Think FremontCalifornia

CITY OF FREMONT

1. What is a Foreign Trade Zone?

Foreign Trade Zones (FTZ) were established to increase global competitiveness of U.S. based companies and affiliates. FTZ sites are located in or near a U.S. Customs Service port of entry, which is legally considered outside of U.S. Customs territory for the purpose of duty and tariff. The program provides FTZ users including importers, exporters, manufactures, and distributors with cost-saving benefits and logistical efficiency. In addition, FTZ facilitates cooperative international trade, particularly for businesses engaged in manufacturing or distribution. Because of its central Silicon Valley location and proximity to the Port of Oakland, many Fremont businesses may benefit from the FTZ program. The RK Group operates a General Purpose Foreign Trade Zone in its 192,000 SF warehouse in Fremont. A General Purpose Zone is established for multiple activities and users.

2. How can my company benefit from a Foreign Trade Zone?

A. Duty Deferral

Cash flow savings can result since FTZ users pay U.S. Customs duties only when merchandise is shipped into a Customs territory. Inventory held in an FTZ is exempt from payment of duties until shipped.

Example 1: DUTY DEFERRAL. FTZ TO U.S. COMMERCE

B. Duty Exemption

No customs duties are payable on merchandise which is exported from an FTZ or which is damaged, scrapped, or unused.

Example 2: DUTY EXEMPTION. FTZ TO FOREIGN MARKET

C. Duty Reduction

Duty reduction enables any FTZ importer or manufacturer to pay the customs duty rate applicable to either the imported components or the finished product, whichever is lower.

Example 3: DUTY REDUCTION, INVERTED TARIFF

D. Logistical Efficiency including Weekly Entry Savings

FTZ users can save weekly processing fees by filing only a single Customs Entry per week, rather than filing one Customs Entry per shipment. Companies outside FTZs pay a 0.21% fee for every formal entry processed by U.S. Customs. In addition, FTZ users can move merchandise faster through the delivery cycle by controlling inventory levels and removing costly time from the supply chain. Products made overseas may be brought into an FTZ for storage or consolidation with other products, allowing distribution of complete shipments to customers.

3. Goods entering a Foreign Trade Zone may be:

- Assembled
- Manufactured
- Repackaged
- Tested
- Stored
- Scrapped
- Sampled
- Salvaged
- Kitted
- Relabeled
- Processed
- Manipulated

4. Where to find additional information

U.S. Department of Commerce, Foreign-Trade Zone Board: http://ia.ita.doc.gov/ftzpage/

National Association of Foreign-Trade Zones: http://www.naftz.org/

The RK Group: www.rklogisticsgroup.com Office Location: 41707 Christy Street Fremont, CA 94538 Phone: (800) 821-7770