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Michigan Companies Growing Exports Through Foreign-Trade Zones

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The ever-changing global marketplace brings both potential increases in competition and provides many additional opportunities for Michigan businesses looking to diversify and tap into the over 95 percent of global consumers who reside outside U.S. borders.

In 2015, Michigan exports totaled nearly \$54 million and imports totaled approximately \$124 million.

In a state so actively involved in foreign trade, it is important for businesses to take a look at where the best opportunities lie, including utilizing the programs available to help them stay competitive in global markets.

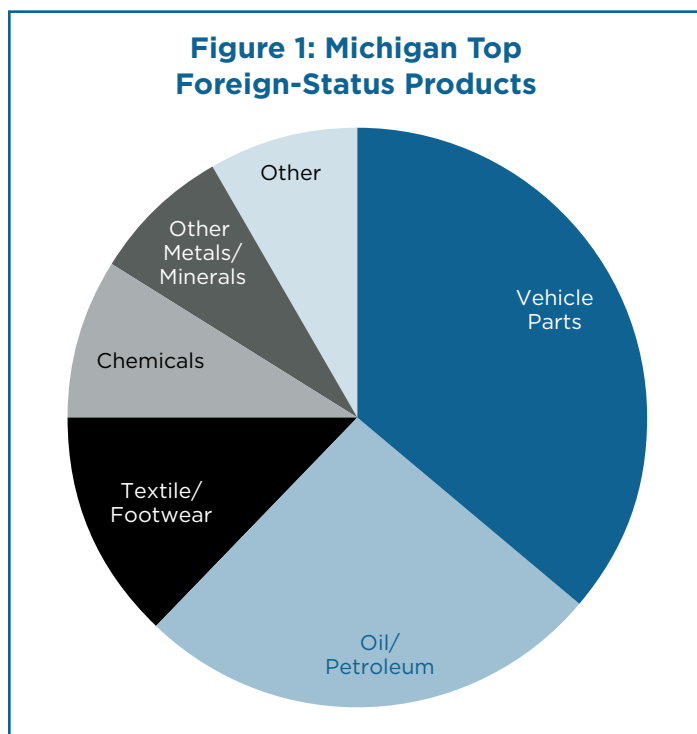
A valuable tool available to Michigan businesses is the U.S. Foreign-Trade Zone (FTZ) program. Michigan is fortunate to have seven zones located across the state, one of which is located at the Seidman College of Business's Van Andel Global Trade Center (VAGTC).

The Center has been supporting the Kent-Ottawa-Muskegon Foreign-Trade Zone since 1999 through a public-private partnership capitalizing on the unique services available through the trade center at Grand Valley State University.

FTZ	GRANTEE
FTZ 16, Sault Ste. Marie	Economic Development Corp. of Sault Ste. Marie
FTZ 43, Battle Creek	City of Battle Creek
FTZ 70, Detroit	Greater Detroit Foreign-Trade Zone, Inc.
FTZ 140, Flint	City of Flint
FTZ 189, Kent/Ottawa/Muskegon Counties	KOM Foreign Trade Zone Authority
FTZ 210, St. Clair County	Economic Development Alliance of St. Clair County
FTZ 275, Lansing	Capital Region Airport Authority

What Is A Foreign-Trade Zone?

A foreign-trade zone is a designated location in the United States where companies can use special procedures that help encourage U.S. value-added activity with domestic and foreign inputs. Zones are considered outside the customs territory of the United States for the purposes of duty payment. See Figure 1.



Benefits of using an FTZ include:

- Defer duties until the merchandise leaves the FTZ and enters U.S. for consumption
- Store, distribute, manufacture, repackage and exhibit products without paying duty
- Inspect imported products for quality
- Combine foreign merchandise with domestic products and materials to create a new product which may then qualify for lower duties when exiting the zone to the U.S. marketplace
- Duty avoidance if merchandise is exported out of the zone to a foreign destination
- Zone-to-Zone transfers allow for movement of products closer to final customer without payment of duty until leaving the last zone
- Potential reduction in merchandise processing fees

2015 U.S. Foreign-Trade Zone Report Data

- During calendar year 2015 according to the 77th annual U.S. FTZ Board Report to Congress, exports of goods through the zone program totaled USD 84 billion.
- There were 186 active Foreign-Trade zones during 2015, with a total of 324 active production zone operations.
- 65 percent of the goods received by the program through a production zone were valued at USD 431 billion.
- Zone warehouse/distribution of merchandise through the program totaled nearly USD 228 billion. (Any goods not exported from a U.S. zone are either consumed in production or come into the U.S. market after completion of the value-added activity often reducing the amount of duty which has to be paid.)

Foreign-Trade Zones are one of the many beneficial resources available to Michigan businesses looking to expand their operations into international markets. If you're interested in learning more about the FTZ program or want to speak to a current user, contacting Van Andel Global Trade Center is a good place to start.

Van Andel Global Trade Center (VAGTC) is located within the Seidman College of Business on the Pew Campus of Grand Valley State University. VAGTC has impacted over 22,000 business professionals through its research, educational training, and consulting supporting more than 7,400 Michigan businesses to expand in the global marketplace! Contact VAGTC to see how they can assist with your imports and exports and get you connected to resources to grow globally. ■

Figure 2: FTZ Exports (In Billions)

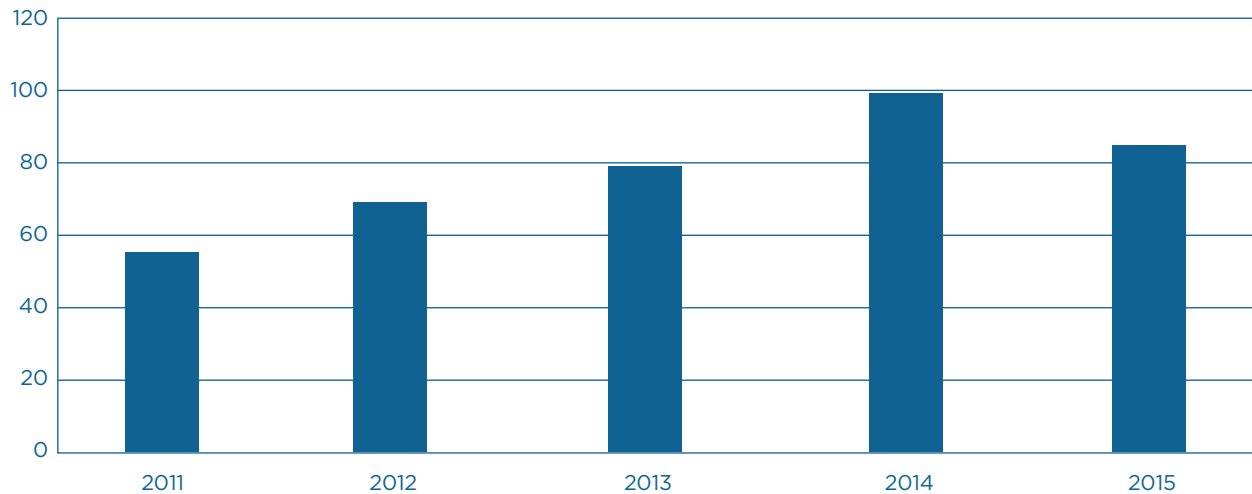


Figure 3: FTZ Merchandise Received (In Billions)

