where there is considerable auto manufacturing and in coastal states where there is considerable oil importing.

**Figure 2.** Concentrations of U.S. Foreign-Trade Zones and Subzones Among States



<http://wikileaks.org/wiki/CRS-RL30268>

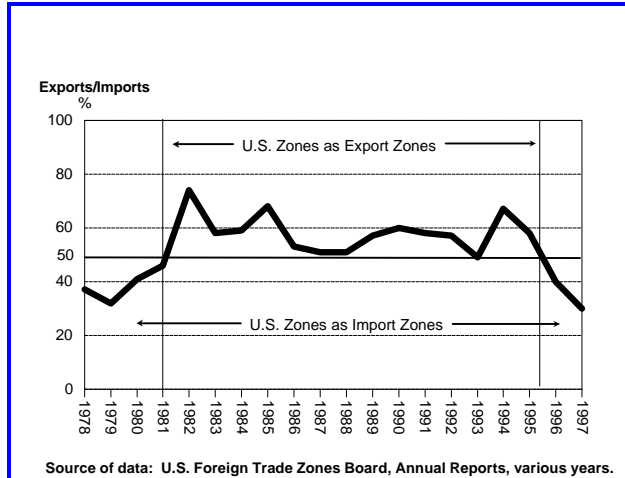
<sup>25</sup> Zone data are taken from U.S. Department of commerce. Foreign-Trade Zones Board. *The 59<sup>th</sup> Annual Report of the Foreign-Trade Zones Board*. Employment data are taken from U.S. Department of Labor. *Employment and Earnings* (any issue), table B-1. U.S. GDP data are taken from *Economic Report of the President, 1999*, p. 342.



## Zones Today are Functionally Import Rather Than Export Zones

Zones today are primarily import zones, rather than export zones as some observers believe Congress originally anticipated. They are *import* zones in terms of both zone *inputs* and zone *outputs*, even though both the Act itself and the Foreign-Trade Zones Board are currently neutral on this issue. In addition, the fact that most U.S. zones are functionally import zones reflects both the economic maturity (in comparison to developing countries) and the relative strength of the U.S. economy.

**Figure 3.** Extent to Which *Imports* Entering Zones are Subsequently Re-Exported, 1978-1997

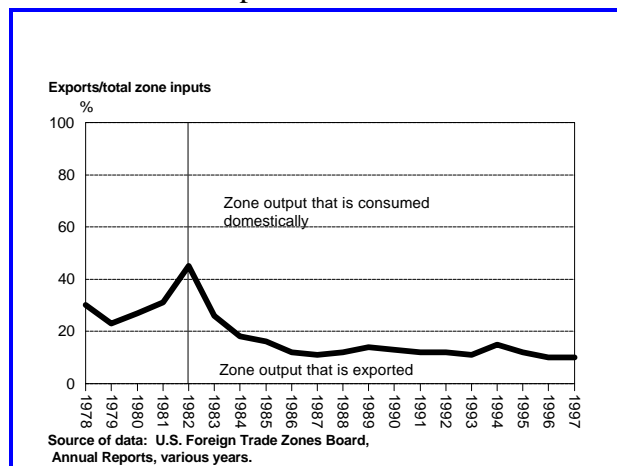


In terms of zone inputs, today's zones have lately become "import" zones in that, in recent years, more goods *entering* the zones have been subsequently imported into the United States than exported. In figure 3, export years (1981-95) are those in which the thick black line remains above the 50% line. Import years (1978-91 and 1996-97) are represented where the line dips below the 50% line. (See appendix table 6 for data supporting figures 3, 4, and 5.)

In terms of zone outputs, today's zones are import zones rather than export zones in that the majority of zone *output* is imported into the United States, and very little is exported. Figure 2 shows that since 1984, the proportion of total zone output that is exported has averaged about 10-15%.

Figures 3 and 4 both show that 1982 is the year when zones reached their pinnacle as export zones.

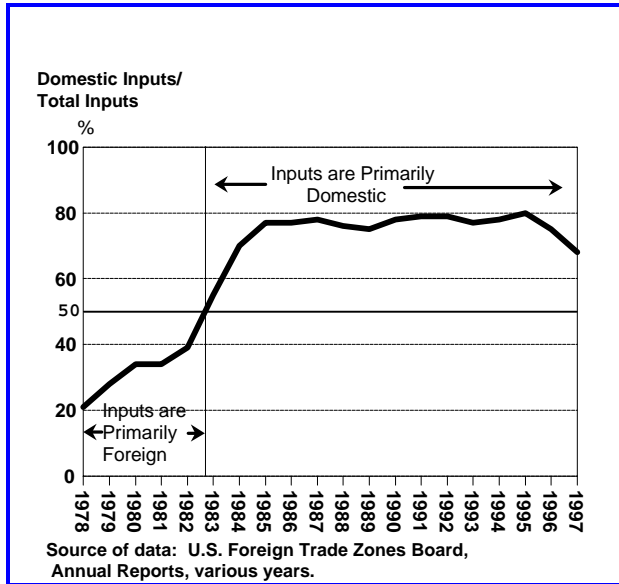
**Figure 4.** Extent to Which Total Zone *Output* is Consumed Domestically or Exported 1978-1997



## Zones Today are Primarily “Domestic-Trade” Rather Than “Foreign-Trade” Zones

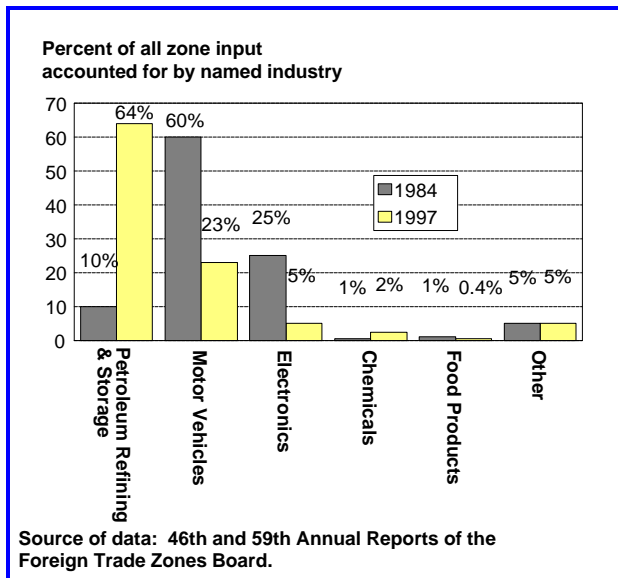
Zones can also be classified today as being functionally “domestic-trade” zones rather than “foreign-trade” zones. This is because most of the *inputs* into the zones are of *domestic* origin, even though the *gains* to be made from zone status stem from *imports*. (See table 1 for a listing of the type of gains to be made from zone status.) Since 1983, zone inputs sourced domestically have accounted for more than half, and since 1985 they have accounted for about 75-80% of all zone inputs. (See figure 5). The fact that the percentage of domestically sourced zone inputs has declined somewhat in the last few years reflects a greater presence in zones of oil refining, which uses primarily imported crude, compared to auto assembly, which uses mostly domestic components.

**Figure 5.** Source of Zone Inputs (Domestic or Foreign) 1978-1997



Calling zones “import” zones rather than “export” zones, and “domestic” zones rather than “foreign” zones is another way of reiterating what the ITC found in the 1980s: Instead of increasing the competitiveness of *U.S.* products in *foreign* markets, zone status is still being used (with the support of the Act) to maintain or improve the competitive posture of firms in domestic markets.

**Figure 6.** Industry Concentrations of Imports in Zones, 1984 and 1997



## Industry Concentrations in Zones Have Changed

Industry concentrations in zones have changed since the mid-1980s, as mentioned previously. Figure 6 shows that in 1984, motor vehicle assembly plants accounted for 60% of all imports into zones, and electronics companies were

the second greatest users of zones. By 1997, many electronics and auto assembly plants had relocated abroad, and petroleum refining had become the dominant zone user. Today, the two industries account for 87 % of all zone inputs.

