



## Detroit leads way in FTZ use but expert says area can do more

While most companies will put great effort into reducing their income tax expenses, many neglect the opportunities to lower Custom expenses. Custom expenses, like income taxes, are calculable and can be limited through advantageous application of federal law.

That is what Marshall Miller, a leading counselor in the implementation and operation of foreign trade zones, believes. Miller, a partner in the Kansas City law firm of Miller & Blume, P.C., spoke before an audience of over 95 at the November meeting of the World Trade Club of the Greater Detroit Chamber of Commerce.

"A lot of different companies just think of Customs duty as an expense you can do nothing about," said Miller, "but some companies are looking at Customs expense the same way they look at income tax expense—because they can plan it."

Miller is a founder of the National Association of Foreign Trade Zones and has been involved with FTZ legislative and procedural matters since the late 1960's. His law firm specializes in international business transactions and trade law, Customs and immigration law. Miller's services have been retained by many companies seeking FTZ approvals.

Imported articles stored or used in assembly in a foreign trade zone are designated as "not within the U.S. Customs territory." Items can be left in an FTZ indefinitely and duty is paid only when items leave the FTZ and actually enter the country, in a Customs sense. Items that are assembled in an FTZ and exported overseas are not dutiable.

Miller explained that an important effect of using a foreign trade zone is stabilizing cash flow. Instead of paying lump sums of duty on import shipments as they are received, a customer using an FTZ can



*Marshall Miller, an attorney considered the leading U.S. expert on foreign trade zone implementation, spoke before the World Trade Club at its November meeting.*

instead schedule duty payments. In this way, duty payment schedules are a function of an importer's production or distribution schedules, instead of being determined by the size of particular import shipments.

Miller warned that in today's world economy, the choice is often between the import of a finished product or the import of components into an FTZ, where assembly takes place.

"It's a matter of import substitution—something made in the U.S. with foreign parts versus an entirely foreign-made product," said Miller.

Assembly and other manufacturing processes are allowed in the FTZ, and when finished products are taken out of the FTZ, duty on imported parts can be paid at the rate applicable on the finished product or on the parts, whichever is lower. Automotive companies benefit from use of an FTZ because "inverted" duty rates make finished automobiles dutiable at a lower rate than automotive parts.

The total dollar volume of goods handled annually in FTZs is now close to \$80 billion, and rising, and the Greater Detroit Foreign Trade Zone accounts for over \$10 billion of that amount.

There are currently 127 general FTZs and 97 special-purpose sub-zones. The Greater Detroit Foreign Trade Zone has two general zones (W.F. Whelan Co., a

foreign freight forwarder/customhouse broker in Romulus, and Lutheran Brothers, a warehouse near downtown Detroit) and nine sub-zones at automotive assembly plants, with an additional 11 sub-zones pending approval in Washington.

Nationwide, a great variety of products and operations have been accommodated in general FTZs.

In Michigan, Miller said, it is important to develop the relationship between the relatively new general zones and the sub-zones. This is because articles can be moved from a general zone to a sub-zone without a change in their duty-unpaid FTZ status.

"The key is in the auto parts area," said Miller. "When you are sourcing from overseas you ought to have a quantity nearby at hand. The general FTZ is perfect for that and there is no other way to do it legally."

"I think there's a world of business right here," continued Miller. "The U.S. auto companies have not been as aggressive as others in taking the time and energy to fully utilize the FTZ. Changing the way people do business is not the easiest thing to do but, with FTZ usage, you know what you can save."

And Miller figures, money, or saving a lot of it, speaks loudly enough that companies can't afford not listening.