

# Expanding Oakland's Foreign Trade Zone as an Economic Tool for San Francisco -East Bay Regions

Presented by:  
Margot Lederer Prado  
Senior Economic Development Specialist  
City of Oakland

# Introduction

- Foreign Trade Zones are a key international economic development tool to increase global trade activity.
- The City of Oakland has operated the Oakland Foreign Trade Zone 56 for over 32 years.
- In conjunction with key partners, Port of Oakland and the East Bay Economic Development Alliance, the City is preparing to submit an application to the Department of Commerce – Foreign Trade Zone Board to supplement its FTZ through an Alternative Site Framework (ASF) Program.
- Oakland intends to expand its FTZ service area to include the greater East Bay region; thus making it easier for more businesses to participate in global trade.

**This presentation provides an overview of the FTZ Program, Bay Area Trade activity, and Oakland's FTZ expansion plans. We invite East Bay cities and counties to partner with the City of Oakland by providing a letter of support, and encouraging and marketing to their businesses to utilize the Oakland FTZ Program, upon approval.**

# Overall Trade Statistics

- U.S.
  - largest export markets in 2012
    - Canada (\$292 billion, up 4 percent)
    - Mexico (\$216.3 billion, up 9 percent)
    - China (\$111 billion, up 6 percent)
    - Japan (\$70 billion, up 7 percent)
- California
  - 2012 exports amounted to over \$161 billion
  - top exporting state
  - accounted for 10% of total U.S. exports
  - top trading partners are Mexico, Canada, China, Japan and South Korea
  - number one exporter in the nation of computers, electronic products, and sales of food and kindred products
    - Computers and electronic products are top export – 28%

# Bay Area Trade Statistics

- In 2011, Bay Area's exports of good totaled over \$52 billion
  - 30% of California's total exports
  - 4<sup>th</sup> largest exporting region in U.S.
- In 2010 exports supported 378,000 jobs
- Small and medium-sized enterprises account for 46% of California's merchandise exports
- Top 5 export countries
  - Mexico, Canada, China, Japan, South Korea

# U.S. Foreign-Trade Zones

- Logical extension of historic/global free zones
- 1934 “New Deal” Legislation – Jobs/Investments
  - Unique Legal Structure
  - FTZ Board
  - Changes - Customs Laws – “Public Interest Criteria”
- Maintains/creates jobs investment in the U.S. as opposed to in a foreign country by Customs/tax financial savings
- Not a Customs program
- FTZs are within U.S. boundaries, uniquely not within the Customs territory

# What is a Foreign-Trade Zone?

- Foreign-trade zones are restricted-access sites that are considered outside the U.S. Customs territory, but are physically located in the United States.
- Companies that operate in foreign-trade zones can defer, reduce, or eliminate Customs duties on foreign products admitted into zones for storage, exhibition, assembly, manufacture, and processing.

# Without a Zone

- Product is imported
- Customs Entry is made
- HTSUS Classification and duty rate are declared
- Customs duty is paid
- This is based on Harmonized Tariff Schedule of the United States (HTSUS)

# Who is Eligible?

- Foreign-trade zones stimulate American economic growth and development because they encourage companies to continue and to expand their operations in the United States.
- Foreign-trade zones are located in all 50 states and Puerto Rico.
- A company must have a facility in the United States that imports either parts, materials or components for manufacturing and finished goods or parts for distributions.
- The finished good is then exported or sold in the United States market.

# Who Benefits?

- Companies that Import and Export Merchandise
- Warehouse Operators
- Manufacturers
- Third Party Logistics Providers

# Types of FTZ Applications/Filings

- General-Purpose Zone
- Subzone
- Production Notification Application
- Manufacturing Requests
- Expansion Applications
- Minor Boundary Modification Requests
- Scope Determinations
- Usage-Driven Sites – **Alternative Site Framework (ASF)**

# The What and Why of the ASF

- **What?**

- The ASF is an optional “framework” to manage FTZ sites that gives much greater flexibility to use simple “minor boundary modifications” (instead of more complicated and time-consuming procedures) to bring FTZ designation to locations where a company is ready to pursue using FTZ procedures.
- A grantee can participate in the ASF by applying to the FTZ Board to “reorganize” its zone under the ASF.

# Terms and Concepts

- A “Magnet” site is one selected by grantee based on ability to attract multiple potential FTZ operators/users.
  - Designated only via FTZ Board action.
  - Akin to traditional FTZ site (industrial park, port facility, etc.) designated in advance – essentially speculatively – to attempt to draw FTZ operators/users.
  - Magnet sites are not the true focus of the ASF, and the ASF sets a general goal of six or fewer Magnet sites per grantee.

# Terms and Concepts

- A “Usage-Driven” site is designated for a company ready to pursue conducting FTZ activity.
  - Can be designated via simplified boundary modification (with no swapping of acreage required).
  - Designation tied to the specific company and limited to the space needed by the company.
  - If company vacates its designated Usage-Driven site, the FTZ designation terminates. (A new Usage-Driven MBM would need to be done if a future occupant of the site wanted to pursue using FTZ procedures.)