## The Future of Zones

Overall, most tariffs have continued to be reduced to very low levels in the United States, through numerous trade agreements or establishment of free-trade areas. This would arguably point to an accompanying reduction in the use of trade zones. Inverted tariffs will lose their significance when all duties are near the same level. In addition, the nominal cost savings of duty deferral in a country with low tariff rates, like the United States, would make zone status an unnecessary administrative burden in addition to its reduced effect as a protectionist device.<sup>26</sup> Similarly, the gradual phasing out of quotas will also diminish demand for zone use.

However, at the same time, computers are facilitating zone use by making it easier for corporations to search through tariffs on all imported parts that potentially go into making a certain item, in order to identify those that represent an inverted tariff structure. Computers also make it easier to keep track of quota fulfillment and to calculate final tariffs owed on a large and diverse array of small imported components. Thus, smaller savings from zone use, including logistical and administrative savings, may be relatively more important than they once were.

Applications for zone or subzone status are still being approved. In 1997, the U.S. Foreign-Trade Zones Board approved 8 new general-purpose zones and 37 new subzones — consistent with the rate over the past several years — increasing the total number of zones by 3.5% and subzones by 9.5%

Thus, even though businesses may be reaping smaller savings per imported item used in zones, they may be able, in some cases to expand the number of items on which they save money. In addition, international competition has become sufficiently great in recent years that even very small savings from zone status, through duty reduction, deferred duty payment, duty exemption, tax savings, quota storage, or other means outlined in table 1 can make important contributions to U.S. competitiveness.

## Policy Issues Relating to Zones

Many of the zone-related policy issues that were prominent ten years ago are less important today, because the circumstances that surround them have changed:<sup>27</sup>

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<sup>26</sup> Kanellis, William G. *Reining in the Foreign-Trade Zones Board: Making Foreign-Trade Zone Decisions Reflect the Legislative Intent of the Foreign-Trade Zones Act of 1934*. Northwestern Journal of International Law and Business, Spring, 1995, p. 635.

<sup>27</sup> The major issues of the late 1980s were documented in the GAO and ITC reports (continued...)

In the 10 years since the GAO, ITC, and congressional studies were conducted, foreign-trade zones have become much less an issue of congressional focus than they were. This has occurred, in part because congressional interest has shifted from the employment and competitive effects of zone status to increased importation of manufactured goods and the effect this is having on U.S. jobs and the U.S. economy in the long run. Economists argue that with increased trade, everybody wins; however, dislocation of workers in various sectors has become an important congressional concern.

## **Is the Congressional Intent of the Foreign-Trade Zones Program Being Met?**

The answer to a question on whether the congressional intent on zones is being met depends on whether one judges congressional intent at the time of passage of the U.S. Foreign-Trade Zones Act, or as it has evolved over the past 65 years.

Some of the pre-passage debate suggested hope that the zones would boost exports rather than imports. In addition, while the preamble of the act emphasized the promotion of trade without reference to either exports or imports, section 3 of the Act did strictly prohibit manufacturing in zones (sec. 3). This language is consistent with arguments that manufacturing was prohibited in order to discourage the importation of cheaper components which would compete with domestically produced components.

Amendments to the Act over the years, however, have reflected a gradual shift in congressional intent toward greater acceptance of zones for handling imports. The 1950 amendment permitted manufacturing in zones, thus reversing the original exclusion. In addition, certain other amendments, including a 1990s amendment providing for evaluation of products upon importation from a zone, make specific reference to imports (sec. 81c, of title 19 of the U.S. Code)<sup>28</sup>.

Therefore, one could conclude that the congressional intent as it has evolved over the years is being met. In addition, the shifting of congressional focus on the zone issue from major oversight and evaluation to minor tinkering reflects an apparent acceptance of the U.S. zone system as it stands today.

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<sup>27</sup>(...continued)

previously mentioned, and also in U.S. Library of Congress. *Foreign-Trade Zones and the U.S. Automobile Industry*, by Gwenell L. Bass, and Lenore Sek. CRS Report 88-659E, October 14, 1988.

<sup>28</sup> Any program that specifically promoted exports to the detriment of imports could violate WTO rules against export subsidies.

## Have Foreign-Trade Zones Helped or Hurt U.S. Workers and Businesses?

The question about whether zones have helped or hurt U.S. *workers* is seen differently in the 1990s than in the 1980s. Some employment effects from trade with Mexico and Canada since the North American Free Trade Agreement (NAFTA) went into effect and from trade with developing countries generally and under the General System of Preferences (GSP),<sup>29</sup> have shifted the perspective on the effects of trade zones on U.S. jobs.

By way of comparison, in the 1980s, there was some alarm that increased use of U.S. foreign-trade zones was leading to the loss of U.S. jobs. The International Trade Commission estimated that for the four-year period 1983-1987, trade zones reduced overall employment in the auto industry by a net 1.9%. This represents a gain in the auto assembly sector and a loss in the auto parts sector.<sup>30</sup> Concern over the effect of *zones* on employment, however, has been eclipsed in recent years by concern over the effect of *trade agreements* [especially the North American Free Trade Agreement (NAFTA)] on employment. A difference in the order of magnitude on a particular industry is shown in the following example: In the 1990s, over a five and one-half year time period after NAFTA went into effect, increased trade with Mexico and Canada led to a 5.3% job loss in the apparel sector.<sup>31</sup>

Thus, small benefits from avoiding the higher tariff rates in industries with inverted tariffs (differentials which are continually shrinking) may seem less important today than they did a decade ago. In addition, in the 1980s, trade zones were viewed as a way of encouraging U.S. manufacturing plants to remain in the United States rather than relocate abroad. Today, the potential cost savings from using zone status to avoid the penalties of an inverted tariff (which may be only a percent or two) seem small compared to the potential cost savings which some businesses can obtain by relocating a labor-intensive plant to Mexico or some other country with a preferential system (i.e., GSP, CBERA, or Andean), and thus saving large amounts from wage differentials.<sup>32</sup>

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<sup>29</sup> The General System of Preferences provides duty-free treatment under specific conditions for 142 developing countries.

<sup>30</sup> A FTZ Board letter to the file documenting a March 3, 1988 meeting with the ITC economist who developed the economic model which was the basis for the ITC findings indicates that the model was meant to provide estimates rather than definitive numbers on jobs gained or lost as a result of zone procedures.

<sup>31</sup> For 1983-87 data for the motor vehicle transportation sector (SIC 37), see ITC Report, 1988, p. 8-7, and U.S. Department of Labor, Bureau of Labor Statistics. *Employment, Hours, and Earnings United States 1981-93*, bulletin 2429. For data on the apparel sector (SIC 23), see *NAFTA: Estimates of Job Effects and Industry Trade Trends After 4 ½ Years*, by Mary Jane Bolle. CRS Report 98-783E, p. 8, and *Employment, Hours, and Earnings United States 1990-95*, Bulletin 2465.

<sup>32</sup> The Caribbean Basin Economic Recovery Act (CBERA), applying to 27 Caribbean nations, and the Andean Initiative (applicable to imports from Bolivia, Ecuador, Colombia, and Peru) are similar to the GSP in that they offer duty-free treatment under specific

(continued...)

