



**Magaya**

# **FOREIGN TRADE ZONES**

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Everything You Need to Know  
About Running an Efficient FTZ

# FOREIGN TRADE ZONES

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Look around you. Whether you're sitting in your office, a coffee shop, your living room, or somewhere else, it's most likely a simple exercise to list a dozen or more items within your field of vision that have been imported from another country (or manufactured from imported materials). From the coffee in your mug to the laptop you're reading this paper on, the import and export of goods and commodities is part of our everyday life.

And, as a professional in the supply chain industry, it is likely to take up a big part of your professional life, as well. Your effectiveness in managing cross-border logistics has a significant impact on your company's overall performance, your customer satisfaction level, and your bottom line. With the rise in eCommerce, foreign trade has taken on a meteoric rise in popularity.

It is more important now than ever before to remove obstacles in effective import-export while also providing the tools for American companies remain competitive in the face of globalization. That's where foreign trade zones come into the picture.



# WHAT ARE FTZS?

First authorized by Congress in 1934 (FTZ Act - 19 USC 81a-81u), a foreign trade zone is a type of special economic zone within a geographic area where commercial goods and merchandise—foreign or domestic—can land, be repackaged, modified, manipulated, re-labeled, further manufactured, and re-exported under specific regulations without customs authorities stepping in.

Typically, foreign trade zones are organized and centralized around major international airports, seaports, or national frontiers. In other words, these FTZs—sometimes called duty-free areas or free trade zones—are located in areas that have geographic advantages for trade.

## WHAT ARE THE BENEFITS OF ACHIEVING FTZ STATUS?

Obtaining FTZ status can bring significant benefits for businesses that regularly import products into the United States, reducing or delaying your duties and property taxes. FTZs can help global shippers maximize their savings and shrink their operational costs. Not only do they save money, but they also speed up customs clearance and eliminate tedious paperwork. Plus, an FTZ offers warehousing options, storage, distribution facilities, manufacturing, consumption entry, and re-export operations.





# THE PRIMARY BENEFITS OF ESTABLISHING AN FTZ INCLUDE BUT ARE NOT LIMITED TO:

## **Saving Time with Streamlined Logistics and Paperwork**

Imports may be directly delivered to the zone once approved by customs. You can also request permission to break and affix customs seals as part of your FTZ application. Plus, as an FTZ operator, you benefit from massively streamlined filing procedures. That means that you can file a single entry for ALL goods shipped from a zone in a consecutive seven-day period instead of one entry file for each shipment (excluding merchandise subject to live entry). What's more, goods destined for an FTZ are not delayed at the port for customs because they are given priority for pier-side movement.

## **Gaining Flexibility by Avoiding Quotas**

Imports that are typically subject to quota can be stored within a Foreign Trade Zone even once a quota has been reached (with some exceptions). This can give you and your customers greater access to volume discounts or time-sensitive deals.

## **Saving Money with Duty Exemptions**

When you receive FTZ status, you are exempt from duties and quota charges on re-exports to Canada and Mexico under USMCA. Plus, you don't pay duty on goods that are destroyed in your FTZ zone, which can benefit you particularly if you deal in fragile or perishable goods.

## **Gaining Financial Flexibility with Deferred Duties**

Another FTZ benefit is deferred duties and federal excise tax on imports - until they leave the zone and enter the U.S. Customs territory. Merchandise is permitted to move in-bond, and zone-to-zone transfers are allowed without payment of duty. You also gain the freedom to store foreign goods in a zone indefinitely, regardless of whether it is subject to duty or taxation.

## **Protecting Profit Margins with Duty Merchandise Processing Fee (MPF) Reduction**

If you are manufacturing goods within your FTZ and those goods have a lower US Harmonized Tariff rate than the rates on foreign inputs, the finished product can enter the U.S. Customs territory at a reduced duty rate. Plus, there is no duty owed on the labor or overhead costs that are attributable to the manufacturing operations. Also, you will only owe MPF on goods entering the U.S. Customs territory.