# Trade Promotion in the Bay Area

- Historically, trade in the Bay Area has been divided amongst three areas:
  - San Jose
    - South County to Monterey
  - San Francisco
    - Peninsula and Marin
  - Oakland
    - Majority of North Bay, all of the East Bay, and Beyond

# Oakland FTZ Competitive Advantages

- Located in heart of the Bay Area
- Minutes from the Port of Oakland and Oakland International Airport – Northern California’s strongest Port and Airport
- Positioned near a fully developed transportation infrastructure with maritime and international airport operations served by major airlines and the world’s largest shipping lines
- Centralized trucking and rail systems

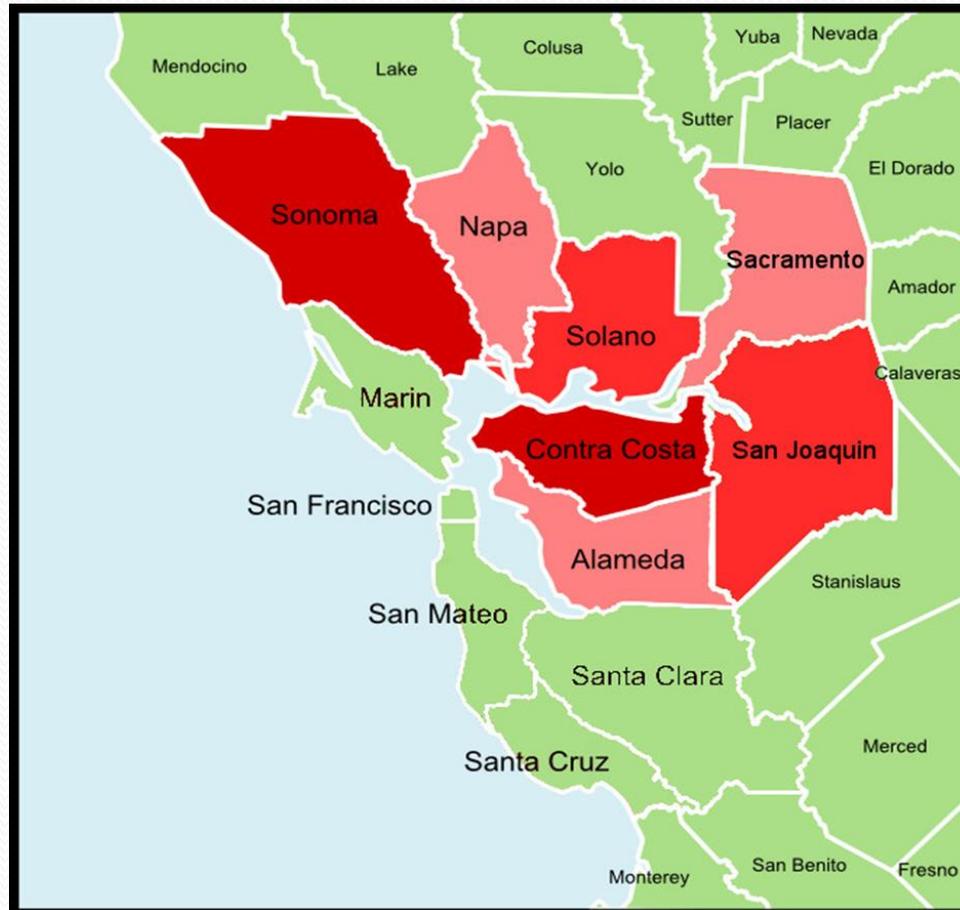
# Oakland Foreign Trade Zone 56

- History
  - 1981 - the Oakland International Trade Center (OITC) operated the Foreign Trade Zone in Oakland, No.56
  - 1998 – OITC transferred its rights as operator to Pacific American Warehousing and Trucking Company (PACAM)
  - 2008 – operating rights were transferred to Matson
- Today
  - Value of shipments to the U.S. market in 2011 was \$352 million
  - Value of exports in 2011 was \$106 million
  - Total value of shipments in 2011 totaled \$459 million

# Port of Oakland

- Handles nearly \$40 billion in U.S. trade cargo annually
- California's premier export Port
- Is the only container Port on the U.S. West Coast that handles more exports than imports
- 86% of the Port's annual volume of is international trade primarily with Asia, as well as with Europe and the Americas
- Within the Bay Area, Oakland handles nearly 100% of the containerized cargo that is imported and exported through the region by sea
- Generates 73,000 jobs in Northern California

# Proposed Oakland ASF Zone



# Contact Us

Margot Lederer Prado

(510) 238-6766

City of Oakland

[Mprado@oaklandnet.com](mailto:Mprado@oaklandnet.com)