

Foreign Trade Zones

Foreign trade zones (FTZs) are sites in or near a U.S. Customs port of entry where foreign and domestic merchandise is generally considered to be in international trade. Goods can be brought into a zone without formal Customs entry or without incurring Customs duties or excise taxes unless and until they are imported into the United States. FTZs are intended to promote U.S. participation in trade and commerce by eliminating or reducing the unintended costs or obstacles associated with U.S. trade laws. Employment that might normally be shifted to a foreign country is thereby encouraged to remain in the United States.

Zone projects may be at one or multiple sites, a single building, all or a portion of an industrial park, at a deepwater port, or within an international airport. When a firm intends to utilize its own plant or cannot be accommodated within an existing zone, "subzone" status may be granted to the site. As of January 1999 there were 234 Foreign Trade Zones in the United States. This represents a dramatic increase from 1980 figures, when there were only 59 general - purpose zones. California is currently home to 17 general purpose FTZs.

Definition of a Foreign Trade Zone and Subzone

Foreign Trade Zone:

An isolated, enclosed, and policed area, operated as a public utility, adjacent, in, or near a port of entry, furnished with facilities for lading, unlading, handling, storing, manipulating, manufacturing, and exhibiting goods, and for reshipping them by land, water, or air.

Subzone:

A subzone is a special type of zone facility approved for the use of a single company. These private zones, usually industrial plants, are approved only when a public benefit can be clearly demonstrated. The firm in a subzone is required to show what positive economic results its operation under zone procedures will generate.

Purpose of Foreign Trade Zones: To stimulate desired economic activity in the community consistent with national policy. Zones are designated to create employment, not simply divert it from one region of the country to another.

Operations

FTZ operations involve three parties--grantee, operator, and user--which may be held by one, two, or three entities. The grantee, often a public, quasi-public, or nonprofit entity, holds the grant from the FTZ Board of the U.S. Department of Commerce. The operator runs the zone on a day-to-day basis and is responsible for record keeping and dealing with Customs. The user is the company or companies that actually use the zone. Activation and operation of the zone is under the legal authority of the U.S. Department of Commerce Foreign Trade Zones Board and the U.S. Customs Service. Local issues are handled by the district Director of Customs as the designated representative of the Board.

Benefits

Benefits derived by businesses using FTZs include:

- Delayed tariff payments on imported products;
- Choice of finished product tariff rate for goods further processed inside the FTZ, subject to public interest consideration;
- Complete tariff avoidance if products are exported directly from the FTZ or if products are assembled, packaged, and then exported;
- Payment of duties only on the value of the foreign components, not on labor, overhead, or profit;
- Exemption from state/local inventory taxes on foreign merchandise;
- Potentially lower insurance premiums due to customs security requirements, which provide protection against theft and defalcation; and
- Temporary or complete avoidance of quota restrictions.

Merchandise Stored at Foreign Trade Zones

Any foreign and domestic merchandise may be brought into a zone without being subject to the custom laws of the U.S. governing the entry of goods or the payment of duty.

Excluded are those goods which are prohibited by law or which the Foreign Trade Zone Board orders to be excluded as detrimental to the public interest, health or safety.

Allowable Activities

Goods entering a foreign trade zone may be stored, sold, auctioned, tested, cleaned, calibrated, consolidated, sampled, relabeled, repackaged, inspected, displayed, repaired, comingled, manipulated, mixed, processed, assembled, manufactured, salvaged, or destroyed. Any domestic or foreign merchandise, except that which is prohibited by law, may be taken into a FTZ. If the final product is exported from the United States, no U.S. Customs duty or excise tax is levied. If, however, the final product is imported into the U.S., Customs duty and excise taxes are due only at the time of transfer from the FTZ and formal entry in the United States. The Foreign Trade Zone Board may prohibit or restrict activity based on public interest consideration.

Foreign Trade Zone Incentives

- Exports and transshipments emerge from the zones with full tariff forgiveness and usually free from quota requirements.
- Imports from zones are entered under a procedure giving the importer the choice of paying duties either on the product entered or on its foreign content.
- Admissible goods, not prohibited by law, can be moved into zones for re-export or to await special permits or clearance needed for formal entry.

