

WHAT IS A FOREIGN TRADE ZONE?

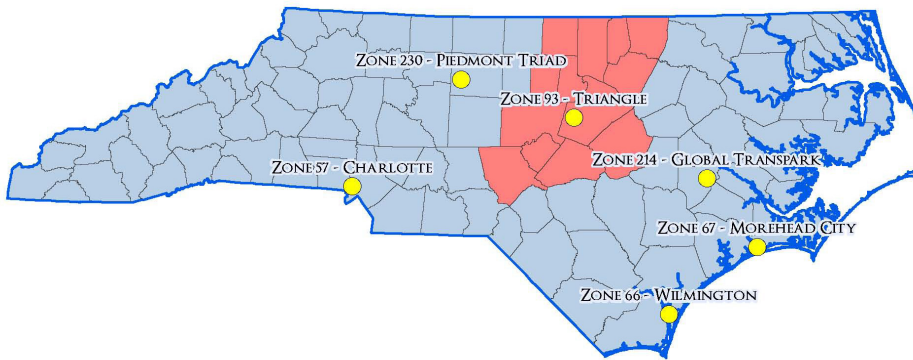
A Foreign Trade Zone (FTZ) is a very secure area in or near a port of entry that is considered outside of US "commerce" but is under US Customs supervision. The FTZ program was created in 1934 to provide special customs procedures to US companies engaged in international trade. The goal is to offset customs advantages available to overseas producers competing with domestic industry.

Domestic and foreign merchandise may be admitted to an FTZ without a formal Customs entry. Goods in the Zone may be sorted, manipulated, used in manufacturing, inspected, combined with other domestic or foreign materials, displayed for sale, and re-exported without payment of duty.

Subzones may be created if criteria are met. FTZ Subzones approved under FTZ #93 include: Merck Sharpe and Dohme Corporation (locations in Wilson and Durham counties) and Revlon Consumer Products located in Granville county. Other Subzones in NC serve diverse industries.

Even small to medium-sized companies may take advantage of FTZ benefits and cost savings that include a provision for weekly entries with US Customs & Border Protection. Duty and other fee savings as well as zone-to-zone transfers are some of the many reasons to consider using the FTZ program.

FOREIGN TRADE ZONES IN NC



ABOUT FOREIGN TRADE ZONE #93

On November 4, 1983, Triangle J Council of Governments was approved as grantee of Foreign Trade Zone #93. FTZ #93 is a full-service, multi-site Zone serving the Greater Triangle Region.

The Zone operator, Longistics International, furnishes secure, customs-bonded space for products and is able to expand its FTZ operations to other, approved locations including a company's own plant site. FTZ #93 has facilities for storing, assembling, manufacturing and displaying merchandise. Land is available for new industry location.

The US FTZ Board and Triangle J Council of Governments' Rates, Tariff, & Legal Review Board require that zone activities result in significant public benefit and a net positive economic impact. FTZ #93 stimulates trade in the Greater Triangle Region by creating new jobs in companies engaged in international commerce and encouraging job creation in spin-off industries.



FOREIGN TRADE ZONE #93 SITES

Site 1A - WORLD TRADE PARK

(85 acres) near Raleigh-Durham International Airport, Raleigh, NC

Contact: Duane Long, Chairman
Lou Tapper, Vice President, Global Business Development
Longistics International
PO Box 110007
Research Triangle Park, NC 27709
Phone: 919.872.7626
Toll-Free: 800.289.0082
Web: www.longistics.com
Email: tapper@longistics.com

Site 2 - DUDSON CHINA, USA

(6 acres) Raleigh, NC

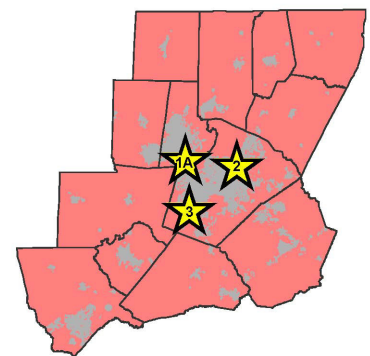
This site is at full capacity.

