

PUBLIC LAW 104-234—OCT. 2, 1996

WEST BANK AND GAZA STRIP FREE TRADE  
BENEFITS

Public Law 104-234  
104th Congress

An Act

Oct. 2, 1996  
[H.R. 3074]

To amend the United States-Israel Free Trade Area Implementation Act of 1985 to provide the President with additional proclamation authority with respect to articles of the West Bank or Gaza Strip or a qualifying industrial zone.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. ADDITIONAL PROCLAMATION AUTHORITY.**

The United States-Israel Free Trade Area Implementation Act of 1985 (19 U.S.C. 2112 note) is amended by adding at the end the following new section:

**“SEC. 9. ADDITIONAL PROCLAMATION AUTHORITY.**

“(a) **ELIMINATION OR MODIFICATIONS OF DUTIES.**—The President is authorized to proclaim elimination or modification of any existing duty as the President determines is necessary to exempt any article from duty if—

“(1) that article is wholly the growth, product, or manufacture of the West Bank, the Gaza Strip, or a qualifying industrial zone or is a new or different article of commerce that has been grown, produced, or manufactured in the West Bank, the Gaza Strip, or a qualifying industrial zone;

“(2) that article is imported directly from the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone; and

“(3) the sum of—

“(A) the cost or value of the materials produced in the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone, plus

“(B) the direct costs of processing operations performed in the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone,

is not less than 35 percent of the appraised value of the product at the time it is entered into the United States.

For purposes of determining the 35 percent content requirement contained in paragraph (3), the cost or value of materials which are used in the production of an article in the West Bank, the Gaza Strip, or a qualifying industrial zone, and are the products of the United States, may be counted in an amount up to 15 percent of the appraised value of the article.

“(b) **APPLICABILITY OF CERTAIN PROVISIONS OF THE AGREEMENT.**—

“(1) **NONQUALIFYING OPERATIONS.**—No article shall be considered a new or different article of commerce under this section, and no material shall be included for purposes of deter-

mining the 35 percent requirement of subsection (a)(3), by virtue of having merely undergone—

“(A) simple combining or packaging operations, or

“(B) mere dilution with water or with another substance that does not materially alter the characteristics of the article or material.

“(2) REQUIREMENTS FOR NEW OR DIFFERENT ARTICLE OF COMMERCE.—For purposes of subsection (a)(1), an article is a ‘new or different article of commerce’ if it is substantially transformed into an article having a new name, character, or use.

“(3) COST OR VALUE OF MATERIALS.—(A) For purposes of this section, the cost or value of materials produced in the West Bank, the Gaza Strip, or a qualifying industrial zone includes—

“(i) the manufacturer’s actual cost for the materials;

“(ii) when not included in the manufacturer’s actual cost for the materials, the freight, insurance, packing, and all other costs incurred in transporting the materials to the manufacturer’s plant;

“(iii) the actual cost of waste or spoilage, less the value of recoverable scrap; and

“(iv) taxes or duties imposed on the materials by the West Bank, the Gaza Strip, or a qualifying industrial zone, if such taxes or duties are not remitted on exportation.

“(B) If a material is provided to the manufacturer without charge, or at less than fair market value, its cost or value shall be determined by computing the sum of—

“(i) all expenses incurred in the growth, production, or manufacture of the material, including general expenses;

“(ii) an amount for profit; and

“(iii) freight, insurance, packing, and all other costs incurred in transporting the material to the manufacturer’s plant.

If the information necessary to compute the cost or value of a material is not available, the Customs Service may ascertain or estimate the value thereof using all reasonable methods.

“(4) DIRECT COSTS OF PROCESSING OPERATIONS.—(A) For purposes of this section, the ‘direct costs of processing operations performed in the West Bank, Gaza Strip, or a qualifying industrial zone’ with respect to an article are those costs either directly incurred in, or which can be reasonably allocated to, the growth, production, manufacture, or assembly, of that article. Such costs include, but are not limited to, the following to the extent that they are includible in the appraised value of articles imported into the United States:

“(i) All actual labor costs involved in the growth, production, manufacture, or assembly of the article, including fringe benefits, on-the-job training, and costs of engineering, supervisory, quality control, and similar personnel.

“(ii) Dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the article.

“(iii) Research, development, design, engineering, and blueprint costs insofar as they are allocable to the article.

“(iv) Costs of inspecting and testing the article.