- Merchandise in zones is not subject to federal excise taxes, and export status is accorded goods placed in zones for export.
- State and local excise taxes on personal property, such as inventory taxes, do not apply to certain goods that are in a zone for bona fide customs reasons (e.g. foreign merchandise and merchandise held for export).
- Other indirect benefits include reduced insurance costs because of tighter security inherent in zones.
- Quota restrictions do not generally apply to goods upon their arrival in a zone.
- Multinational firms manufacturing and marketing items of modern technology have a wider range of choices in the siting of plants and distribution centers.

Source: U.S. Department of Commerce

Foreign Trade Zones in California

Zone No. 3, San Francisco, California
 Grantee: San Francisco Port Commission
 Operator: Foreign Trade Services, Inc.
 Pier 23, Embarcadero St., San Francisco, CA 94111
 Monica Alexopoulos (415) 391-0176
 Fax (415) 391-0794

Zone No. 18, San Jose, California
 Grantee: City of San Jose
 Office of Economic Development
 60 South Market Street, Suite 470, San Jose, CA 95113
 Joseph Hedges (408) 277-3439
 Fax (408) 277-3615

Zone No. 50, Long Beach, California
 Grantee: Board of Harbor Commissioners of the Port of Long Beach, P.O. Box 570, Long Beach, CA 90801-0570
 Carl Adamowicz (562) 590-4162
 Fax (562) 901-1739

Zone No. 56, Oakland, California
 Operator: Pacific American Warehousing & Trucking Co.
 9401 San Leandro St., Oakland, CA 94603
 Linda Childs (510) 568-8500
 Fax (510) 568-4483
 Grantee: City of Oakland

Zone No. 143, West Sacramento, California

Grantee: Port of Sacramento
P.O. Box 980070, West Sacramento, CA 95798-0070
John Sulpizio (916) 371-8000 x300
Fax (916)372-4802

Zone No. 153, San Diego, California
Grantee: City of San Diego
600 B Street, Suite 400, San Diego, CA 92101
Lydia Moreno (619) 533-7512
Fax (619) 533-5250

Zone No. 191, Palmdale, California
Grantee: City of Palmdale, Economic Development
38250 North Sierra Highway, Palmdale, CA 93550
Carrie Rogers (661) 267-5125
Fax (661) 267-5155

Zone No. 202, Los Angeles, California
Grantee: Board of Harbor Commissioners of the City of Los Angeles
425 South Palos Verdes Street, San Pedro, CA 90731
Masa Morimoto (310) 732-3843
Fax (310) 547-4643

Zone No. 205, Port Hueneme, California
Grantee: Board of Harbor Commissioners, Oxnard Harbor
District, Port of Hueneme, P.O. Box 608
333 Ponomo St., Port Hueneme, CA 93044
Will Berg (805) 488-3677
Fax (805) 488-2620

Zone No. 226, Merced, Madera & Fresno Counties, California
Grantee: Board of Supervisors of the County of Merced
2222 M Street, Merced, CA 95340
Joe Rivero (209) 385-7366

Zone No. 231, Stockton, California
Grantee: Stockton Port District
P.O. Box 2089- 95201-2089 Stockton, CA 95203
Henry McKay (209) 946-0246
Fax (209) 463-2362

Zone No. 236, Palm Springs, California
Grantee: City of Palm Springs
303 North Indian Canyon Drive, Palm Springs, CA 92262
Cathy Van Horn (760) 323-8175
Fax (760)322-8325

Zone No. 237, Santa Maria, California
Grantee: Santa Maria Public Airport District
3217 Terminal Drive, Santa Maria, CA 93455
Gary Rice (805) 922-1726

Fax (805)922-0677

Zone No. 243, Victorville, California
Grantee: Southern California Logistics Airport Authority
18484 Phantom, Victorville, CA 92394
Richard T. Cole (760) 246-6115
Fax (760) 246-3108

Zone No. 244, Riverside County, California
Grantee: March Joint Powers Authority
P.O. Box 7480, Moreno Valley, CA 92552
Philip A. Rizzo (909) 656-7000
Fax (909) 653-5558

Zone No. 248, Eureka, California
Grantee: City of Eureka, California
Office of the City Manager
531 K Street, Eureka, CA 95501-1165
Marie Liscom (707) 441-4215
Fax (707) 441-4209

Zone No. 253, Butte County, California
Grantee: Oroville Economic Development Corporation
c/o O.W.I.D., P.O. Box 581, Oroville, CA 95965
Gary Ott (530)534-7222
Fax (530)534-6806