# HOW CAN YOU OBTAIN FTZ STATUS?

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Obtaining FTZ status has many moving parts. Be prepared to invest the necessary time, resources, and financial commitment to complete all the paperwork. As an FTZ applicant, you are required to complete numerous detailed applications which can take up to a year to complete. To fully understand the application process and the effect of FTZ status on operations, it is highly recommended that organizations interested in obtaining FTZ status work with an FTZ consultant.

First, you'll need to apply online to the U.S. Foreign-Trade Zones Board, designating the type of authority you wish to have (like general-purpose, production, subzones, etc.). You may want to consider providing an economic justification for granting your FTZ status. A good tariff rationale demonstrates how an FTZ status can help you better compete in the global marketplace.



## HERE'S A CHECKLIST OF THE STEPS INVOLVED WITH YOUR FTZ APPLICATION:

### Companies Utilizing 3rd Party Filers

- ✓ TZ Board Approved
- ✓ CBP Activation Process Completed
- ✓ FIRMS Code Issued
- ✓ Filer Code Issued By CBP
- ✓ Electronic FTZ Admissions (e214)

### Self-Filers

- ✓ FTZ Board Approved
- ✓ CBP Activation Process Completed
- ✓ FIRMS Code Issued
- ✓ Letter of Intent Process Completed
- ✓ Filer Code Issued by CBP
- ✓ Electronic FTZ Admissions (e214)

Next, you will pay a fee to enter the foreign trade zone. The fee may vary depending on the details of your application. Last, once your zone or subzone is approved by the FTZ Board, activation must occur before merchandise can be admitted under zone procedures and before you can receive preferential state tax treatment.

## HERE'S ANOTHER IMPORTANT CAVEAT WITH FTZ:

### **In order to take advantage of an FTZ program - and maintain FTZ status - you need to commit to a few key capabilities:**

- Accurately tracking your inventory
- Tracing your manufacturing and production orders
- Sorting through whether your materials are sourced from domestic or international establishments
- Classifying goods for duty deferrals as well as reductions
- Running an organized, optimized warehouse management system to track inventory, imports, and exports

All in all, that means you will need a powerful, integrated supply chain system to effectively manage an FTZ warehouse operation and maintain compliance.



# WHAT'S NEEDED TO RUN AN EFFICIENT FTZ WAREHOUSE?

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One of the biggest benefits of having the foreign trade zone status is that you're able to lease a general warehouse space or building to store your foreign-sourced products, raw materials, and more. Unlike bonded warehouses or temporary importing under bond programs, there are no restrictions on the length of time that merchandise can stay within the zone, whether there is duty owed or not.

This privilege comes with an important caveat. With no time constraints on your inventory, you also have a greater responsibility than ever before to track and trace the merchandise within the physical space of your warehouse. Just because you can hold on to merchandise for longer doesn't mean that you should.

In the warehousing business, TIME IS MONEY.

In other words, you must optimize your warehouse to ensure premium warehouse space allocation, optimal goods flow, and high employee productivity.



## CONSIDER THIS SCENARIO FOR A MOMENT:

You have an unrestricted warehouse that allows you to store products and merchandise for as long as you'd like. You plan to take advantage of this option, since you're eager to avoid threats of a tariff increase. You continue to ship product to your FTZ warehouse. Then it happens. You realize, all too quickly, that you're out of physical space in the warehouse. Your operations come to a halt.

Without the right software to track your inventory, optimize the flow of goods, and trace your imports and exports, there is no effective way for you to know when you're running the risk of overstocking your warehouse.

To run a successful FTZ program, you need to understand every step of the merchandise flow to keep your inventory accurate. In the FTZ world, mismatched inventory and documentation is a costly mistake. Not only is it a harmful short-term mistake, but you can even run the risk of having CBP shut down your operation entirely.



