ISRAEL DUTY PREFERENCE

The United States-Israel Free Trade Area (FTA) agreement is a program providing for free or reduced rates of duty for merchandise from Israel to stimulate trade between the two countries. This program has been in effect since 1984. As of January 1, 1995, all currently eligible reduced rate importations from Israel are accorded duty free treatment.

An article imported into the Customs territory of the United States is eligible for treatment as a product of Israel only if:

- The article is a growth product or manufacture of Israel, or is a new or different article of commerce that is grown, produced or manufactured in Israel.
- The article is imported directly from Israel into the Customs territory of the United States.

The sum of:

1. The cost or value of the materials produced in Israel plus
2. The direct cost of processing operations performed in Israel is no less than thirty-five percent of the value of such articles at the time it is entered. If the article contains material produced in the United States, some of the value of the material produced in the United States may be included in the above requirement. The maximum value of United States material that can be included in this requirement is fifteen percent.

No article may be considered to meet these requirements by virtue of having merely undergone simple combining or packaging operation or mere dilution.

Direct costs of processing operations include:

- All actual labor costs involved in the growth, production, manufacture or assembly of the specific merchandise including fringe benefits
- on the job training and the cost of engineering, supervisory, quality control and similar personnel
- dies, molds, tooling and depreciation on machinery and equipment which are allocable to the specific merchandise.

Direct costs of processing operations do <u>not</u> include costs that are not directly attributable to the merchandise concerned.