



Foreign Trade Zone and Subzones

What is a Foreign Trade Zone?

A Foreign Trade Zone (FTZ) is an area that is physically located within the United States, but deemed to be outside the territory of U.S. Customs. Because of this, most foreign-made parts, components and merchandise may enter a Zone without payment of U.S. Customs duties, fees and certain taxes.

San Diego's FTZ has ten pre-designated General Purpose sites of varying sizes. Pre-designation means companies do not have to apply for a designation- a process that can take up to a year for approval. Since General Purpose sites are already designated by the Foreign Trade Zone Board, companies can skip the designation application and simply begin the process of activation by contacting the grantee. After approval by the FTZ Board, the company can start operations. Activation usually takes about three months.

Many different kinds of companies use the FTZ, 70% of which are small businesses. FTZ companies can defer, reduce or eliminate U.S. Customs duties, fees and certain taxes. A company that does not buy or receive imported products from foreign or domestic vendors will not benefit from use of the Foreign Trade Zone.

Merchandise in a Foreign Trade Zone may be:

- | | | |
|-------------|--------------|---------------|
| ✓ Mixed | ✓ Displayed | ✓ Repackaged |
| ✓ Assembled | ✓ Salvaged | ✓ Repaired |
| ✓ Processed | ✓ Stored | ✓ Re-exported |
| ✓ Tested | ✓ Manipulate | ✓ Relabeled |

Why locate in a Foreign Trade Zone?

Foreign Trade Zones provide importers, exporters, manufacturers and distributors with opportunities to reduce U.S. Customs duties and defer duty payments until the product leaves the Zone. A Foreign Trade Zone also offers benefits such as increased cash flow, reduced actual duty paid on imports and products warehoused, manipulated or manufactured for export.

When a component part or raw material is imported into the Zone from another country and is subsequently exported out of the U.S. as part of a finished product, no U.S. Customs duty is due. However, if the product is shipped domestically within the U.S., duties, fees and other taxes (if applicable) are due at the time the finished product leaves the Zone, but may be reduced.

FOR EXAMPLE: If a clock manufacturer located within the Zone imports leather from Germany for the watchbands, that company can export the finished watch to countries outside the U.S. without paying import duties for the watchbands or export duties for the watches. However, if the company were to ship the watches domestically within the U.S., the company must pay U.S. Customs duties. As part of the Foreign Trade Zone benefits, however, the company may choose to pay duty at a rate applicable either to the component parts (the watchbands), or to the finished product (which is usually lower and pertains only to the value of the foreign content).



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What is a Foreign Trade *Subzone*?

A Foreign Trade Subzone is an area approved by the Foreign Trade Zone Board for use by a specific company. Foreign Trade Subzone companies enjoy all the same benefits as Foreign Trade Zone companies- there are only two differences between the General Purpose Zone and Subzones. The first difference is that Subzones are located outside the General Purpose Zone, but have to be within 60 miles of the Port of Entry. The second difference is that a business that wants to apply for a Subzone has to go through a designation and activation approval process that can take up to approximately one year.

Subzones allow companies that import or export their products to take advantage of Foreign Trade Zone benefits without having to physically relocate within the Foreign Trade Zone.

Foreign Trade Zone No. 153 Subzones

Subzone 153C: DNP Electronics, Chula Vista

Subzone 153D: Callaway Gold Company, Carlsbad

Subzone 153E: National Steel & Shipbuilding Co.

