



Business / Week in review

F

Port of Anchorage Officials may seek foreign trade zone

by Mary Scarpinato
Times Business Writer

Anchorage officials are investigating the economic potential of a foreign trade zone here — particularly to attract Asian shippers importing to the United States. And to make Alaska exports more attractive as return cargo.

Application to the federal government for designation of various zone sites here may be submitted sometime this summer, according to Port Director Tyler Jones.

Seward sites would be included in the application as a "subzone," Jones said.

A foreign trade zone essentially is a duty-free site or cluster of sites.

In addition to encouraging Asian shipping (Anchorage is the closest U.S. port to the Orient), Jones says a foreign trade zone could:

- Encourage Asian cargo storage. Since no tariffs are paid on foreign goods until they leave a zone, a bulk cargo could sit without levy until various import quotas might allow its entire distribution.

- Encourage the assembly of Asian products here. Tariff levels on parts are lower than on assembled products, but products assembled inside a zone can be shipped out at the tariff levels of the parts originally shipped in the zone.

Regarding this second point, Jones gave the example of a load of Chinese tea cups. In crated bulk on ar-

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rival in a zone, each cup might have a value for tariff purposes of 50 cents. However, after unpacking, cleaning, wrapping and commercial packaging, the cups value might go up to \$5 a piece. The tariff on each would remain at the 50-cent level.

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Federal authorities may be hesitant to designate a second zone in the same region, noted Margaret Green, trade zone manager at Valdez.

In addition to the geographical proximity, the Anchorage zone would be competing for the same specialized types of zone commerce Valdez is working to acquire from the Far East — steel pipe and equipment supplies for the North Slope and Interior, and seafood processing.

However, if Anchorage does apply for its own zone, officials believe the

city has the shipping and warehousing facilities, as well as the labor market, in place to put its plan on a faster track than Valdez' efforts.

Jones notes that Anchorage has the only scheduled steamship service of Alaska ports with the two major barge lines that dock here, and it has a far larger population to provide a work force for zone assembly or light manufacturing plants.

The sites being most strongly considered for a zone include the transit shed and south transit area at the port and Anchorage International Airport. The Alaska Railroad yard also is being considered, Jones said.

Jones had no estimate on the amount of revenue that might be generated from a zone here.

It typically takes about 10 years for a trade zone to build up its business, he said.

In defense of Valdez' seemingly slow start, Green added that it often takes about three years for a zone to begin active trading.

Both Anchorage and Valdez have been sending trade missions to the Orient during the last several years, hoping to make the commercial contacts officials say do not come quickly with Far East traders.

There are close to 100 trade zones in the United States. The U.S. General Accounting Office has no more



Times file photo

See Port, page F-7 Officials hope to attract the Asian shipping market to the Anchorage port

Port

Continued from page F-1

recent figures than from a 1984 report when 35,000 workers in these zones produced goods worth \$9 billion.

Port officials are studying zone potential here in cooperation with the Anchorage Municipal Assembly and Mayor Tony Knowles' office.

If the decision is made to go ahead with the application, and if the support of Alaska's congressional delegation is gained, approval could be won in about a year's time, Jones said. The delegation has not been approached thus far over the matter, he said.

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'Free trade zones' boost foreign trade

The New York Times

NEW YORK — At the Volkswagen of America plant in Westmoreland County, Pa., 35 miles southeast of Pittsburgh, 5,000 workers bolt, solder, seal, position and otherwise assemble Rabbit automobiles.

Most Americans would identify Westmoreland County as part of Pennsylvania, but VW's management knows better. To them, it is a foreign trade zone.

That designation provides favorable tariff and Customs regulation treatment to the Rabbits assembled there. The parts they are made from, like those of many other United States-made cars, originate in West Germany and other countries.

The duty rate on foreign-made automobile parts averages about 4 percent, according to Dale R. Ellery, director of taxes and customs for Volkswagen of America, while the tariff on a complete vehicle is 2.9 percent.

"Volkswagen has achieved maximum flexibility in working with U.S. Customs and importing goods from foreign countries by use of a foreign trade zone," Ellery said.

Foreign trade zones in the United States, a 10-year-old concept, are doing a booming business after years of slow growth in the value of goods received.

Since 1978, however, the value of merchandise received at the zones has doubled annually to an estimated \$1.9 billion this year, according to John J. Daponte Jr., executive secretary of the Foreign Trade Zones Board. The board is an agency of the Department of Commerce that oversees the 60 current zones and grants operating rights for new ones.

The amount of goods "passing through" or leaving the zones, he said, is about \$4 billion — the difference is the value added to the goods in the zone itself. The added value once was taxable, but is no longer.

The declining dollar is the main reason for the fresh interest in the zones, Daponte said: "The United States is now much more attractive for foreign manufacturing, thanks to the devaluation of the dollar versus foreign currency."

Only about 30 of the zones licensed are now in operation. About 11,000 people are employed in the zones, and about

30 of 1,000 businesses utilize them — half of those foreign companies and their American subsidiaries, Daponte said. The VW Rabbit plant is the largest single zone and employs nearly half the total foreign zone workers.

Kawasaki, Olivetti and Volkswagen are among thousands of foreign companies that assemble products within such zones. Domestic concerns, such as the Zenith Electronics Co. and the American Motors Corp. use the zones to handle imported parts or to complete work on goods that subsequently will be exported.

AMC, which has a joint production agreement with Renault of France, has applied for a zone to be situated in Kenosha County, Mich. "Their primary purpose is so they can get the zone established prior to the heavy movement of Renault parts. They are going to start producing for the 1982 model cars," said Vincent Boeaver, who runs Zone 41 in Milwaukee.

According to the Foreign Trade Zones Act of 1934, a zone is "an isolated, enclosed, and policed area, operated as a public utility, in or adjacent to a port of entry, furnished with facilities for loading, unloading, handling, storing, manipulating, manufacturing, and exhibiting goods, and for reshipping them."

The act allows any foreign merchandise to enter a zone without being subject to customs laws. While goods that leave the zone for "import" into the United States are subject to duty, there are many ways to obtain favorable or lower rates. And goods that pass through the zone for export out of the United States are not subject to duty.

More than 300 sites in the country are recognized as ports

of entry, from seaports to landlocked areas that import goods by air and rail, Daponte said.

Tariffs vary widely on different articles and sometimes are less on finished products than on their constituent parts, making it cheaper to ship a whole item from a zone than to import it in pieces. Manual and ordinary electric typewriters (excluding those with memory), for example, are duty-free if imported whole, while typewriter parts are taxed at a rate of 8.8 percent.

New York got the country's first zone, currently in the Brooklyn Navy Yard. In 1978, the zone served 180 companies and exported 60 percent of the nearly \$100 million in goods that entered it.

Despite their rapid growth, the zones have their critics. The most vociferous opposition to the zones has come from the steel industry.

"Giving foreign trade zone privileges to the products of an industry that is highly vulnerable to imports and where the government has recognized that vulnerability does not make sense," said Frank Fenton, vice president for international trade and economics for the American Iron and Steel Institute.

"We are not opposed to foreign trade zones as such," he maintained, but he questioned the soundness of a practice that offers lowered tariff rates to some steel products while the trigger price mechanism to protect the domestic steel industry is in effect.

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