



ZONE Outlook

GREATER DETROIT FOREIGN TRADE ZONE, INC.

Vol. 2, Issue 2

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Martin B. Zimmerman, Ph.D.
Ford Motor Company

Learning from the Past, Looking to the Future

From the desk of Steven Olinek, Director

The wisdom of having a diversified customer base becomes clear when things change. As a child, I spent time in a booming mining town. The lifeblood of the entire local economy was linked to the fortunes of the mines and the people who worked in them. My father was in the insurance business, but when the miners went on strike, his ability to earn a living shared a common fate with the laborers unable to toil in the caverns below our town. Miners trying to stretch strike benefits to feed their families simply didn't buy insurance. The strikes would eventually be settled and life would go on. Adjustments were made. Lessons learned.

Southeast Michigan, like vast segments of the national economy, is dependent on a healthy automotive industry. "When GM sneezes, we all catch a cold." How can it be otherwise? The local foreign-trade zone program, too, has been inextricably intertwined with the auto industry throughout its 20-year history. Greater Detroit Foreign Trade Zone, Inc. (GDFTZ) was created to provide the OEM's with a mechanism to better compete against increasing foreign competition. Both foreign-trade zones and their auto-maker constituency prospered and flourished, eventually altering their relationship to

meet the demands of a changing world.

In Detroit, foreign-trade zones continue to do well even without major support from their historically largest user. Certainly, life is different. GDFTZ's clientele and the industries it serves are more diverse than ever before. The sheer volume of business has dramatically decreased. Like the statistics of an aging all-star, the glory days may not be seen again. Still, new challenges exist and there is great potential for assisting even more international companies. Although the likelihood of finding another auto industry, the prototypical FTZ user, is slim, much work remains to be done. Many viable and still untapped FTZ candidates remain.

While the basic benefits of FTZ use are well known, here's something else to consider: 75% of the goods that move through zones do so for reasons unrelated to tariffs. In other words, foreign-trade zones are instruments of a larger U.S. trade program. FTZs are a tool for reducing or eliminating the counterproductive or unintentional consequences of U.S. trade policies, laws and regulations that diminish U.S.-based economic activity. As our program matures and diversifies, we need to seek not only new users, but new uses. We need to continue to change with the times.





Board Profile: Martin B. Zimmerman, Ph.D.

Occupation:
*Vice President,
Governmental
Affairs, Ford
Motor Company*

Residence:
Ann Arbor, MI

Hobbies:
*Reading American
literature, the early
years of the
Republic*

Board member Martin Zimmerman brings a unique perspective to the table with his automotive background. He is the Vice President of Governmental Affairs for Ford Motor Company and has been the company's chief economist since 1987. Martin has been a member of the GDFTZ board since January 1996 and feels the greatest change he's witnessed is "the increased effort to get information out to zone operators about the opportunities available." Although the role of FTZs has diminished for the automotive industry, Martin holds a strong belief that zone status is a vital tool which enables companies to lower costs and compete effectively.

Zone Views

He explains that the essence of today's economy is "globalization and intense competition, with a tremendous concentration on cost reduction." Martin sees the future of FTZs in the coming years as continuing to provide companies involved in trade with opportunities for cost improvement. He believes the key to gaining more zone operators is communication, getting the word out about the FTZ program and how it can help.

Community Involvement

Martin is also active with several other organizations. He serves on the board of the Committee for Economic Development, the Nelson A. Rockefeller Center for Public Policy at Dartmouth College, the University of Michigan School of Public Policy and the Citizens Research Council of Michigan. He is also a member of the Advisory Board to the Congressional Budget Office and the National Bureau of Economic Research. Additionally, Martin is a member of Phi Beta Kappa and the National Association of Business Economists. In 1997, he received the Blue Chip Economic Forecasting Award for the most accurate forecast over a four year time period.

Annual Marketing & Operations Seminar

May 7-8, 2000 (Roundtables 5/7)
Regal Biltmore Hotel, Los Angeles, CA
(213) 624-1011
\$134.00 per night; single/double occupancy

28th Annual Seminar/Conference & Exposition

October 15-19, 2000 (Roundtables 10/14)
Wyndham El Conquistador, Las Croabas, Puerto Rico
(787) 863-1000
\$155.00 per night; single/double occupancy



NAFTZ's Executive Director Shares His Views

After nearly a year as Executive Director, Randy Campbell offers a fresh perspective on foreign trade and has come to realize the extent of the issues addressed by the National Association of Foreign Trade Zones (NAFTZ). He has an impressive background working as director of a foreign-trade zone in Pennsylvania and Vice President of Development for the York County Economic Development Corporation. According to Randy, "with a staff of four people, the NAFTAZ does an extraordinary job in protecting the interests of its operators, enhancing the perception of the zone program worldwide and providing educational opportunities."