Foreign Trade Zone No. 153- General Purpose Sites

Site 1: Brown Field Municipal Airport - 316 Acres

Site 2: San Diego Business Park – 73 Acres

Site 3: Gateway Business Park – 60 Acres

Site 4: Britannia Commerce Center – 71 Acres

Site 5: De La Fuente Business Park – 312 Acres

Site 5A: Siempre Viva Business Park – 119 Acres

Site 6: Brown Field Business Park – 160 Acres

Site 6A: Brown Field Technology Park – 65 Acres

Site 7: Otay Mesa International Center – 389 Acres

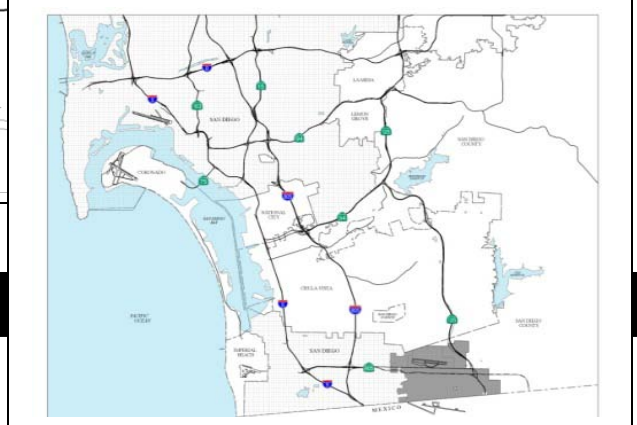
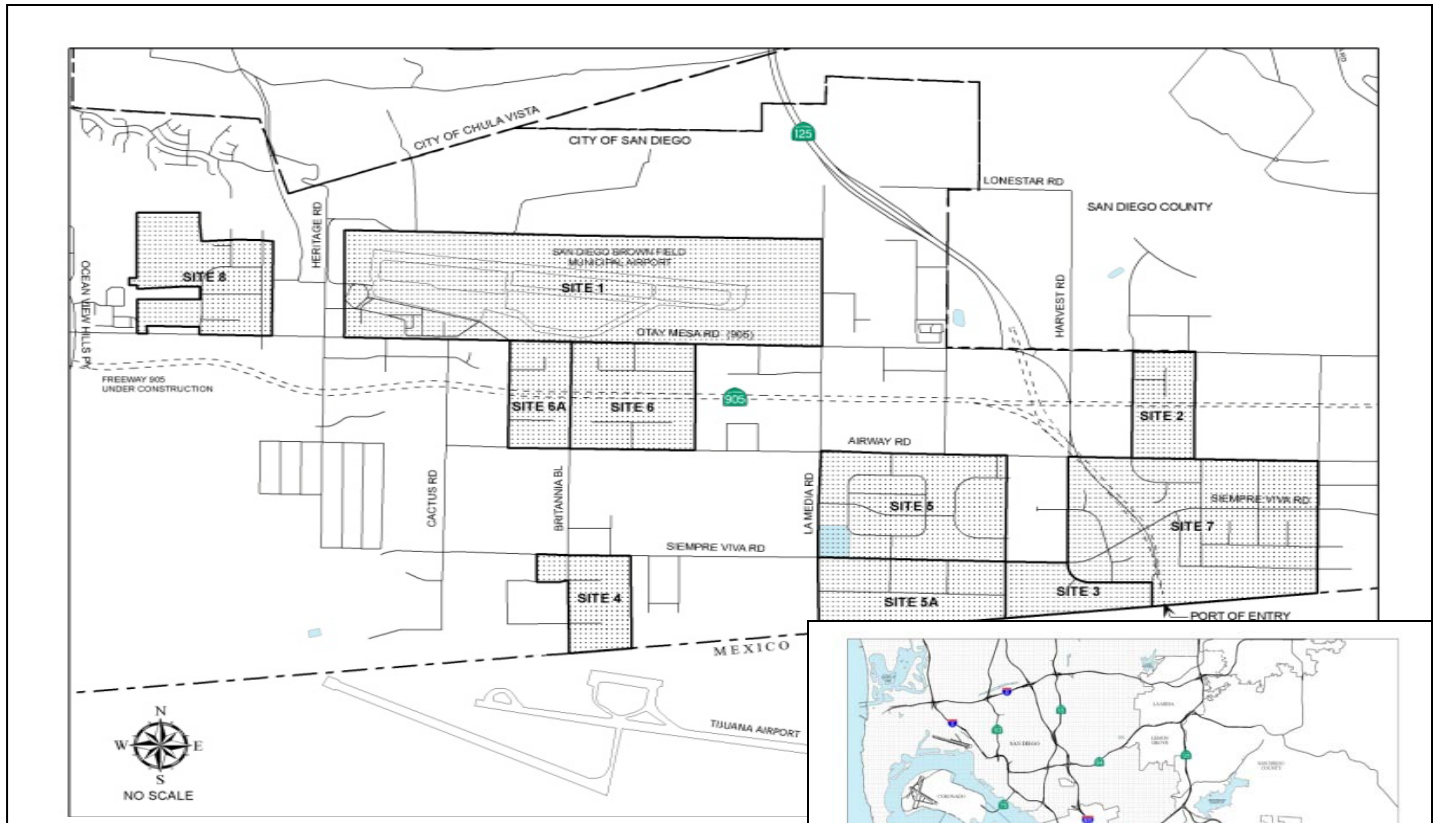
Site 8: Ocean View Hills Corporate Center – 86 Acres

Total Acreage = 1651



THE CITY OF SAN DIEGO

Foreign Trade Zone and Subzones



**For more information about the Foreign Trade
Zone and Subzones, please contact:**

Foreign Trade Zone and Subzones

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City of San Diego

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RESOURCES:

National Association of Foreign Trade Zone

<http://www.naftz.org/>

Foreign Trade Zone Board

<http://ia.ita.doc.gov/ftzpage/>

State of California- Business Investment Services

<http://www.labor.ca.gov/calBIS/>

Southern California Foreign-Trade Zone (SCFTZ)

<http://www.scftz.com>