**Table 2. Potential Winners and Losers From Zone Use<sup>33</sup>**

	<b>Potential Winners</b>	<b>Potential Losers</b>
<b>Manufacturers</b>	<p><b>Final assemblers</b> could win to the extent that righting an inverted tariff lets them get components at a lower cost.</p> <p><b>Components manufacturers</b> could win to the extent that they can automate, become more competitive with imports, and thereby save on production costs.</p>	<p><b>Components manufacturers</b> could lose to the extent that the product becomes less competitive with imported components.</p>
<b>Workers</b>	<p>Workers in assembly operations could win to the extent that FTZ status results in greater profits which may be passed along to workers.</p> <p>Workers in “losing” industries could win to the extent that job loss encourages them to upgrade skills, which could then lead to higher paying jobs.</p>	<p>Either automation, or plant closings, in components industries from losing sales to importers operating in zones, could put workers out of jobs.</p>
<b>Community</b>	<p>Any zone effects could have ripple effects on the community. Communities with new zones may benefit because zones can attract new business into the area.</p>	<p>Communities with component manufacturing operations that close may suffer.</p>
<b>Consumers</b>	<p>To the extent that FTZs help manufacturers reduce prices and those prices are passed along to consumers, consumers could benefit.</p>	<p>Consumers may suffer from reduced choices or reduction in quality to the extent that foreign-trade zones encourage the substitution of cheaper imported components or goods for domestically produced ones.</p>
<b>Tariff Revenues</b>	<p>Total U.S. tariff revenues increase to the extent that increased zone use results in an increased demand for the imported components.</p>	<p>Tariff revenues decline by the difference between the tariff on the component and the tariff on the finished product for each item imported into a zone, times the number of items.<sup>a</sup></p>
<b>Tax Revenues</b>	<p>Total U.S. tax revenues increase to the extent that increased zone use results in an increased demand for the product and in greater earnings for each worker producing goods in zones. Increased tax revenues would come from increases in U.S. income tax collections brought about by increased profits and wages, federal excise taxes, and state and local taxes of the types affected by increased business.</p>	

http://wikileaks.org/wiki/CRS-RL30268

<sup>32</sup>(...continued) conditions.

<sup>33</sup> These arguments were largely drawn from GAO and ITC reports.

<sup>a</sup> An example showing the potential magnitude of such tariff revenue loss is an ITC finding that zone use reduced overall tariff revenues by 3% for 1986. Overall customs duties of \$1,216 million represented an overall duty savings of nearly \$39 million on the U.S. economy from foreign-trade zone use in 1986. This represents a total loss of about 3% of tariff revenues for 1986. Source of duty savings: 1988 ITC report, op. cit. Source of overall duties: Highlights of U.S. Export and Import Trade, op. Cit., 1986.

In addition, the question of whether zones have helped or hurt U.S. *businesses* invites a mixed response. Table 2 shows typical winners and losers from zone use. Certainly businesses that have applied for and achieved zone status have benefitted. On the other hand, once one business in an industry achieves zone status, others are forced to follow suit to remain competitive. As a result, once auto assembly plants started getting zone status, virtually all others in the industry followed suit.<sup>34</sup> Today, this is occurring in the oil refining industry.

On the other hand, zone regulations require that U.S. zone activity have a net positive effect for U.S. businesses and workers. In addition, the 1991 regulations applicable to the Foreign-Trade Zones Board specifically require that the Board disallow any actions that would circumvent U.S. trade policy or programs developed by the administration and Congress. In keeping with this policy, the Board has disapproved applications that proposed to use the Foreign-Trade Zones program to circumvent sugar, milk, textile and apparel quota programs in an attempt to prevent situations where there are “losers” (businesses or workers).

### **Does the Zone System Set U.S. Trade Policy by Circumventing Congress and U.S. Trade Negotiators?**

It can be argued that the U.S. zone system sets trade policy by circumventing Congress and U.S. trade negotiators. The decision to lower tariffs is thus shifted from the traditional method involving Congress and U.S. negotiators to an alternative method involving the U.S. Foreign-Trade Zones Board and its approval of the use of zones by representatives of various industries. However, as mentioned, the gradual decline of tariffs from an average rate of 5.5% to 2.0% between 1984 and 1998 has somewhat diminished the influence of the Foreign-Trade Zones Board on U.S. effective tariff rates. In addition, the Foreign-Trade Zones Board is adamant that if it perceives that zone status in an industry (usually the assembly sector) will harm the components sector, it will deny or limit zone status. Industries where zone status has been denied or limited for this reason include textiles, steel, pigments, TV tubes, ink, ethanol, chain saws, lawn mowers and agricultural products (e.g. dairy and sugar, and orange juice.)<sup>35</sup>

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<sup>34</sup> Bass and Sek, op. cit., p. 11.

<sup>35</sup> From a telephone conversation with Dennis Puccinelli, Executive Director of the U.S. Foreign-Trade Zones Board on May 21, 1999.

## Legislation Relating to Zones

In the last ten years, legislative issues relating to zones have shifted from the macro to the micro level. Instead of being focused on how zones affect the U.S. economy, they are now more focused on whether zone policy should be used to help specific industries.

Nor does foreign-trade zone legislation in the 105<sup>th</sup> and 106<sup>th</sup> Congresses attempt to reverse the evolutionary changes which have affected U.S. foreign-trade zones. The current legislative proposals are much more narrowly focused on changing trade policy for various industries and promoting economic development. Bills relating to the foreign-trade zone system fall into four categories: technical corrections relating to zones; bills to help achieve trade objectives through zones (i.e. legislation relating to steel, peanut butter, or tobacco products); legislation to assist zone expansion or promote economic development; and legislation to support specific programs (i.e., space exploration). (See table 3 on major zone legislation).

P.L. 105-303, enacted in the 105<sup>th</sup> Congress, included a foreign-trade zone provision to further encourage the development of the commercial space industry. It clarifies that payloads launched from trade zones shall be considered exports (not imports) with regards to customs entry.

### Technical Corrections Relating to Zones

In the 106<sup>th</sup> Congress, Sec. 2405 of P.L. 36, signed by the President on June 25, 1999 (S. Report 106-2) makes technical corrections to various trade laws. It provides, among other things, that the Secretary of the Treasury shall include commercial importation data for foreign-trade zones in the new program automating customs procedures (the National Customs Automation Program) — which is currently undergoing both construction and funding difficulties.

### Legislation to Achieve Trade Objectives For Specific Industries

A number of bills relating to U.S. foreign-trade zones in the 106<sup>th</sup> Congress, would accomplish trade objectives by affecting the way certain imports are treated. H.R. 975, passed by the House on March 17, 1999, (H. Report 106-52) provides for a reduction in steel imports. It requires a steel notification certificate before steel is entered into the U.S. customs territory of the United States.

Other legislation in the 105<sup>th</sup> Congress would have related to the tobacco industry by providing for an increase in taxes on tobacco products which enter the United States through a foreign-trade zone (H.R. 1229), and prohibiting the manufacturing of tobacco products in or forwarding them through foreign-trade zones, or selling them in or to duty-free shops (H.R. 3738.)

Also in the 105<sup>th</sup> Congress H.R. 1875 would have allowed the entry of peanut butter and paste from Mexican peanuts through foreign-trade zones without being subject to the tariff rate quota.



## **Legislation to Assist Zone Expansion or Promote Economic Development**

Other bills would aim to promote economic development by directing the U.S. Foreign-Trade Zones Board to grant approval for new or expanded zones. In the 106<sup>th</sup> Congress, H.R. 465 would direct the Board on behalf of the municipal airport of Chico, California. H.R. 5401 would make this direction for zones on Indian territory.

**Table 3. Some Major Zone Legislation of the 106<sup>th</sup> and 105<sup>th</sup> Congresses****106<sup>th</sup> Congress**

**P.L. 106-36: H.R. 435/S. 262 (S.Report 106 -2)** made technical changes to various trade laws. It also included a provision (Sec. 2405) which stated that not later than Jan. 1, 2000, the Secretary of the Treasury shall provide for the inclusion of commercial importation data for foreign-trade zones under the National Customs Automation Program. On June 7, 1999, the House agreed to Senate amendment, roll call #168.

