



# FACT SHEET

## International Trade

### U.S. Foreign-Trade Zones Program

The Foreign-Trade Zones (FTZs) Program was authorized by Congress in 1934 (FTZ Act - 19 USC 81a-81u) and is used to help encourage value-added activity at U.S. facilities in competition with foreign alternatives by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings. **Foreign-Trade Zone No.153**, established in San Diego, California on October 19, 1988 (pursuant to the Foreign-Trade Zones Board Order #394 and published in 53 Federal Register 41616), is administered by the City of San Diego as the Zone Grantee for the San Diego FTZ program.

### Benefits of a Foreign-Trade Zone

In the global marketplace, many companies consider moving to foreign facilities to reduce costs. The benefits of the Foreign-Trade Zones program may be the competitive advantage that companies need to keep their manufacturing or distribution operations in the United States. These include:

- **Duty Deferral.** Delayed payment of duties on goods that enter the U.S. market
- **Duty Exemption.** No duties on or quota charges on imported goods that are later re-exported
- **Inverted Tariff.** Manufacturing-specific benefits – with case-by-case approval by the FTZ Board – that can include reduction of duties if a lower tariff rate applies to the finished product leaving the zone than the tariff rates that would have applied on foreign components.
- **Logistical Benefits.** Reductions in merchandise processing fees because zone users may be able to file a single customs “entry” (and pay a single fee) per week rather than making multiple entries during the course of a week
- **Other Benefits.** Elimination of duties on waste, scrap and rejected or defective parts

### Other Advantages

- **Enhancing Competitiveness.** By reducing costs, FTZs level the playing field and improve U.S. competitiveness. FTZs can help businesses reduce production, transaction, and logistics-related costs by lowering effective duty rates, allowing special entry procedures, and encouraging production closer to market. Reducing costs through FTZ use can lead to more competitive U.S. operations, thereby helping to maintain U.S. activity and jobs.
- **Creating/Retaining Jobs and Encouraging Investment.** By helping local employers remain competitive, zones can contribute to maintaining or boosting employment opportunities. And lower FTZ-based production costs encourage increased investment in U.S. facilities.

### About the Foreign-Trade Zone Program

- Retail sales are prohibited within a zone
- The FTZ Act prohibits residence within a zone
- With the exception of formal customs entry procedures, all other local, state and federal laws and regulations apply (including labor and immigration laws)
- FTZs remain under the direct supervision of U.S. Customs and Border Protection
- FTZs are within the territory of the U.S. and merchandise stored in a FTZ is considered imported into the U.S.

## Using a Foreign-Trade Zone

Once a zone location has been established by the FTZ Board, companies are required to “activate” the zone with U.S. Customs and Border Protection (CBP) prior to beginning FTZ operations. Zone activity occurs under the supervision of CBP and FTZs remain within the jurisdiction of all other local, state and federal governments or agencies.

## Types of Companies Using a Foreign-Trade Zone

Large and small companies alike use a Foreign-Trade Zone: 70 percent of Foreign-Trade Zone users are small businesses. These companies defer, reduce or eliminate U.S. Customs duties and fees. Such companies include importers, manufacturers, distributors, assemblers of products, and exporters of imported merchandise and/or products containing imported merchandise. A company that does not buy or receive imported products from foreign or domestic vendors, and does not plan to do so, will not benefit from the use of a Foreign-Trade Zone.

## Foreign-Trade Zone General Purpose Sites

The City of San Diego's Foreign-Trade Zone General Purpose Sites are located in the southern part of the City in the Otay Mesa community near the U.S.-Mexico border. Besides being close to the booming maquiladora industry of Baja California, Mexico, and adjacent to Tijuana, Mexico, the sites are located near Brown Field Airport and Tijuana International Airport, and about 20 miles from San Diego International Airport. The Port of San Diego is also close by. More than 1,500 acres of finished and unfinished, industrial land has been pre-designated as eligible for Foreign-Trade Zone use. There are eleven (11) Foreign-Trade Zone General Purpose sites. Additionally, importers/exporters not located in a General Purpose site may take advantage of the benefits of the Foreign-Trade Zone without relocating by contracting with an approved Foreign-Trade Zone No.153 third party logistic company.

## Foreign-Trade Subzones

A Foreign-Trade Subzone is an area approved by the Foreign-Trade Zones Board for use by a specific company. Foreign-Trade Subzone companies enjoy all the same benefits as Foreign-Trade Zone companies. However, there are two (2) differences between FTZ General Purpose Sites and Subzones. The first difference is that Subzones are located outside the General Purpose Sites but are within 60 miles of the Port of Entry. The second difference is that a prospective Subzone user must go through a site designation and activation approval process that can take up to one year. Subzones allow companies that import and/or re-export products to take advantage of Foreign-Trade Zone benefits without having to physically relocate within the Foreign-Trade Zone General Purpose Sites.

## More Information

Other sources of information for Foreign-Trade Zones include:

- U.S. Department of Commerce, Foreign-Trade Zones Board – <http://ia.ita.doc.gov/ftzpage/>
- National Association of Foreign-Trade Zones – <http://www.naftz.org/>

## Contact

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