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## **The smallest state is a major Foreign Trade Zone contender - by Jesse Saglio**

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As the smallest state in the country, Rhode Island has a unique advantage over the other 49 when it comes to Foreign Trade Zones (FTZ). Managed by the U.S. Department of Commerce, FTZs are sovereign territories on U.S. soil. Any merchandise is considered to be “international commerce” within an FTZ and any foreign raw materials or goods stored, distributed, and manufactured within the zone are exempt from U.S. duties and tariffs, when exported. Originally created by Congress in response to the Great Depression, FTZs encourage economic success by creating incentives for businesses to compete with overseas rivals and to boost employment. Rhode Island’s small size - approximately 37 miles wide by 48 miles long- allowed us to apply and win an FTZ designation for the entire State in 2018. Having access to the U. S. Customs and Border Protection office, which, for the Ocean State, is in Warwick, expedites the clearing of customs for release of materials and products.

As an FTZ, any business within Rhode Island now has the opportunity to apply to be a zone user, and once authorized, has the ability to defer or eliminate duties and tariffs imposed on its goods. For example, warehouses storing imported materials need not worry about duties/tariffs until it leaves the site. Even then, if the product ships to another foreign country, they do not pay a duty/tariff at all. For goods that are sold domestically, businesses will pay the lesser value of the duty/tariff imposed on the goods or the raw materials. As the birthplace of modern manufacturing, Rhode Island businesses on FTZ sites can now import raw materials and produce the final product without the immediate burden of paying taxes.

What impact will we see in Rhode Island?

The Ocean State already saw success in its three pre-existing FTZ sites: Airport Business Park in Warwick, Quonset Business Park in North Kingstown, and ProvPort. Steven King, managing director at Quonset Business Park, an 880-acre site, was able to quickly lease space by offering businesses FTZ benefits — a unique perk that has become increasingly important amidst today’s current duty and tariff-filled climate. JF Moran, a women-owned customs broker and freight forwarder in

Smithfield, also capitalized on the new FTZ designation. As a supply chain logistics operator, the company saw the benefit of turning their warehouse into an FTZ to offer users tariff-free storage and gain leverage to serve its clients in the international business community.

At Rhode Island Commerce, we support businesses in our community by making it easier to start, land or expand within the state. Along with other programs, our state-wide FTZ designation is another innovative way to spark job creation. Rich with talent and strategically located among major Northeast markets, Rhode Island is an ideal location to pursue business goals and ambitions at a lower cost.

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