This document provides a side-by-side evaluation of FTZs and Bonded Warehouses, specifically focusing on how each can serve as a tariff mitigation strategy. The goal is to help decision-makers understand each option's operational and potential implications—and ultimately choose the approach best aligned with their business needs, trade volumes, and global logistics strategy.

3PL Foreign Trade Zones vs. Bonded Warehouses as Tariff Mitigation Strategies

3PL BONDED WAREHOUSING CONSIDERATIONS UNDER RECENT TRADE ACTION

Rates of duty/tariffs are set at the time of entry into U.S. commerce. This can be a risk if tariffs go higher; however, it can be a benefit if tariffs are lowered.

Merchandise entered in a bonded warehouse cannot then be admitted into a Foreign Trade Zone in privileged or non-privileged foreign status.

FOREIGN TRADE ZONE CONSIDERATIONS UNDER RECENT TRADE ACTION

Useful for mitigating future tariff increases by allowing companies to bring inventory into the U.S. at current duty rates and lock them in for future use.

Most commodities must be admitted in Privileged Foreign status, which locks in the tariff at the time of admission. Exemptions are commodities classified in Annex II of the recent reciprocal tariff actions. Privileged Foreign status can’t be changed unless exported.

Inversion of tariffs is not allowable under Privileged Foreign status.

	FOREIGN TRADE ZONE	BONDED WAREHOUSE
Locking rates at the time of admission	✓	–
Setting rates at the time of entry	–	✓
Duty/tariff Deferral	✓	✓
Manufacturing	✓	–
Storage of merchandise for re-export	✓	✓
Requires bonded transport	✓	✓
Lower volume business and SKU count	–	✓
High-volume, integrated business	✓	–

MAKING THE RIGHT CHOICE

Both programs can be beneficial depending on the objectives and should be carefully evaluated.

If you are looking to defer Customs duty or tariffs, and expect that tariffs may increase, evaluating the Foreign Trade Zone program may make sense.

If you are looking to defer Customs duty or tariffs and expect tariffs to decrease evaluating the Bonded Warehouse solution may make sense.

There are also other trade programs that may be beneficial to explore, such as Temporary Import Bonds, Duty Drawback, etc.

FOREIGN TRADE ZONES VS. BONDED WAREHOUSES SIDE-BY-SIDE COMPARISON

	FOREIGN TRADE ZONE	BONDED WAREHOUSE
Storage Period	Indefinite	Up to 5 years
Set up	To utilize a 3PL FTZ, the importer must be set up as a zone user Better for larger operations due to the setup involved Higher compliance requirements for inventory tracking	A customs broker would file a warehouse entry and withdrawal (with bonded facility coordination) Easier set-up process that can be completed quickly
Activity Permitted	More liberal activities are allowable. Sorting, Destruction, Labeling, Assembly, Manufacture, etc.	Limited activities allowed. Cleaning, re-packaging, labeling, sorting (with CBP approval)
Exits	Entry into U.S. commerce (can be weekly if approved) Bonded export filing for exports	Entry into U.S. commerce for each removal via warehouse withdrawal entry Bonded export filing for exports
Duty Payment	Upon entry into U.S. commerce	Upon entry into U.S. commerce
Duty/Tariffs	Duty / Tariff rates are set at admission for Privileged Foreign status. Merchandise admitted to an FTZ subject to trade remedies must be admitted in Privileged Foreign Status.	Duty / Tariff rates are set at the time of entry into U.S. commerce
Merchandise Allowed	Foreign and domestic merchandise are allowed. Merchandise previously entered into a bonded warehouse may not be admitted to an FTZ in PF or NPF status.	Only foreign merchandise is allowed.
De Minimis	No de minimis entries out of FTZs	

WHAT IS A FOREIGN TRADE ZONE?

A **Foreign Trade Zone (FTZ)** is a secure, designated area in the United States that is considered outside U.S. Customs territory for duty and tax purposes. Businesses can import goods into an FTZ without paying tariffs until the goods enter U.S. commerce or avoid tariffs altogether if the goods are re-exported.

FTZs are commonly used for storage, manufacturing, assembly, and distribution, offering cost savings, improved cash flow, and operational flexibility for companies engaged in international trade.

A 3PL FTZ is a Foreign Trade Zone that is operated by a logistics provider that allows companies to utilize the zone as a Zone User.

HOW DO FTZs WORK?

Foreign merchandise is admitted into the FTZ without paying duty or tariffs and can be held indefinitely.

Merchandise admitted to an FTZ must be transported in-bond to the location.

In an FTZ, companies can:
- Store inventory
- Assemble products
- Test or repair items
- Package and label
- Assemble and manufacture (with production authority, not available for 3PL FTZ)

Merchandise can then be:

- Re-exported with no duty or tariffs paid, as long as exported in-bond.
- Entered into U.S. commerce, with duty and tariffs paid at that point

BENEFITS OF FOREIGN TRADE ZONES

Duty and tariff deferral or elimination

- No duty or tariffs on goods while they're in the zone
- No duty or tariffs on exports, if exported in-bond

Cash Flow Improvement

- Delaying payments frees up working capital

Reduced Merchandise Processing Fees (MPF)

- Companies may pay one consolidated weekly MPF instead of per shipment; eligibility depends on the commodity and approval.

WHAT IS A BONDED WAREHOUSE?

A **bonded warehouse** is a secure storage facility where imported goods can be stored without immediately paying Customs duties or taxes. CBP regulates these facilities, which are often used in international trade. Not every type of bonded warehouse is the same, as they are used for different purposes, some for long-term storage, others for shorter-term actions such as container freight stations (CFS).

HOW DO BONDED WAREHOUSES WORK?

Foreign merchandise is entered into the bonded warehouse without paying duty or tariffs and can be held for up to 5 years.

Merchandise to be entered in a bonded warehouse must be transported in-bond to the location.

With approval, in bonded warehouses, companies can:

- Store inventory
- Inspect
- Re-package
- Label

Merchandise can then be:

- Re-exported with no duty or tariffs paid
- Entered into U.S. commerce, with duty and tariffs paid at that point

WHY USE A BONDED WAREHOUSE?

Helps manage cash flow by deferring duty/tariff payments until merchandise enters U.S. commerce.

LET'S TALK

Need help with bonded or foreign trade zone warehousing?

Get started at greenworldwide.com