



THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON

December 14, 2021

The Honorable Jason E. Kearns
Chair
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

Dear Chair Kearns:

The Office of the U.S. Trade Representative seeks to pursue a trade policy that invests in American workers, supports domestic manufacturing, and strengthens U.S. supply chain resilience. The United States – Mexico – Canada Agreement (USMCA), which entered into force on July 1, 2020, maintained certain provisions in the North American Free Trade Agreement (NAFTA) related to drawback and duty deferral programs, and the USMCA Implementation Act, as amended, maintained certain provisions from the NAFTA Implementation Act regarding the treatment of goods produced in U.S. foreign trade zones (FTZs), including to prohibit non-originating goods used in production processes within FTZs from qualifying as originating goods under the Agreement.

I believe that the Commission can be helpful to us in understanding the operation of U.S. FTZs and similar programs in Canada and Mexico, and whether and how policies and practices with respect to those respective FTZs and programs impact employment and the competitiveness of goods produced in FTZs in the United States.

Therefore, I am writing today to request that the Commission conduct an investigation and prepare a report under section 332(g) of the Tariff Act of 1930. To the extent the Commission deems it necessary after a review of available data, the investigation may also include a survey of U.S. firms participating in FTZs. Also, and to the extent practicable, the Commission will develop a broad record of information, through a hearing and/or other outreach, from firms that may be impacted by these policies. For the purpose of this investigation, the term FTZs includes U.S. FTZs and similar programs in Canada and Mexico. The report should include, to the extent practicable, the following:

1. An overview of economic activity in FTZs operating in the United States, Canada, and Mexico since 2016. The overview should include to the extent practicable:
 - a. Data on the number of firms operating in FTZs.
 - b. Data on FTZ employment.
 - c. A list of the leading sectors/industries participating in FTZs.
 - d. Data on shipments into FTZs and exports from FTZs.

- e. Data on foreign direct investment in FTZs.
2. An overview of the current FTZ policies and practices in the United States, Canada, and Mexico. To the extent information is available, describe:
 - a. FTZ tariff treatment.
 - b. Other relevant policies and practices that affect the cost-competitiveness of products of U.S. firms operating in FTZs.
 3. To the extent practicable, an analysis of the effects of current FTZ policies and practices in the United States, Canada, and Mexico on the cost-competitiveness of products of firms operating in these FTZs. The analysis should include:
 - a. A description of the effects of these policies and practices on the relative production costs of U.S. firms operating in FTZs in the United States, Canada, and Mexico.
 - b. A description of the effects on U.S. employment.
 - c. A description of the effects on selected U.S. sectors/industries operating in FTZs in the United States, Canada, and Mexico, including through the use of case studies as appropriate.
 - d. A review of recent literature on the effects of FTZs on U.S. firm competitiveness and production.

The Commission should not include in its analysis any duties imposed under U.S. trade remedy laws or title III of the Trade Act of 1974, as amended, or action taken under section 232 of the Trade Expansion Act of 1962, as amended. I request the Commission deliver its report no later than 16 months from the date of this letter. As this office intends to make the report available to the public in its entirety, the Commission should not include in its report any confidential business information or national security information.

I appreciate the Commission's assistance and cooperation in this matter.

Sincerely,



Ambassador Katherine Tai