## YOU NEED THE RIGHT TOOLS AND PROCESSES IN PLACE TO ENSURE:

- Warehouse workers are sent on the most efficient path to get the job done, consolidating trips instead of visiting the same location many times during one day
- Frequently picked items are stored in the most easily accessed locations
- High-volume inventory is regularly replenished in picking locations
- Employees know where to put items without having to walk to a terminal or ask a manager

By improving these processes with the right supporting software, an FTZ warehouse will quickly see cost reductions, error reductions, and an increase in efficiency.



# HOW CAN YOU SELECT THE RIGHT TECHNOLOGY PARTNER FOR YOUR FTZ?

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Foreign trade zone status comes with several advantages, but it also ushers in quite a lot of responsibility. As an FTZ operator, you need the right technology to support you and your processes. You need modern, intelligent software that keeps you organized, knows and anticipates your needs, and solves problems before they even arise.

When choosing a WMS (warehouse management system) to run your FTZ warehouse, look for an integrated solution that lets you automate tracking and tracing, receive notifications, and gain operational control with seamless reporting.

In addition to making sure that the software checks all the right boxes when it comes to feature depth, it's important to work with a technology vendor that values service and knows the ins-and-outs of your business, your warehouse, and the detailed requirements of FTZ programs.

Investing in and utilizing a complete software solution for your foreign trade zone compliance and regulation needs is paramount to boosting efficiency and productivity. An all-in-one software solution gives you the visibility needed to fully understand where your company stands—on both a daily basis and a bigger-picture schema.



# HOW MAGAYA CAN HELP MANAGE YOUR FTZ NEEDS

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Magaya Supply Chain is a single, powerful system for shipping and warehouse management that will empower you with the visibility, control, and efficiency that sets you apart from the competition - and keeps your FTZ warehouse compliant. A single platform means one version of the truth: everything is visible and updated in real-time, and you're never left guessing about where your company, inventory, or processes stand.

## WAYS IN WHICH MAGAYA CAN HELP DELIVER A SUCCESSFUL FTZ PROGRAM INCLUDE:

### **ADVANCED WMS**

Stay organized with a single platform for record of arrival and location of cargo, SKUs, serial numbers, lot numbers, and multiple stores. Plus, users can manage their workday more efficiently with insights on real-time inventory, orders, and more. Eliminate silos in your organization and boost overall productivity by enabling seamless workflows between warehousing and shipping with Magaya Supply Chain. In addition, the solution will also help optimize your warehouse operations by mapping out arrival locations, facilitating put away and picking with a directed operations sequence.

### **OPTIMIZED, INTEGRATED OPERATIONS**

Accelerate your shipping workflows for both domestic and cross-border logistics and save time on manual processes by avoiding double data entry by creating bookings, pickup orders, warehouse receipts, shipments, and invoices, directly from the quotes feature.

### **WAREHOUSE AUTOMATION**

Automate a slow, manual, error-prone warehouse process with the Dimensioner by Magaya, our in-warehouse, system-agnostic hardware solution. Dimensioner scans pallets, parcels and packages regardless of shape, size or material in seconds, drastically increasing efficiency. Plus, the device prevents lost revenue by recording maximum dimensions instantly and accurately, significantly increasing your bottom line and efficiency and making it easier than ever for you to effectively utilize your FTZ warehouse space.

## SMART WAREHOUSE

Efficient warehouse operations are all about perfecting the receiving and shipping process, optimizing your warehouse space allocation, and maintaining a spotless record when it comes to the necessary customs filings.

With Magaya smart warehouse capabilities, you have all the tools needed to not only receive, store, and ship cargo; but also replenish orders and have directed (i.e., guided) put away and picking sequences that optimize warehouse space and employee time. Define items, locations, and zones in the warehouse, giving you the ultimate balance between control and flexibility to run your business in your way.

