A **free trade zone** (**FTZ**), also called **foreign-trade zone**, formerly **free port**, is an area within which goods may be landed, handled, manufactured or reconfigured, and reexported without the intervention of the customs authorities

Free trade zones are domestically[criticized for encouraging businesses to set up operations under the influence of other governments, and for giving foreign corporations more economic liberty than is given indigenous employers who face large and sometimes insurmountable "regulatory" hurdles in developing nations.  However, many countries are increasingly allowing local entrepreneurs to locate inside FTZs in order to access export-based incentives. Because the multinational corporation is able to choose between a wide range of underdeveloped or depressed nations in setting up overseas factories, and most of these countries do not have limited governments, bidding wars (or 'races to the bottom') sometimes erupt between competing governments.

Corporations setting up in a zone may be given [tax breaks](http://en.wikipedia.org/wiki/Tax_break) as an incentive. Usually, these zones are set up in underdeveloped parts of the host country; the rationale is that the zones will attract employers and thus reduce poverty and unemployment, and stimulate the area's economy. These zones are often used by multinational corporations to set up factories to produce goods (such as clothing or shoes).

In [Mexico](http://en.wikipedia.org/wiki/Mexico), a **maquiladora** or **maquila** (IPA: [[maˈkila]](http://en.wikipedia.org/wiki/Help:IPA_for_Spanish))[[1]](http://en.wikipedia.org/wiki/Maquiladora#cite_note-1) is a operation in a [free trade zone](http://en.wikipedia.org/wiki/Free_trade_zone) (FTZ), where [factories](http://en.wikipedia.org/wiki/Factory) import material and equipment on a [duty-free](http://en.wikipedia.org/wiki/Duty-free) and [tariff-free](http://en.wikipedia.org/wiki/Tariff) basis for assembly, processing, or manufacturing and then export the assembled, processed and/or manufactured products, sometimes back to the raw materials' country of origin.

Currently about 1.3 million Mexicans are employed in one or more of approximately 3,000 maquiladoras.[[2]](http://en.wikipedia.org/wiki/Maquiladora#cite_note-2)

The [North American Free Trade Agreement](http://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement) (1994) favorably impacted the growth of maquila plants. During the five years before NAFTA, the maquila employment had grown at the rate of 47%; this figure increased to 86% in the next five years. The number of maquila plants grew from about 2700 to about 3700 in 2001.[[6]](http://en.wikipedia.org/wiki/Maquiladora#cite_note-AmericanOutsourcing-6) In the 1970s, most maquiladoras were located around the [Mexico – United States border](http://en.wikipedia.org/wiki/Mexico_%E2%80%93_United_States_border). By 1994, these were spread in the interior parts of the country, although the majority of the plants were still near the border. Recent research indicates that the maquiladora industry has an impact on U.S. border city employment in service sectors.[[7]](http://en.wikipedia.org/wiki/Maquiladora#cite_note-7)

Although the maquiladora industry suffered due to the [early 2000s recession](http://en.wikipedia.org/wiki/Early_2000s_recession), maquiladoras constituted 54% of the US-Mexico trade in 2004, and by 2005, the maquiladora exports accounted for half of Mexico's exports.[[6]](http://en.wikipedia.org/wiki/Maquiladora#cite_note-AmericanOutsourcing-6) The industry had become an important source of FDI and foreign exchange for Mexico.[[*citation needed*](http://en.wikipedia.org/wiki/Wikipedia:Citation_needed)]