“(B) Those items that are not included as direct costs of processing operations with respect to an article are those which are not directly attributable to the article or are not costs of manufacturing the article. Such items include, but are not limited to—

“(i) profit; and

“(ii) general expenses of doing business which are either not allocable to the article or are not related to the growth, production, manufacture, or assembly of the article, such as administrative salaries, casualty and liability insurance, advertising, and salesmen’s salaries, commissions, or expenses.

“(5) IMPORTED DIRECTLY.—For purposes of this section—

“(A) articles are ‘imported directly’ if—

“(i) the articles are shipped directly from the West Bank, the Gaza Strip, a qualifying industrial zone, or Israel into the United States without passing through the territory of any intermediate country; or

“(ii) if shipment is through the territory of an intermediate country, the articles in the shipment do not enter into the commerce of any intermediate country and the invoices, bills of lading, and other shipping documents specify the United States as the final destination; or

“(B) if articles are shipped through an intermediate country and the invoices and other documents do not specify the United States as the final destination, then the articles in the shipment, upon arrival in the United States, are imported directly only if they—

“(i) remain under the control of the customs authority in an intermediate country;

“(ii) do not enter into the commerce of an intermediate country except for the purpose of a sale other than at retail, but only if the articles are imported as a result of the original commercial transactions between the importer and the producer or the producer’s sales agent; and

“(iii) have not been subjected to operations other than loading, unloading, or other activities necessary to preserve the article in good condition.

“(6) DOCUMENTATION REQUIRED.—An article is eligible for the duty exemption under this section only if—

“(A) the importer certifies that the article meets the conditions for the duty exemption; and

“(B) when requested by the Customs Service, the importer, manufacturer, or exporter submits a declaration setting forth all pertinent information with respect to the article, including the following:

“(i) A description of the article, quantity, numbers, and marks of packages, invoice numbers, and bills of lading.

“(ii) A description of the operations performed in the production of the article in the West Bank, the Gaza Strip, a qualifying industrial zone, or Israel and identification of the direct costs of processing operations.

“(iii) A description of any materials used in production of the article which are wholly the growth, product, or manufacture of the West Bank, the Gaza Strip, a qualifying industrial zone, Israel or United States, and a statement as to the cost or value of such materials.

“(iv) A description of the operations performed on, and a statement as to the origin and cost or value of, any foreign materials used in the article which are claimed to have been sufficiently processed in the West Bank, the Gaza Strip, a qualifying industrial zone, or Israel so as to be materials produced in the West Bank, the Gaza Strip, a qualifying industrial zone, or Israel.

“(v) A description of the origin and cost or value of any foreign materials used in the article which have not been substantially transformed in the West Bank, the Gaza Strip, or a qualifying industrial zone.

“(c) SHIPMENT OF ARTICLES OF ISRAEL THROUGH WEST BANK OR GAZA STRIP.—The President is authorized to proclaim that articles of Israel may be treated as though they were articles directly shipped from Israel for the purposes of the Agreement even if shipped to the United States from the West Bank, the Gaza Strip, or a qualifying industrial zone, if the articles otherwise meet the requirements of the Agreement.

“(d) TREATMENT OF COST OR VALUE OF MATERIALS.—The President is authorized to proclaim that the cost or value of materials produced in the West Bank, the Gaza Strip, or a qualifying industrial zone may be included in the cost or value of materials produced in Israel under section 1(c)(i) of Annex 3 of the Agreement, and the direct costs of processing operations performed in the West Bank, the Gaza Strip, or a qualifying industrial zone may be included in the direct costs of processing operations performed in Israel under section 1(c)(ii) of Annex 3 of the Agreement.

“(e) QUALIFYING INDUSTRIAL ZONE DEFINED.—For purposes of this section, a ‘qualifying industrial zone’ means any area that—

“(1) encompasses portions of the territory of Israel and Jordan or Israel and Egypt;

“(2) has been designated by local authorities as an enclave where merchandise may enter without payment of duty or excise taxes; and

“(3) has been specified by the President as a qualifying industrial zone.”

Approved October 2, 1996.

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LEGISLATIVE HISTORY—H.R. 3074:

HOUSE REPORTS: No. 104-495 (Comm. on Ways and Means).

SENATE REPORTS: No. 104-270 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 142 (1996):

Apr. 16, considered and passed House.

Sept. 27, considered and passed Senate.