

# Foreign Trade Zones (FTZ's)

Farrow trade experts provide guidance on FTZ regulations and comprehensive solutions for bonded areas to ensure a smooth and efficient process for importers in the U.S. and Canada.

Foreign Trade Zones (FTZ's) are secure areas located within the boundaries of a country but treated as if they were outside its customs territory. Established by governments, FTZ's are designated geographic areas where commercial and industrial activities can take place under special customs regulations.

They are located in warehouses near ports, airports, or major transportation hubs to facilitate efficient movement of goods. Found in many countries worldwide, FTZ's serve as catalysts for economic development and trade facilitation for those involved in global supply chains, manufacturing, distribution, and re-exportation.

## Why Establish Foreign Trade Zones?

Governments establish FTZ's to promote international trade, attract foreign investment, stimulate economic growth, and enhance international trade competitiveness.

FTZ's offer several advantages to businesses engaged in import/export activities, such as streamlined customs procedures, duty deferral, and tax benefits.





## Benefits of Farrow's FTZ's for Businesses

- **Duty Deferral:** FTZ's allow businesses to delay paying customs duties and taxes until goods leave the zone for domestic use, optimizing cash flow until products are sold or exported.
- **Exemption and Reduction of Duties:** FTZ's can exempt or reduce import duties and tariffs for goods processed within the zone, lowering production costs and improving the competitiveness of businesses. Operating within an FTZ allows importers to avoid the need for duty drawback, which is the process of reclaiming previously paid duties and taxes on imported goods. This reduces administrative burden and costs for businesses.
- **Access to Foreign and Domestic Markets:** FTZ's connect businesses with global suppliers/customers, fostering partnerships, and exploring new market opportunities. Farrow's FTZ's allow Canadian B2C shipments valued up to \$800 USD to be sent to the U.S. without duty, import tax, or drawback expenses, reducing costs for U.S. importers and enhancing their competitiveness in the B2C market.
- **Trade Agreement Benefits:** Canada has trade agreements with Europe, Asia Pacific, and Chile. These agreements help reduce costs for U.S. importers when fulfilling orders to the U.S. B2C market through Canadian-based FTZ's, increasing cost savings and trade efficiency.
- **Simplified Customs Procedures:** FTZ's reduce paperwork and administrative burdens. Businesses operating in FTZ's benefit from faster clearance times, reduced documentation requirements, and simplified customs procedures.
- **Improved Trade Compliance:** FTZ's offer a controlled environment for international trade activities. It ensures compliance with customs regulations, intellectual property rights, and product quality standards, reducing the risk of trade disputes, penalties, theft, and unauthorized access or loss.
- **Enhanced Logistics and Supply Chain Efficiency:** Farrow's FTZ's provide importers with logistics control, flexibility, and enhanced efficiency in their logistics and supply chain. Importers can establish distribution networks, transfer between zones, and manage inventory better. Additionally, being located near transportation hubs helps reduce transportation costs and expedite delivery times, improving overall supply chain efficiency.
- **Flexibility in Manufacturing and Processing:** FTZ's allow businesses to import raw materials, components, and equipment duty-free or at reduced rates. This enables cost-effective production processes and improves supply chain financing by freeing up capital that would have been tied up in customs payments.



Start a confidential, no risk conversation with us today.

To request a quote or to obtain additional information, please contact:

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