

World Trade by Richard Schulman

How will a 'free trade zone' work?

"An extraterritorial enclave like Hong Kong" is projected for a site in New Jersey, and a spokesman for the project defends it against attack. It appears, however, indefensible.

The letter below was received from Marshall V. Miller, president of the National Association of Foreign Trade Zones, in late November. The letter was prompted by the article which appeared in the Corporate Strategy column in our Oct. 9-15 issue, titled "Cushman & Wakefield brings Hong Kong to N.J." The subject of the article was the role that the real estate firm of Cushman & Wakefield is playing in establishing a foreign trade zone, which I characterized as "an extraterritorial enclave like Hong Kong," in Morris County, N.J. The article was based in part on an interview with Tyson Maroon, a senior vice president at Cushman & Wakefield who worked on putting together and attracting prospective tenants to the zone.

Mr. Miller states:

"As President of the Association, I have received several complaints on the above referred article. The article's reference to "Hong Kong" and "the largest foreign-trade zone" are a step beyond traditional "puffing" and might serve to leave a false impression. U.S. law, with respect to foreign-trade zones, is far more restrictive than Hong Kong law. The title of "largest" foreign-trade zone depends on your frame of reference and is currently claimed by several zones.

"Of particular concern is a totally incorrect statement in the third full paragraph of page 11. If

assembled merchandise is sold in the U.S., the tariff rate is *not* one half. The tariff rate is based on either the imported parts or the finished product. In some instances there may be a small or a very large difference. The issue is somewhat complex. In addition, under current U.S. Customs Service appraisal law after the assembly an additional value for the cost of U.S. labor, overhead expense, and profit will be added to the cost of the assembled product. The Association has been hard at work since July of 1978 to change the current practice and it is expected this change will occur very soon.

"Lastly, the reasons Mr. Maroon cites for new zone interest are only partially correct—it is not just computerized inventory control, but an entire system called the Alternate Inventory Control System (A.I.C.S.). The single biggest factor will be the change in the U.S. Customs appraisal standard at 146.48(e)....

The reference to Hong Kong in my original article was not, I believe, misleading. Mr. Maroon and an aide to State Senator Manfred Ohrenstein whom I interviewed about the prospective foreign trade zone in the South Bronx—which Cushman & Wakefield may also become involved with—stressed that the type of employment created would be unskilled, labor-intensive jobs in electronics and other

assembling factories. This type of employment represents a lamentable falling away from the best American traditions—skilled employment in the frontiers of industry—and is, in fact, based on the "Hong Kong model." Following a meeting of the Mont Pelerin Society, an association of professedly conservative economists, in Hong Kong last winter, Milton Friedman spoke out in favor of Hong Kong as the perfect example of free enterprise and said the model should be emulated in the United States and other countries.

Mr. Miller noted in an October speech that the Foreign Trade Zone Act was passed in the midst of the Great Depression to stimulate international trade and employment in the U.S. The fact remains that the act is no substitute for a successful U.S. export program, which would feature a vast expansion of low interest Ex-Im Bank credits to finance high technology exports such as capital goods and nuclear plants.

I also had good reason to pause over Ty Maroon's reference to the lack of piece-by-piece inspection of goods entering the zone. Cushman & Wakefield appears, along with the New Orleans World Trade Mart, on the mailing list of Permindex, the Switzerland-based entity exposed in the book *Dope, Inc.* and other locations for its involvement in international assassinations (attempts against DeGaulle's life, John F. Kennedy) and drug running.

Finally, my information on the tariff rate on goods entering the U.S. from foreign trade zones was what Mr. Maroon and others whom I interviewed believed to be the case.