**Passed the House March 17, 1999: H.R. 975 (Visclosky). H.Report 106-52** provides for a reduction in the volume of steel imports. For steel brought into the United States through a foreign-trade zone, requires a steel notification certificate before the merchandise is entered into the customs territory of the United States.

**Other Bills:**

**H.R. 465** (Herger) directs the Foreign-Trade Zones Board to expand Foreign-Trade Zone No. 143 to include an area of the municipal airport of Chico, California.

**S. 401** (Campbell, Nighthorse), Sec. 205 provides for business development and trade promotion for Native Americans. Directs the U.S. Foreign-Trade Zones Board to consider on a priority basis and expedite processing of any application aiming to establish a foreign-trade zone on Indian territory, including any designated an empowerment zone or enterprise community.

**105<sup>th</sup> Congress**

**Enacted: H.R. 1702** (Sensenbrenner, **P.L. 105-303**, Oct. 28, 1998: To encourage the development of a commercial space industry in the United States, and for other purposes. Sec.102: Clarifies that a launch vehicle is not, because of launch or reentry, an export or import. However, payloads launched pursuant to foreign-trade zone procedures shall be considered exports with regard to customs entry. This means that if any part of the launch vehicle or its payload is imported (for example part of the fuel), no tariffs are payable.

**Other Bills**

**H.R. 1875** (Crane) would amend the U.S. Harmonized Tariff Schedule to allow entry of peanut butter and paste from Mexican peanuts in foreign-trade zones without being subject to the tariff rate quota.

**H.R. 1319** (Royce), Sec. 204 would abolish the Department of Commerce and transfer the U.S. Foreign-Trade Zones Board to the Department of the Treasury. The U.S. Trade Representative would replace the Secretary of Commerce on the Foreign-Trade Zones Board.

**H.R. 1229** (Ackerman), Sec. 301 provides for an increase in taxes on tobacco products, cigarette papers, or cigarette tubes entered into a customs territory from a foreign-trade zone.

**H.R. 3738** (Doggett), Sec. 407: prohibits against the sale of tobacco products in or to duty-free shops or forwarding through or manufacturing in foreign-trade zones.

**S. 1415** (McCain): Section 1147 is similar to the provision in H.R. 3738.

## Appendix

The appendix includes information on how to apply for zone status, data supporting figures 3, 4, and 5, and lists, zones and subzones, by state.

### Appendix Table 4. Information Pertaining to Zone or Subzone Application

#### How To Apply for Zone or Subzone Status

- Apply to the U.S. Foreign-Trade Zones Board, Import Administration, U.S. Department of Commerce, Washington, D.C. 20230 (202) 482-2862.
- Basic requirements for foreign-trade zone applications are found in **15 CFR Part 400**, available at the U.S. Foreign-Trade Zones Board website:  
**[http://www.ita.doc.gov/import\\_admin/records/ftzpage/ftzhome.html](http://www.ita.doc.gov/import_admin/records/ftzpage/ftzhome.html)**.
- Applications are rather involved, and the approval process is somewhat lengthy. General Purpose Zone applications take about 18 and Subzone applications about 12 months.
- After application approval is granted by the Foreign-Trade Zones Board, before operations can take place, approval to activate the zone must be obtained from the Customs Port Director.

#### Zone Status:

- Zone status is typically granted to state or local agencies or public type corporations (i.e., port authorities or economic development agencies), which may contract out operations.
- Zone sites must be in or near U.S. Customs ports of entry (listed at 19 CFR Part 101).
- Zones are operated under the day-to-day supervision of the U.S. Customs Service. Overhead costs include reimbursement to Customs for services. See regulations at **19 CFR Part 146**.
- Operations are conducted as public utilities, with published rates.
- Zone projects should be coordinated at the state level for consistency with economic development plans.
- Applicants must have a suitable plan including provisions for facilities and financing.
- Need for the proposed zone must be shown in terms of the local economy and overall economic development objectives.
- Zone manufacturing is reviewed under “public interest” criteria for consistency with trade policy and net positive economic effects.
- Zones should help create, not just divert employment from region to another.
- There must be convincing evidence of a need for zone services. Letters of intent from firms expecting to be the first zone users should be included in the application.

#### Subzone Status:

- Subzones are normally private plant sites that usually cannot be accommodated within an existing general-purpose zone.
- Subzones can be approved only when a “public benefit” resulting in a “positive economic effect” is demonstrated
- Subzone applications include: company background, product description, industry background, zone benefits to the company and public, impact on the domestic industry and environment.

Source of the above information: websites of the U.S. Foreign-Trade Zones Board (listed above), the U.S. Customs Service: **<http://www.customs.ustreas.gov/imp-exp2/comm-imp/ftz/ftstart.htm>**, and the National Association of Foreign-Trade Zones: **<http://www.imex.com/naftz.html>**.

**Appendix Table 5. Data Supporting Figures 3, 4, and 5**  
(In \$billions, and percent)

	<b>Mdse Received in Zone (\$billions)</b>	<b>Domestic Inputs (\$billions)</b>	<b>Foreign Inputs (\$billions)</b>	<b>Exports (\$billions)</b>	<b>Data for Figure 4 — Exports as % of Mdse. Received in Zones (%)</b>	<b>Data for Figure 3 — Exports from Zones/ Imports Into Zones (%)</b>	<b>Data for Figure 5 — Domestic Inputs/Total Inputs (%)</b>
<b>1978</b>	0.81	0.17	0.63	0.24	30	38	21
<b>1979</b>	1.52	0.43	1.09	0.35	23	32	28
<b>1980</b>	2.60	0.89	1.71	0.69	27	40	34
<b>1981</b>	3.02	1.03	1.99	0.93	31	47	34
<b>1982</b>	3.40	1.32	2.08	1.54	45	74	39
<b>1983</b>	6.51	3.61	2.90	1.67	26	58	55
<b>1984</b>	15.00	10.50	4.50	2.65	18	59	70
<b>1985</b>	24.75	19.01	5.74	3.89	16	68	77
<b>1986</b>	40.19	31.07	9.12	4.87	12	53	77
<b>1987</b>	48.95	38.42	10.52	5.40	11	51	78
<b>1988</b>	58.65	44.56	14.10	7.22	12	51	76
<b>1989</b>	76.27	57.51	18.76	10.75	14	57	75
<b>1990</b>	90.06	70.64	19.42	11.59	13	60	78
<b>1991</b>	84.44	66.42	18.02	10.48	12	58	79
<b>1992</b>	98.69	78.39	20.30	11.65	12	57	79
<b>1993</b>	103.97	80.16	23.81	11.65	11	49	77
<b>1994</b>	119.57	93.61	25.96	17.37	15	67	78
<b>1995</b>	143.51	114.37	29.14	16.94	12	58	80
<b>1996</b>	168.62	125.68	42.94	17.09	10	40	75
<b>1997</b>	177.85	121.16	56.69	16.93	10	30	68

Source of data: U.S. Foreign-Trade Zones Board.