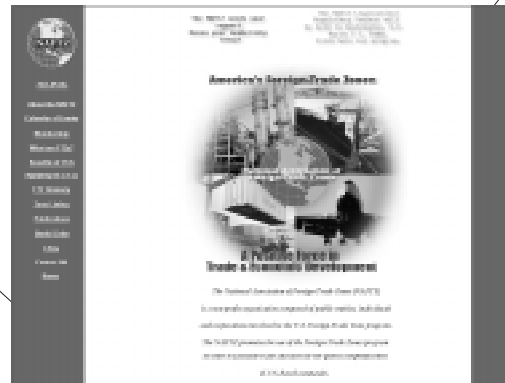
In his first ten months, Randy has been working on several key issues. One initiative is a cooperative effort with the Customs Service to re-write and update the Customs FTZ Manual, which if all goes well according to Randy, will be published before the end of the year. Other initiatives include securing the opportunity for all zones to utilize a weekly entry procedure and educating personnel to deal with the program on a nationwide basis.

While he knows the most important activity for the NAFTAZ is to provide educational opportunities for operators, grantees and users, he advises zone operators to be as informed as possible. Randy believes they should become as knowledgeable about the program as they can, because as the front line contacts for the program, they are in the best position to protect their interests and those of other users.

Randy's ultimate goal is to provide the greatest value possible for membership. He achieves this through greater dialogue and the distribution of informa-

tion that helps to identify issues arising on the local level that could escalate to a national level. To encourage participation and input from operators, the NAFTAZ has created a new committee system that publishes the *Zones Report*, a monthly newsletter, and self-manages the web site at the following address: www.naftz.org. Randy also concentrates on maintaining relationships with U. S. Customs, the Foreign-Trade Zones Board and other governmental agencies.

Randy plans on continuing an aggressive marketing approach to attract diverse industries to the zones program. "Every several years it seems that different industry sectors find the program useful,



from the automotive industry to the pharmaceutical industry, and from petroleum and electronics." says Randy. "The zones program has offered relief to the sometimes unexpected results of the U.S. trade policy. The program will continue to provide industry with the mechanisms to make the necessary adjustments and remain competitive as the rules of trade evolve."



For more info

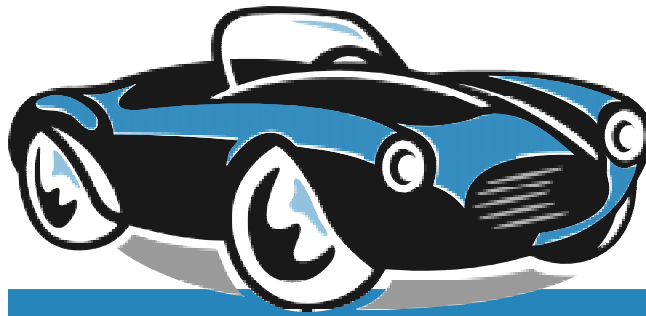
GDFTZ's Zone Outlook is published quarterly. For additional information or assistance with your trade needs, please contact:

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Long-time Auto Zone Still Profits

Auto Alliance International, Inc. is one of the few active automotive subzones of the GDFTZ that continues to reap the benefits of its status. The company, which produces the Mazda 626 and the Mercury Cougar, began using its zone status for the import and storage of automobile parts in the spring of 1986. Tom Collins, Customs Supervisor for Auto Alliance, explains the advantages to being a subzone include “the cost savings and a process to support the continuous flow of imported material to the plant in a just-in-time manner.” He admits that although the inverted tariff benefit is rapidly disappearing, Auto Alliance still achieves savings by avoiding the payment of duties on vehicles produced for export by minimizing the payment of merchandise. Over the past 14

years, the company’s savings have been substantial enough to warrant continued FTZ operations. Without Auto Alliance’s zone status, Tom believes it would be necessary to follow more costly and inefficient Customs processes.

He advises others who are considering FTZ status to develop rigorous controls and procedures for inventory. By doing so, Tom believes operators will minimize regulatory mandated excess duty payments on inventory losses and gains, thereby ensuring no Customs regulations are violated. Tom adds that membership is not for everyone and to “carefully weigh the potential savings against the costs to make sure FTZ operations is the route you want to follow.” It’s a route that he says is one Auto Alliance is glad they’re traveling.

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