AMERICAN PETROLEUM INSTITUTE

Duty Drawback

What is duty drawback? When a U.S. manufacturer exports its products, they are able to obtain a refund (or drawback) of duties, taxes and fees that were paid on imported goods used in that manufacturing effort.

Why is duty drawback important? The "drawback" (or refund) of Federal duties, taxes and fees helps U.S. manufacturers, retailers, and distributors compete in the global marketplace by reducing the distribution and production costs of U.S. exports.

Drawback is a long standing tool used for international trade:

- Was initially authorized by the first Tariff Act of the United States in 1789 to grant a refund of taxes paid on imports.
- Not an export subsidy.
- Drawback is one of the few remaining GATT/WTO-sanctioned export promotion programs and it is a program that is used by customs authorities around the world. The WTO has commented that the drawback programs have the following positive effects:

  "Creates an export incentive; counteracts the negative effects of high import tariffs; establishes a strong magnet for export-oriented foreign direct investment; provides benefits to exporters and manufacturers; and, removes a bottleneck to private sector development."
- Systems and processes in place prevent fraud or compliance problems.
- As long as the U.S. manufacturer later exported the same goods or used the imported goods to manufacture U.S. products for exportation.

Duty Drawback is Important to the US Refiners:

- US imports raw materials for US refineries,
- US export statistics and balance of trade information,
- US refineries generate good paying salaried and union jobs, and
- US refineries operate in competitive environment in an efficient and clean way.

Congress should ensure that future trade agreements continue to include duty drawback provisions.