Appendix Table 6. List of Zones and Subzones, by State

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
<b>ALABAMA</b>							
	82		Mobile				
	83		Huntsville				
	98		Birmingham				
	211		Anniston				
	222		Montgomery				
	233		Dothan				
		116	Mobile	ADDSCO	shipbuilding	88	
		137	Huntsville	Chrysler	auto electronics	88	
		159	Mobile	Degussa	methionine	89	
		293	Foley	Peavey	electronics	95	
		329	Tuscaloosa	Mercedes-Benz	motor vehicles	96	
		334	Dothan	Sony	magnetic &	96	
		336	Madison	MagneTec	lighting ballasts	96	
		351	Mobile .	Zeneca	ag. chemicals	96	
		368	Tuscaloosa.	ZFIndustries	auto axles	97	
		382	Mobile Cnty.	Coastal	oil refining	97	
		392	Tuscaloosa	JVC America	videotape prds.	97	
<b>ALASKA</b>							
	108		Valdez				
	159		St. Paul				
	160		Anchorage				
	195		Fairbanks				
	232		Kodiak				
		256	Fairbanks	Flowline	pipeline insulation	93	
<b>ARIZON</b>							
	48		Pima				
	60		Nogales				
	75		Phoenix				
	139		Sierra Vista				
	174		Pima				
	219		Yuma				
	221		Mesa				
		197	Glendale	Conair	small appliance	91	
		250	Buckeye	Wal-Mart	distribution	93	
		269	Chandler	Intel	semiconductors	94	
		323	Phoenix	SGS-Thompson	semiconductors	96	
		353	Casa	Abbott Mfg.	infant formula	96	
		354	Phoenix	PETsMART	warehouse/distrib	96	
		375	Phoenix	Sumitomo Sitix	semiconductor	97	
		420	Chandler/Te	Microchip	semiconductors	98	
		427	Yuma	Meadowcraft	patio furniture	98	
<b>ARKANSAS</b>							
	14		Little Rock				
		16	Forrest City	Sanyo	microwave ovens	82	
		350	West Helena	Cedar Chemical	ag. chemicals	96	
		376	El Dorado	Mid States Pipe	steel pipe fab.	97	
<b>CALIFORNIA</b>							
	3		San				
	18		San Jose				
	50		Long Beach				

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
		56	Oakland				
		143	W.				
		153	San Diego				
		191	Palmdale				
		202	Los Angeles				
		205	Port				
		226	Merced				
		230	Stockton				
			1 San	Lilli Ann	aparel	63	
			25 Long Beach	Toyota	truck beds	83	
			30 San Jose	Olympus	med. equip.	83	
			54 San Diego	National Steel &	shipyard	84	
			56 Fremont	NUMMI	auto	84	
			147 Benecia	Mazda	auto	89	
			178 Perris	National RV	motor home/RV	90	
			233 Pasadena	Datatape	tape recording	92	
			276 Garden	Alps Mfg.	computer etc.	94	
			332 Auburn	C. Ceronix	video monitors	98	
			380 Los Angeles	MMM	pharmaceuticals	97	
			385 Sacramento	Hewlett-Packar	computer-related	97	
			398 Dixon	Gymboree	apparel/toys	98	
			400 El Segundo	Checron	oil refining	98	
			408 Richmond	Chevron	oil refining	98	
			412 Fremont	Cirrus Logic	integrated circuit	98	
			419 San Jose	Hewlett-Packar	computer etc.	98	
<b>COLORADO</b>							
		112	El Paso				
		123	Denver				
			226 Fountain	Apple	data proc. equip	92	
			234 Boulder	Storage	electronic storage	92	
			415 Broomfield	Artesym	elec. power	98	
<b>CONNECTICUT</b>							
		71	Windsor				
		75	Bridgeport				
		162	North Haven				
		208	New London				
			174 West Haven	Miles	pharmaceuticals	90	
<b>DELAWARE</b>							
		99	Wilimington				
			41 Wilmington	J. Schoeneman	apparel	84	
			42 Newark	Chrysler	auto	84	
			47 Wilmington	Ge. Motorsauto	--	84	
			286 Newark	Zeneca	pharmaceuticals	94	
			340 Newastle	Star Enterprise	oil refinery	96	
<b>FLORID</b>							
		25	Broward				
		32	Miami				
		43	Orlando				
		64	Jacksonville				
		65	Panama City				
		79	Tampa				
		135	Palm Beach				
		136	Brevard				
		166	Homestead				

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
		169	Manatee				
		180	Miami				
		193	Pinellas				
		198	Volusia & Flagler Counties				
		209	Palm Beach County				
		213	Fort Myers				
		215	Sebring				
		217	Oscala				
		218	St. Lucie County				
		204	Cocoa	Flite	machinery	91	
		231	Melbourne	American	telecom./compute	92	
		277	Tampa	Reilly Dairy	dairy prds.	94	
		281	Tampa	Group	electronics	94	
		355	Ft.	Federal-Mogul	vehicle parts dist.	97	
		407	Miani	Hewlett-Packar	computer etc.	98	
		411	Broward	CITGO	petrol. storage	98	
		426	BrevardCou	Harris Corp	telecommunicatio	98	
<b>GEORGIA</b>							
		26	Atlanta				
		104	Savannah				
		144	Brunswick				
		24	Atlanta	GM	auto	83	
		46	La Grange	Goetze Gasket	auto gaskets	84	Lapsed
		70	Hapeville	Ford	auto	85	
		149	Coweta	Yamaha	golf carts/water	98	
		296	Dougherty	Merck	pharmaceuticals	95	
		299	Bulloch	Wal-Mart	distribution	95	
		330	Chatham	CITGO	oil refining	96	
		346	Columbus	Pratt& Whitney	United	96	
		347	Columbus	Precision	aircraft engine	96	
<b>HAWAII</b>							
		9	Honolulu				
		2	Oahu	Tesoro Hawaii	refinery	70	
		57	Honolulu	Kerr Pacific	--	95	
		95	Kahului	Maui pineapple	food	86	
		72	Honolulu	Dole	food	85	
		138	Oahu	Chevron	oil refining	88	
		364	Oahu	Gasco	oil refining	97	
<b>IDAHO</b>							
		192	Meridian				
<b>ILLINOI</b>							
		22	Chicago				
		31	Granite City				
		114	Peoria				
		133	Milan				
		146	Lawrencevill				
		176	Rockford				
		22	Chicago	UNR-Leavitt	steel pipe fab.83	83	Lapsed
		60	Peoria	Caterpillar	tractor	85	
		89	Chicago	Ford	auto	86	
		98	Du Page	Power	packaging	87	expired 91
		99	Du Page	Power	packaging	87	expired 91
		100	Kane	Power	packaging	87	expired 91
		104	Belvidere	Chrysler	auto	87	transferred 93

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			112 Flora	N. Am. Lighting	auto components	88	
			113 Salem	N. Am. Lighting	auto components	88	
			114 Peoria	Mitsubishi	auto	88	
			154 Galesburg	Maytag	appliances	89	lapsed
			155 Herrin	Maytag	appliances	89	
			220 Effingham	Fedders	room air	92	
			222 Dundee	Milk	animal feed	92	
			224 Loves Park	Clinton	cathode ray tubes	92	
			243 N. Chicago	Abbott	pharmaceuticals	92	
			275 Des Plaines	Sanofi	pharmaceuticals	94	
			306 Manhattan	Amoco	crude storage	95	
			312 Will County	UNO-VEN	oil refining	95	
			314 Robinson	Marathon	oil refining	95	
			361 Madison	Shell	oil refining97386	97	
			386 Marengo	Nissan	engines	97	
			401 Will County	Mobil Oil	oil refining	98	
			403 obile County	Shell	oil refining989	89	
			405 Kankakee	Henkel	vitamin E	98	
<b>INDIAN</b>							
		22	Indianapolis				
		31	South Bend				
		114	Burns				
		133	Clark				
		146	Evansville				
		176	Fort Wayne				
			50 Kokomo	GM	auto electronics	84	
			73 Indianapolis	Eli Lilly	pharmaceuticals	85	
			74 Lafayette	Eli Lilly	pharmaceuticals	85	
			75 Clinton	Eli Lilly	pharmaceuticals	85	
			90 Indianapolis	Chrysler	auto	86	lapsed
			91 Kokomo	Chrysler	auto components	86	
			92 New Castle	Chrysler	auto	86	
			127 Lafayette	Caterpillar	tractor engines	88	
			148 Lafayette	Subaru-Isuzu	auto	89	
			179 Indianapolis	Alpine	audio equip.	90	
			180 South Bend	EWI	auto parts	90	
			239 Middlebury	Coachmen	vehicles	92	
			244 Greenwood	Endress&	instruments	92	
			246 Evansville	Mead Johnson	pharmaceuticals	92	
			249 Elkhart	Fairmont	manufactured	93	
			252 Bartholome	POnkyo	accoustical prods.	93	
			305 Whiting	Amoco	oil refining	95	
			333 Indianapolis	Thompson	electronics	96	
			379 Rushville	Fugitsu	auto audio	97	
<b>IOWA</b>							
		107	Polk County				
		133	Davenport				
		175	Cedar				
			55 Forest City	Winnebago	auto	84	
			156 Newton	Maytag	appliances	89	lapsed
<b>KANSA</b>							
		17	Kansas City				
		161	Sedgwick				
			84 Kansas		auto	85	
			274 McPherson	Abbott Labs	pharmaceuticals	94	



STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			356 Butler	Equilon	oil refining	97	
<b>KENTUCKY</b>							
	29		Jefferson County				
	47		Campbell				
		37	Georgetown	Clark	lift trucks	84	lapsed
		43	Louisville	Ford	auto	84	
		86	Jefferson	GE	home appliances	85	
		87	Jefferson	Lexmark	typewriters &	86	
		111	Scott	Toyota	auto	87	
		177	Walton	Clarion	auto audio	90	
		182	Harrodsburg	Hitachi	auto parts	90	
		359	Boyd	Marathan	oil refining	97	
		365	Campton	Ascent	elec./electronic	97	
<b>LOUISIANA</b>							
	2		New Orleans				
	87		Calcasieu Parish				
	124		St. Charles				
	145		Shreveport				
	154		Baton				
		120	Gramercy	Trans-American	oil refining	88	
		134	Lake	Conoco	oil refining	88	
		150	Lake	Citgo	oil refining	89	
		193	Avondale	Avondale	shipbuilding	91	
		194	Westwego	Avondale	shipbuilding	91	
		195	Harvey	Avondale	shipbuilding	91	
		196	New Orleans	Avondale	shipbuilding	91	
		210	Lafourche	N.Am.Shipbuild	shipbuilding	91	
		212	Shreveport	AT&T	telecommunicatio	91	
		223	New Orleans	Equitable	shipbuilding	93	
		261	Convent	Star Enterprise	oil refining	94	
		297	Lafourche	LOOP	crude oil	95	
		310	Garyville	Marathon	oil refining	95	
		318	St. Bernard	Chalmette	oil refining	95	
		337	Plaquemine	BP	oil refining	96	
		343	St. Charles	Shell Oil	oil refining	96	
		348	Baton	Exxon	oil refining	96	
		373	St. Bernard	Murphy Oil	oil refining	97	
		404	Lockport	Halter Marine	shipbuilding	98	
		418	Lockport	Bollinger	shipbuilding	98	
<b>MAINE</b>							
	58		Bangor				
	179		Madawaska				
	186		Waterville				
		202	Madawaska	Northern	cosmetics	91	
<b>MARYLAND</b>							
	63		Prince Geoge's County				
	73		BWI Airport				
	74		Baltimore				
		61	Sparrow's	Bethlehem	steel	85	
		307	Walkersville	Rotorex	rotary	95	
<b>MASSACHUSETTS</b>							
	27		Boston				
	28		New				

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
	201		Holyoke				
			7 Fall River	Sterlingwale	apparel	80	terminated 89
			31 Quincy	General	shipyard	89	
			32 Lawrencevill	Lawrence	textiles	84	
			105 Framingham	GM	auto	87	
			117 New	Codman &Shur.	surgical	88	
			118 Avondale	Codman &	surgical	88	
			119 Randolph	Codman &	surgical	88	
			183 Norwood	Polaroid	camera	91	
			184 Needham	Polaroid	camera	91	
			185 New	Polaroid	camera	91	
			186 Waltham	Polaroid	camera	91	
			187 Freetown	Polaroid	camera	91	
			188 Boston	Polaroid	camera	91	
			189 Cambridge	Polaroid	camera	91	lapsed
			410 Quincy	Mass. Heavy	shipbuilding	98	
<b>MICHIGAN</b>							
	16		Sault Ste. Marie				
	43		Battle Creek				
	70		Detroit				
	140		Flint				
	189		Kent/Ottawa/Muskegon				
	210		St. Clair				
			10 Romeo	Ford	tractor	81	
			13 Detroit	Chrysler	auto	82	
			19 Wayne	Ford	auto	83	
			28 Wixom	Ford	auto	83	
			29 Dearborn	Ford	auto	83	
			36 Springfield	Clark	lift trucks	84	terminated 91
			48 Ypsilanti	GM	auto	84	
			49 Pontiac	GM	auto	84	
			67 Sterling	Chrysler	auto	85	
			94 Flat Rock	Mazda	auto	86	
			101 Flint	GM	auto	87	
			103 Trenton	Chrysler	auto	87	
			123 Midland	Dow	chemical	88	lapsed
			129 Detroit	GM	auto	88	
			130 Orion	GM	auto	88	
			131 Lansing	GM	auto	88	
			161 Detroit	Chrysler	auto	89	
			162 Trenton	Chrysler	auto	89	terminated 92
			163 Detroit	Chrysler	auto	89	
			164 Detroit	Chrysler	auto	89	
			165 Detroit	Chrysler	auto	89	
			216 Zeeland	Mead Johnson	--	92	
			303 Wyandotte	BASF	vitamins/plastics	95	
			362 Detroit	Marathon	oil refining	97	
			377 Sturgis	Abbott	infant formula	97	
			390 Kentwood	Diesel	fuel injection	97	
<b>MINNESOTA</b>							
	51		Duluth				
	119		Minneapolis/St. Paul				
			248 St. Peter	Davisco	dairy prds.	93	
			251 Apple Valley	Wirsbo	polyethylene	93	
			255 Howard	Am. Feeds &	animal feeds	93	
			264 Preston	Wisconsin	infant formula	94	

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			345 Lindstrom	Plastic	in-line skates	96	
			414 Redwood	Artesyn	elec. power	98	
<b>MISSISSIPPI</b>							
	92		Harrison				
	158		Vicksburg/Jackson				
			115 Escatawpa	Moss Pt.	shipbuilding	88	
			190 Pascagoula	Ingalis	shipbuilding	91	
			237 Harrison	Avondale Ent.	shipbuilding	92	
			271 Corinth	Cortelo USA	phone & computer	94	
			279 Meridian	Peavey Elec.	audio/acoustical	94	
			300 Pascagoula	Chevron	oil refining	95	
<b>MISSOURI</b>							
	15		Kansas City				
	102		St. Louis				
	225		Springfield				
			20 St.Louis	Chrysler	auto	83	
			23 Claycomo	Ford	auto	83	
			40 Hazelwood	Ford	auto	84	
			64 Kansas	--	auto	93	
			132 Wentzville	GM	auto	88	
			151 Kirksville	Ortech	auto components	89	
			152 Kansas City	Bayer	ag. chemicals	89	
			160 Kansas City	Kawasaki	engine parts	89	
			181 Grandview	Metcals	sink processing	90	
			278 Jefferson	Florsheim	shoes	94	lapsed
<b>MONTANA</b>							
	88		Great Falls				
	187		Toote				
	190		Butte-Silver Bow				
<b>NEBRASKA</b>							
	19		Omaha				
	59		Lincoln				
			8 Lincoln	Kawasaki	motorcycles &	80	
<b>NEVAD</b>							
	89		Clark				
	126		Sparks				
			52 Reno	Porsche	auto	84	
<b>NEW HAMPSHIRE</b>							
	81		Portsmouth				
			18 Portsmouth	Nashua	office equip	83	
			33 Colebrook	Manchester	apparel	84	
			232 Newington	ABB	industrial/nuclear	92	
<b>NEW JERSEY</b>							
	44		Morris				
	49		Newark/Elizabeth				
	142		Salem/Millvi				
	200		Mercer				
	235		Lakewood				
			35 Edison	Ford	auto	84	
			85 Linden	GM	auto	85	
			107 Hazlet	Int'l Flavors	--	87	lapsed

