

Would a Foreign Trade Zone help Gallup businesses?

Written by By Holly J. Wagner Sun Correspondent
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Gallup isn't exactly an import-export hub, so it seems like an unlikely place for a Foreign Trade Zone. But city leaders are looking into the possibility that having something like it could benefit local businesses and maybe even attract new ones to the area.

The zone is part of a larger strategy to transform the local economy, using the city's transportation assets to entice companies to set up shop in McKinley County, Michael Sage, Deputy Director of the Greater Gallup Economic Development Corporation, said.

"Gallup knows itself as a railroad town, a transportation town. It's just a natural evolution of what it's always been," he said. "We want to move into manufacturing, we want to move into warehousing, we want to move into logistics and autonomous vehicles. All of those sectors are contingent upon an FTZ."

A Foreign Trade Zone is an area where companies can import and hold raw materials duty-free, and export finished products to other countries with reduced duties. It's not a possibility now because it requires a Customs and Border Patrol agent on site.

But Gallup might be eligible with a related program called a User Fee Airport. That would not only open the possibility of a Foreign Trade Zone, it would let an air carrier offer passenger flights to and from Gallup to Canada and Mexico.

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Local businesses would be able to set up subzones to take advantage of the benefits. That could help businesses such as jewelry makers who use imported silver, coral, spiny oyster and other semi-precious or precious stones, Sage said.

With so many sole proprietor businesses in the area, it could also help them navigate a supply chain in which they are small fish, because goods coming into coastal ports can remain under the Foreign Trade Zone designation so they don't have to wait at the port until Customs has time to clear smaller orders.

"If we have a Customs officer in Gallup and we can clear Customs, no longer does [a company] have to wait for Customs in Los Angeles or Long Beach to get to you," Sage said.

The catch: Gallup would have to come up with \$200,000 a year for five years – \$1 million total – to pay for a CBP officer posted here.

That may not be as bad as it sounds. Marshall Miller, who is one half of the specialist attorney team the city hired to do a feasibility study, said the program can pay for itself and then some, and in some places businesses that use it put up the money for the Customs agent.

"The reality is that normally the financial savings creates a payback on all of the expenses within a few months," he told the city council Oct. 25. The staff plans to bring the council a resolution to pursue the User Fee Airport application at its Nov. 8 meeting. The application costs would be grant funded.

Meanwhile, Brown and Marshall will reach out to local businesses to assemble a list of those that might benefit. Mayor Louis Bonaguidi noted he might be among them.

"My own business, we buy leather from Mexico. We buy leather from Brazil," he said. "That may be an area [where] we can save money by buying direct."

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