Foreign-Trade Zone 202
Benefits to Local Community & Business
Overview
The Foreign-Trade Zone (FTZ) program

Federal legislation created the Foreign-Trade Zones Act of 1934 to facilitate international trade and increase the global competitiveness of U.S.-based companies.

FTZ 202 – The Port of Los Angeles
Foreign-Trade Zone 202 was established in 1994, comprises approximately 2,775 acres of Port property and General Purpose sites in Los Angeles, Orange County, and San Bernardino Counties totaling more than 4,800 acres. In addition, FTZ 202 comprises Subzones in the Southern California cities of Los Angeles, Vernon, and El Segundo.

On July 5, 2012 the Port was approved for Alternative Site Framework (ASF).

This is an optional approach to designation and management of Zone Sites allowing greater flexibility and responsiveness to serve single-Operator/User locations. The ASF was adopted by the FTZ Board as a matter of practice in December 2008 (74 FR 1170, January 12, 2009; correction 74 FR 3987, January 22, 2009) and modified by the Board in November 2010 (75 FR 71069, November 22, 2010). It allows the Port to approve Zone Sites in the designated Service Area of the Zone. This includes all of Orange County and a large portion of Los Angeles and San Bernardino Counties.

What is an FTZ?
FTZs are designated sites within the United States where foreign and domestic merchandise is considered to be outside the U.S. Customs territory. The program is designed to lower the cost of doing business and stimulate economic growth and development in the U.S by allowing companies to defer, reduce or eliminate U.S. Customs duties. Certain types of merchandise can be imported into a Zone without going through formal Customs entry procedures or paying import duties until the products are transfer from the FTZ sites for U.S. consumption. If merchandise never enters the U.S. commerce or re-export to other countries, then no duties are paid on those items.

Following Activities are Permitted in a Foreign-Trade Zone

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Benefits

The FTZ program allows U.S.-based companies to defer, reduce or even eliminate Customs duties on products admitted to the zone. Following are some benefits that FTZ Zone user may be benefitted.

Deferral of Duties
Customs duties are paid only when merchandise is shipped into U.S. Customs and Border Protection territory. Inventory held in an FTZ is exempt from duty payment until shipped. This can often provide companies with significant operational cash flow relief.

Inverted Tariff
In a FTZ, users are allowed to elect a zone status on merchandise admitted to the zone. Importer may pay the duty rate applicable to either the parts or the finished product, whichever is lower.

Elimination of Duties
No duties are paid on merchandise exported from a FTZ, on merchandise which is defective, damaged or obsolete, or on waste or scrap.

Elimination of Drawback
The duties paid on exported merchandise may be refunded through a process called drawback. The drawback law has become complex and expensive to administer. Through the use of a FTZ, the need for drawback process and cost may be eliminated.

Quotas
U.S. quota restrictions do not apply to merchandise admitted to zones. Most merchantize subject to quota, may be held in FTZ, even if it is subject to U.S. quotas restriction. When the quota opens, the merchantize may be immediately shipped into U.S. Customs and Border Protection territory.
Application Process

Application submission to the FTZ Board:

There are four different types of applications that can be made to the Foreign-Trade Zones Board. All applications for foreign-trade zones are submitted to the Foreign-Trade Zones Board through the grantee such as the Port of Los Angeles FTZ 202.

- Expansion Application (new Magnet Site)
- Minor Boundary Modification (Usage-Driven Site)
- Manufacturing/Production Authority
- Subzone Application

Details of application procedure are available at FTZ Board web-site at http://www.ia.ita.doc.gov/ftzpage/applications.html

Activation application submission to Customs and Border Protection:

Once the application has been approved by the FTZ Board, the operator must activate the site with U.S. Customs and Border Protection. There will be three areas that CBP will review which are, procedures manual that describing the inventory control and record keeping systems, facility check and back ground checks on company officers and employees who have access to records, and the written concurrence of the grantee.

Agreement with Grantee

FTZ regulations required the operator to execute an agreement with Grantee (Port of Los Angeles) that describes the requirements as FTZ operator. The application must also be submitted to the Board of Harbor commissioners and Los Angeles City Council for approval.
The Port of Los Angeles, also known as America’s Port®, Southern California’s gateway to international commerce, is located in San Pedro Bay, 20 miles south of downtown Los Angeles. The nation’s number one port not only sustains its competitive edge with record-setting cargo operations, but also for its groundbreaking environmental initiatives, progressive security measures, and diverse recreational and educational facilities.

The Port of Los Angeles is a department of the City of Los Angeles and is often referred to as the Los Angeles Harbor Department. The Port is operated and managed under a State Tidelands Trust that grants local municipalities jurisdiction over ports and stipulates that activities must be related to commerce, navigation and fisheries. A five-member Board of Harbor Commissioners is, appointed by the Mayor and confirmed by the Los Angeles City Council to provide direction and create policy for the Port.

As a proprietary and self-supporting department, the Port is not supported by city taxes. Instead, revenue is derived from fees for shipping services such as dockage, wharfage, pilotage, storage, property rentals, royalties, and other Port services. Considered a landlord port, the Port of Los Angeles leases it property to tenants who then, in turn, operate their own facilities.

The Port encompasses 7,500 acres, 43 miles of waterfront and features 27 cargo terminals, including dry and liquid bulk, containers, breakbulk, automobile, and warehouse facilities.

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