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			108 Union	Int'l Flavors	--	87	lapsed
			109 S.	Int'l Flavors	--	87	lapsed
			153 N.	Squibb	pharmaceuticals	89	
			298 Rahway	Merck	pharmaceuticals	95	
			319 Linden	Bayway	oil refining	95	
			321 Gloucester	Mobil Oil	oil refining	95	
			331 Gloucester	CITGO	oil refining	96	
			363 Perth	Chevron	oil refining	97	
			372 Gloucester	Coastal Eagle	Oil refining	97	
			383 East	Conair	warehouse/distrib	97	
			416 Bridgewater	Hewlett-Packar	computer-related	98	
<b>NEW MEXICO</b>							
	110		Albuquerque				
	194		Rio Rancho				
	197		Dona Ana				
		58	Albuquerque	SP	pharmaceuticals	84	
<b>NEW YORK</b>							
	1		NY City				
	23		Buffalo				
	34		Niagara				
	37		Orange				
	52		Suffolk				
	54		Clinton				
	90		Onondaga				
	109		Jefferson County				
	111		JFK Intl. Airport				
	118		Ogdensburg				
	121		Albany				
	141		Monroe				
	172		Oneida				
		26	Webster	Xerox	office equip	90	
		59	Waltertown	NYAirbrake	--	84	lapsed
		63	Cortland	Smith-Carona	electronics	85	
		66	N.	GM	auto	85	
		93	NY City	Jack Young	--	86	lapsed
		96	Chatauqua	CPS Corp.	--	86	expired 96
		106	Onodaga	Chrysler	auto	87	lapsed
		133	Rochester	Eastman Kodak	photography	88	
		213	Rochester	ITT	auto electronics	91	lapsed
		258	New	Bally	shoes	93	
		273	Rensselaer	Sanophi	pharmaceuticals	94	
		292	Rochester	Gleason Corp.	gear production	95	
		302	Sherrill &	Oneida	tableware	95	
		322	Rensselaer	BASF	chem.	95	
<b>NORTH</b>							
	57		Mecklenburg County				
	66		Wilmington				
	67		Morehead				
	93		Raleigh				
	214		Lenoir				
	230		Fuilford, Forsuth,, etc.				
		88	Mecklenbur	IBM	electronics	86	
		173	Alamance	Honda	lawnmowers	90	

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			219 Kernersville	Deere-Hitachi	hydraulic	92	
			227 Raleigh/Dur	IBM	info processing	92	
			230 Wake	Mallinckrodt	pharmaceuticals	92	
			283 Wilson	Merck	pharmaceuticals	94	
			328 Goldsboro	R.G. Barry	footwear &	96	
			335 Whitsett	Lucent	telecommunicatio	96	
			378 Yadkinville	Unifi	polyester yarn	97	
<b>NORTH DAKOTA</b>							
	103		Grand Forks				
<b>OHIO</b>							
	8		Toledo				
	40		Cleveland				
	46		Butler				
	100		Dayton				
	101		Clinton				
	138		Franklin				
	151		Findlay				
	181		Akron/Canto				
		5	Hamilton	GE	jet engines	79	
		6	Union City	Honda	motorcycles	79	
		34	Toledo	Jeep	auto	84	
		44	Lorain	Ford	auto	84	
		65	Lordstown	GM	auto	85	
		102	Norwood	GM	auto	87	
		110	Shelby	Honda	car/motorcycle	87	
		121	Findlay	Cooper Tire &	tires	88	
		128	Cincinnati	Nine West	shoes	88	
		157	Dayton	GM	electric motors	89	
		158	Kettering	GM	auto parts	89	
		166	Dayton	Chrysler	auto parts	89	
		167	Perrysburg	Chrysler	auto parts	89	
		168	Sandusky	Chrysler	auto parts	89	
		169	Van Wert	Chrysler	auto parts	89	
		170	Toledo	Giant Products	industrial pumps	90	
		203	Richwood	Wascator Mfg.	washing machines	91	
		236	Ottawa	W.C. Wood	freezers	92	
		254	Avon Lake	Ford	motor vehicles	93	
		257	Euclid/Ment	Lincoln Electric	arc welding equip.	93	
		259	McComb	Consolidated	food	93	
		268	Bedford	Mr. Coffee	small appliance	94	
		280	Valley View	Picker	medical	94	
		325	Grove City	Pier 1	distribution	96	
		326	Bedford	Ben Venue	pharmaceuticals	96	
		338	Toledo	BP Oil	oil refining	96	
		344	Euclid	Motch	machinery	96	
		358	Stark/Allen	Marathon	oil refining	97	
		366	Springboro	pioneer	auto audio	97	
		387	Columbus	Abbott	infant formula	97	
		417	Beverly	Globe	ferroalloys	98	
		424	Columbus	Lucent	telecommunicatio	98	
		425	Lima	Clark USA	oil refining	98	
<b>OKLAHOMA</b>							
	53		Rogers				
	106		Oklahoma				
	164		Muskogee				

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
	227		Durant				
			51 Oklahome	GM	auto	84	
			240 Oklahome	Ted Davis Mfg.	voice aoil motors	92	
			394 Lincoln	ARCO Pipe	crude oil	98	
OREGO							
	45		Portland				
	132		Coos				
	184		Klamath				
	206		Medford-Jackson County				
			9 Multnomah	Beall Pipe		80	deactivated 83
			171 Portland	AIM		90	lapsed
			207 Portland	Alcatel	fiberoptic cable	91	
			221 Pendleton	Continental	food	92	
			247 Tualatin	Tofle USA	stainless steal	92	
PENNSYLVANIA							
	24		Pittston				
	33		Allegheny County				
	35		Philadelphia				
	147		Berks				
			3 Westmorela	VW	auto	77	
			4 Harrisburg	Olivetti	typewriters,	78	deactivated 81
			21 Landsdale	Ford	auto	83	
			142 Allegheny	Verosol USA	window shade	89	
			282 West Point	Merck	pharmaceuticals	94	
			285 Riverside	Merck	pharmaceuticals	94	
			342 Philadelphia	Sun Company	oil refining	96	
			369 Delaware	Tosco	oil refining	97	
PUERTO RICO							
	7		Mayaguez				
	61		Guyanabo				
	163		Ponce				
			15 Penuelas	CORCO	oil refining	82	
			217 Humacao	Bristol-Myers	pharmaceuticals	92	
			218 Barceloneta	Bristol-Myers	pharmaceuticals	82	
			245 Caguas	Searle	pharmaceuticals	92	
			266 Barceloneta	Searle	pharmaceuticals	94	
			267 Cidra	SB Pharmco	pharmaceuticals	94	
			294 Arecibo	Merck	pharmaceuticals	95	
			295 Barceloneta	Merck	pharmaceuticals	95	
			316 Guayama	IPR	pharmaceuticals	95	
			317 Carolina	IPR	pharmaceuticals	95	
			360 San Juan	Baxter Caribe	pharmaceuticals	97	
			371 Skagit Cnty.	PR Sun oil	oil refining	97	
			384 Cidra	PepsiCo	concentrate	97	
			423 San Juan	Pfizer	pharmaceuticals	98	
RHODE ISLAND							
	105		Providence				
SOUTH							
	21		Dorchester Cnty				
	38		Spartanburg Cnty				
	127		West				
			53 Charleston	Porsche	auto	84	
			208 Anderson	AUTECS	auto electronics	91	