Plus, with Flow WMS, Magaya's mobile warehouse management app for Android™ and iOS™, you'll enjoy the freedom of a modern mobile warehouse management app with the real-time visibility and functionality you need for efficient warehouse operations, including fast receiving, picking, and loading. You can scan barcodes, capture photos, and get real-time inventory updates, and it even works in your dreaded wi-fi dead zones.

## VISIBILITY AND TRACKING

In addition to being an important element in your FTZ status compliance, the visibility provided by an all-in-one supply chain platform also gives you a solid understanding of your customers and an elevated ability to meet their needs. Plus, the right solution equips you to offer solutions and services that your competitors cannot.

That's why Magaya offers visibility solutions to meet every need. The Magaya Digital Freight Portal, LiveTrack Mobile App by Magaya, and Transaction Tracking by Magaya are designed to automate your customer service processes and provide your customers with access to real-time tracking and visibility. Plus, when used in conjunction with Magaya Supply Chain, the customer experience is further elevated.

- Automatic notifications for events like item status changes, photos, shipping updates.
- Eliminate or dramatically reduce the number of phone calls and emails in your customer service process.
- Track customer documentation submissions, orders, booking requests, etc.



## CUSTOMS COMPLIANCE

Magaya provides an all-encompassing, ACE-certified, FTZ filing solution with U.S. Customs as part of its platform. Proactive regulatory updates and automation increase compliance for all FTZ filers. The solution helps you remain compliant, organized, and up-to-date with the most recent FTZ regulations. The reporting module shows Master HMF Reports, Tally In and Tally Out Reports for managing inventory, Item History Reports, and much more. The Tally In/Tally Out Module seamlessly integrates with all e214, 7512, and Entry forms to eliminate redundancies in data input. All of these help you keep your organization compliant while also increasing your bottom line.

From filing for status to the ongoing optimization of FTZ warehouses, Magaya has you covered for every aspect of FTZ. If you've been approved to run an FTZ program, then you've been entrusted with an important responsibility, and you need the right tools and support to remain compliant.



# IN SUMMARY

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Why work with Magaya when it comes down to your FTZ needs?

Because not only is our software designed to intuitively work with you and prevent problems before they arise, but also because we pride ourselves on doing one thing perfectly—working for you. With Magaya, you'll never have to suffer through chatbots—our expert customer service is always there for you when you need help. We're there for you with real, kind humans who know your business and the ins and outs of FTZ.

Magaya software is a cohesive, all-in-one platform that connects efficiently and electronically to your agents, airlines, couriers, international customs, and compliance systems, cutting out bureaucratic paperwork, speeding up your foreign trade workflows, and keeping your information secure. Magaya Supply Chain keeps all of your details, tracking, tracing, and customs compliance applications in a single place, making you more efficient than ever.

At Magaya, we work collaboratively with you, improving your workflows and streamlining your processes every step of the way so that your FTZ compliance is achieved and maintained and you have the tools needed to grow your business.

If you're ready to learn more about how Magaya can help you manage your FTZ logistics, we encourage you to reach out to us directly to chat with a representative. We're here to answer your questions, grant you a free demo, and discuss in-depth how Magaya can help your business achieve the success you're craving.

## ABOUT MAGAYA CORPORATION

Magaya delivers a Digital Freight Platform that accelerates growth with flexible, interoperable, and modular cloud-based solutions designed to optimize and digitize end-to-end logistics operations and customer experience. Whether used together as an integrated digital freight platform or independently, Magaya solutions enable businesses of all sizes to streamline complex and redundant processes, enhance the customer experience, optimize productivity, reduce costs, and grow revenue. At Magaya, we are passionately devoted to ensuring our customers' success through our innovative technology and comprehensive array of related professional services. We take great pride in our people, experts in the field of logistics automation, who are always willing to go the extra mile for our customers. There are no limits to your growth with Magaya. Visit [magaya.com](https://magaya.com) to learn more.