Site 3 - HOLLY SPRINGS BUSINESS PARK

(240 acres) Holly Springs, NC

Contact: Irena Krstanovic
Phone: 919.557.3923
Web: www.hollyspringsnc.org
Email: irena.krstanovic@hollyspringsnc.us

FTZ #93 Service Area & Sites



For more information on FTZ #93 or FTZ subzones, please contact:

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ADVANTAGES OF THE FOREIGN TRADE ZONE PROGRAM

DUTY DEFERRAL

Customs duties are paid only when imported merchandise is shipped into US Customs territory. Merchandise may be held in inventory in the FTZ without Customs duty, indefinitely.

EXPORTS

Customs duties are not paid on merchandise exported from the FTZ to a foreign country.

DEFECTS, DAMAGE, OBSOLESCENCE, WASTE, SCRAP

Customs duties are significantly reduced or eliminated on merchandise subject to defect, damage, obsolescence, waste and scrap in the FTZ. In addition, merchandise consumed in processing in the FTZ is generally not subject to Customs duties.

NONDUTIABILITY OF LABOR, OVERHEAD AND PROFIT

Customs duties are not owed on labor, overhead and profit attributed to production operations in the FTZ.

INVERTED CUSTOMS DUTY SAVINGS

FTZ users may elect to pay the duty rate applicable to component materials or merchandise produced from component materials - whichever is the lower rate.

INTERNATIONAL RETURNS

Merchandise exported and subsequently returned to the FTZ is not subject to Customs duties upon return. It can be repaired and re-exported without duty.

EXHIBITION

Merchandise may be held for exhibition without Customs duty payments. Many companies use FTZ's as display areas for merchandise and machinery.

US QUOTAS

Most merchandise may be held in the FTZ, even if it's subject to US quotas. When the quota opens, the product may be immediately shipped into the US Customs territory.

SIMPLIFIED IMPORT/EXPORT PROCEDURES

Delays in Customs clearances and duty drawback procedures are eliminated. Delivery times are reduced by direct shipments and the ability to do "weekly-entries" into US commerce via Customs and Border Protection.

QUALITY CONTROL

The FTZ may be used for quality control inspections to ensure that only products that meet specifications are imported. Substandard goods can be destroyed before duty is paid.

SECURITY & CARGO INSURANCE

Some FTZ users have negotiated up to 40% reduction in cargo insurance rates because imported merchandise is shipped directly to the FTZ, thus avoiding potential pilferage at deep-water ports and major international airports. The FTZ Operator is subject to Customs supervision and security procedures, saving the FTZ users expenses for security and insurance.

INVENTORY CONTROL

FTZ operations require careful accounting on receipt, processing and shipment of merchandise. Firms find that the increased accountability cuts down on problems with inaccurate receiving and shipping as well as waste and scrap. However, the specific identification of merchandise is unnecessary in the FTZ, thereby saving on accounting systems.

SPARE PARTS

Unneeded spare parts may either be returned to the foreign vendor or destroyed, duty free.

TAX ADVANTAGES

By federal statute, tangible personal property imported from outside the US or produced in the US and held in a zone for export is not subject to state and local ad valorem taxes. NC currently has no inventory tax but most states exempt all FTZ merchandise from this tax.

ZONE-TO-ZONE TRANSFER

An increasing number of firms are transferring merchandise from one zone to another. If the transfer is in-bond, customs duty is not owed until the product is finally shipped into the US.

TRANSFER OF TITLE

Title to merchandise may be transferred in the FTZ, as long as there is no "retail" sale. The global supplier can own it until it is shipped just-in-time to local manufacturers.

CHANGING CIRCUMSTANCES

As US laws and especially US Customs laws change, location in an FTZ allows operators and users greater flexibility in addressing these changing circumstances.

OTHER SAVINGS

Broker and merchandise processing fees may be reduced by using the "weekly entry provision" of the FTZ program. Certain duty deferral and reduction benefits also apply on equipment admitted to the FTZ for assembly and testing prior to use in production (e.g. racking systems, conveyors, etc.)