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			235 Goose	Haarmann &	chemicals	92	
			272 Spartanburg	BMW	auto	94	
			399 Goose	Bayer Corp	rubber	98	
<b>SOUTH DAKOTA</b>							
	220		Sioux Falls				
<b>TENNESSEE</b>							
	77		Memphis				
	78		Nashville				
	134		Chattanooga				
	148		Knoxville				
	204		Tri-City				
	223		Memphis				
			14 Symnra	Nissan	truck/auto	82	
			27 Lebanon	Toshiba	microwave ovens	83	
			38 Hartsville	TVA Nuclear	energy	84	
			39 Phipps	Global Power	energy	84	
			45 Memphis	Sharp	microwave ovens	84	
			175 Maury Cnty.	Saturn	auto	90	
			192 Hawkins	Form Rite	--	91	
			289 Bristol	SmithKline	pharmaceuticals	95	
			301 Carter Cnty.	Soemens	industrial	95	
			308 Bartlett	Brother Ind.	typewriters/word	95	
			311 Columbia	Columbia	room	95	
			413 Ripley	Komatsu	equip. parts dist.	98	
<b>TEXAS</b>							
	12		McAllen				
	36		Galveston				
	39		Dallas/Fort Worth				
	62		Brownsville				
	68		El Paso				
	80		San Antonio				
	84		Harris				
	94		Webb				
	95		Starr County				
	96		Maverick				
	97		Val Verde County				
	113		Ellis County				
	115		Beaumont				
	116		Jefferson County				
	117		Orange				
	122		Corpus				
	149		Freeport				
	150		El Paso				
	155		Victoria & Calhoun Counties				
	156		Weslaco				
	165		Midland				
	168		Dallas/Fort Worth				
	171		Liberty				
	178		Presidio				
	183		Austin				
	196		Fort Worth				
	199		Texas City				
	234		Gregg				
			62 Jefferson	Bethlehem		85	
			76 Corpus Ch.	Coastal St.	oil refining		

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			77 Corpus Ch.	Koch Refining	oil refining	95	
			78 Corpus Ch.	Trifinery	oil refining	85	
			79 Corpus Ch.	Gulf Marine	oil refininh	85	
			80 Corpus Ch.	Berry	--	85	
			81 Corpus Ch.	CC Distributing	--	85	expired 91
			82 Corpus Ch.	Compressors	--	85	expired 91
			83 Corpus Ch.	Hitox	--	85	
			122 Athens	Harvey Inds.	TVs	88	
			124 Victoria	Safety Railway	freight car repair	88	lapsed
			125 Victoria	Safety Steel	freight car repair	88	lapsed
			135 Corpus	Citgo	oil refining	88	
			136 Nueces	Valero	oil refining	88	
			139 Weslaco	McManus	food processing	88	
			140 Weslaco	FGulf De Bruyn	food processing	88	
			141 Weslaco	Sundor	food processing	89	
			143 Corpus Ch.	Reynolds	alumina	88	
			144 Houston	Hughes Tool	drilling tools	89	
			145 Houston	Texas Steel	heat-treat oil	89	
			176 LaPorte	DuPont	hydrofluoric acid	90	
			198 Houston	United General	hand tools	91	
			199 San Antonio	Bausch & Lomb	sunglasses	91	lapsed
			200 San Antonio	Colin Medical	medical equip,	91	
			201 San Antonio	Friedrich A/C &	air conditioners	91	
			205 Calhoun	Alcoa	alumina/aluminum	91	
			206 Houston	Gulf Coast	oil refining	91	
			209 Nueces	Koch Refining	oil refining	91	
			211 Arlington	GM	auto	91	
			214 Houston	Calero Refining	oil refining	91	
			215 Houston	Goodman Mfg.	--	91	
			225 Harris	Shaffer	oil drilling equip.	92	
			241 Austin	Dell Computer	electronics	92	
			242 Harris	Tuboscope	steel tube prds.	92	
			260 Harris	Shell Oil	oil refining	93	
			262 Port Arthur	Star Enterprise	oil refining	93	
			263 Wylie	Sanden	auto a/c	93	
			265 Houston	Dril-Quip	oil field equip	94	
			287 Houston	Hydril	oil field equip	95	
			288 Houston	Tadiran	telecom. prds.	95	
			290 Tx City	Amoco	oil refining	95	
			291 Freeport	BASF	chemicals	95	
			309 Jefferson	Fina	oil refining	95	
			313 Jefferson/Li	Mobil Oil	oil refining	95	
			315 Freeport	JHoffnam-LaRo	pharmaceuticals	95	
			320 Harris	Crown Central	oil refining	95	
			324 Mansfield	Pier1	distribution	96	
			327 San Angelo	R.G. Barry	footwear &	96	
			339 Texas City	Marathon	oil refining	96	
			341 Harris	Exxon	oil refining	96	
			349 Jefferson	Clark	oil refining	96	
			357 Texas City	Valero	oil refining	97	
			374 Jefferson	USDOE Oil	crude oil shortage	97	
			381 Brazoria	Phillips	oil refining	97	
			388 Richardson	Fossil Partners	watches, etc.	97	
			389 Dallas	B&F System	consumer prds.	97	
			395 Brazoria	Seaway	crude oil	98	
			396 Texas City	Seaway	crude oil	98	
			402 Harris	Lyondell-Citgo	oil refining	98	
			409 Harris	Equistar	petrochemicals	98	



STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			421 Lewisville	Ultrak	closed circuit TV	98	
			422 Brazoria	Amoco	petrochemicals	98	
UTAH	30		Salt Lake				
VERMONT	55		Burlington				
	91		Newport				
			17 St. Albans	Pedigree	apparel	82	
			172 Georgia	Wyeth		90	
VIRGINI	20		Suffolk				
	137		Wash. Dulles Intl. Airport				
	185		Culpeper				
	207		Richmond				
			146 Va. Beach	Stihl	chain saw/power	89	lapsed
			228 Culpeper	ITT Teves	auto brake comp.	92	
			229 Culpeper	Rochester	cable	92	
			253 Newport	NN	shipbuilding	93	
			284 Elkton	Merck & Co	pharmaceuticals	94	
			305 Whiting	Amoco	oil refining	95	
			367 Altavista	Abbott	formula/nutritional	97	
			406 Richmond	Hewlett-Packar	computer-related	98	
WASHINGTON	5		Seattle				
	85		Everett				
	86		Tacoma				
	120		Cowlitz				
	128		Whatcom				
	129		Whatcom				
	130		Whatcom				
	131		Whatcom				
	173		Grays				
	188		Yakima				
	203		Moses Lake				
	212		Tacoma				
	216		Olympia				
	224		Spokane				
			126 Tacoma	Tacoma Boat.	shipbuilding	88	
			191 Hoquiam	Lamb-Grays	--	91	
			270 Arlington	West-Coast	wood building	94	
			370 Skagit Cnty.	Equilon	oil refining	97	
WEST VIRGINIA	228		Wood/Jackson Counties				
	229		Charleston				
			397 Buffalo	Toyota	auto engines	98	
WISCONSIN	41		Milwaukee				
	167		Brown				
			11 Kenosha	Chrysler	auto	81	
			12 Manitowac	Muskegon	piston rings	81	
			68 Janesville	GM	auto	85	
			69 Oak Creek	GM	auto electronics	85	lapsed

STATE	ZONE#	SUBZONE #	LOCATION	BUSINESS	INDUSTRY	YEAR APPROVED	STATUS: (Active unless otherwise indicated)
			71 Sturgeon	Bay	shipbuilding	85	
			97 Milwaukee	Ambrosia	--	87	expired 91
			238 Blue	Stauffer	cheese prods	92	
			352 Hudson	Robin Mfg.	small engines	96	
			391 Osceola	Polaris	small engines	97	
			393 Plymouth	Sargento Foods	cheese prcessing	98	
WYOMING							
	157		Casper				