Monday, 7/8
9:30A
TPRG Meeting
Room 248 OEOB

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

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July 3, 1984

TO : Members of the Trade Policy Staff Committee

FROM : Frederick L. Montgomery, Chairman

SUBJECT: TPSC Meetings: U.S.-Israel Free Trade Area

The Trade Policy Staff Committee will meet on Thursday, July 5, 2:00 p.m., Room 403, USTR, to consider TPSC Draft Document 84-88, U.S.-Israel Free Trade Area Negotiations: Non-Product Issues (attached). Questions or comments on the paper prior to the meeting should be phoned to Melissa Coyle (395-6813).

The Trade Policy Staff Committee will also meet on Friday, July 6, 10:00 a.m., Room 303, USTR, to consider TPSC Draft Document 84-89, U.S.-Israel Free Trade Area Negotiations: Product Coverage and Staging (attached). Questions or comments on the paper prior to the meeting should be phoned to Nancy Adams (395-6813).

Attachments

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TRADE POLICY STAFF COMMITTEE

DRAFT Document 84-88

SUBJECT:

U.S.-Israel Free Trade Area Negotiations:
Non-Product Issues

SUBMITTED BY:

TPSC Subcommittee on Israel

DATE: July 3, 1984

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DRAFT

TPSC PAPER

U.S. - ISRAEL FREE TRADE AREA:

PREPARATIONS FOR THE JULY 9 - 13, 1984 NEGOTIATIONS

NON-PRODUCT ISSUES

Problem

The next round of formal negotiations with Israel on the U.S. - Israel Free Trade Area will take place in Washington during the week of July 9. U.S. negotiators need instructions on the **non-product** issues to be discussed during those negotiations. (A **separate** TPSC paper will discuss **product**-related aspects of the negotiations.)

Recommendation

That the TPSC approve the attached position papers and proposals as guidance for U.S. negotiators during the July round of negotiations.

Background

Although much of the discussion during the week of July 9 will focus on product-related issues, U.S. negotiators also will be seeking to make progress on a number of non-product issues. The status of the issues under discussion with Israel is indicated below:

I. Issues on Which Both Sides Appear To Be Close to Agreement:

A. Dispute settlement
B. Joint Committee
C. Laws relating to general exceptions (if Israeli list of laws received)
D. Phytosanitary restrictions
E. Performance Requirements

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II. Issues on Which Israelis Owe Us a Proposal:

A. Third party conciliation (part of dispute settlement)
B. Specific reasons for licensing products (other than BOP)
C. BOP safeguards
D. Treatment of the purchase tax
E. Export subsidies

III. Issues on Which a U.S. Position is Needed:

A. Export subsidies (scope of programs)
B. General safeguards
C. Rules of origin
D. Agricultural subsidies
E. Services ("best efforts", immigration)
F. Infant industry provisions
G. Licensing
H. Israeli offsets
I. Adjustment of specific duties

In cases where our position has not changed since the May negotiations, this paper provides a summary of the status of discussion at this point.

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I. A. DISPUTE SETTLEMENT

Status

Both sides are very close to agreeing on the dispute settlement provisions to be included in the free trade area agreement. The U.S. position was outlined in a separate TPSC paper circulated in preparation for consultations at the technical level with the Israelis during the week of July 2. The Israelis owe us language on their proposal to include third party conciliation in the agreement.

If the technical level consultations lead to a need for further TPSC guidance on dispute settlement, the LDC Subcommittee on Israel will circulate a separate paper to the TPSC prior to beginning formal negotiations with Israel on July 9.

I. B. JOINT COMMITTEE

Status

The U.S. and Israel also are close to agreement on this provision. We already have agreed that the Joint Committee will be chaired at the Cabinet level, by the U.S. Trade Representative and the Israeli Minister of Trade and Industry. A separate paper on the Joint Committee provisions was circulated to the TPSC in preparation for the technical level consultations with the GOI during the week of July 2. As with dispute settlement, in the event that further TPSC guidance is needed on any aspect as a result of these technical level consultations, a paper will be circulated to the TPSC prior to the July 9 negotiations.

I. C. GENERAL EXCEPTIONS

Status

In May, the U.S. delegation provided the GOI with a preliminary list of U.S. laws relating to GATT Article XX general exceptions. The U.S. requested a similar list from the Israelis. If such a list is provided by the Israelis during the July round, agreement on this provision will be largely a technical exercise of reviewing each country's list and deciding if the laws cited are reasonable for inclusion.

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I. D. PHYTOSANITARY RESTRICTIONS

Issue

At the May round of negotiations, the Israelis presented a proposal to include a provision on phytosanitary restrictions in the free trade area agreement. The Animal and Plant Health Inspection Service (APHIS) of USDA has reviewed the Israeli proposal, and is prepared to participate in the professional working group, as suggested by the Israelis. The TPSC needs to consider whether to accept the Israeli proposal on phytosanitary restrictions.

Recommendation

That the TPSC accept the language on phytosanitary resrtictions proposed by the Israelis (see Attachment A).

Discussion

In response to the Israeli proposal for inclusion of a provision on phytosanitary restrictions in the free trade area agreement, USDA asked APHIS for its comments on the provision tabled by the GOI in May. That response is provided as Attachment B.

The Israelis' interest in this provision is to provide a mechanism to resolve any differences that may arise in trade in agricultural goods with reference to regulations concerning animal, plant, or human health matters. They proposed that a professional working group be established, under the Joint Committee, to review regulations, both present and future, that may be proposed by either party relating to veterinary, plant, or human health matters.

In view of APHIS' willingness to participate in the professional working group, as proposed by the Israelis, we recommend that the TPSC authorize U.S. negotiators to accept the Israeli language on this provision for inclusion in the free trade area agreement.

Phytosanitary Provision
5/11/84

EMBASSY OF ISRAEL
WASHINGTON, D.C.

ATTACHMENT A
שגרירות ישראל
וושינגטון

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1. The Contracting Parties shall review their current and future rules on veterinary, health, and plant health matters to insure that these rules are applied in a non-discriminatory manner, and that these rules do not have the effect of unduly obstructing trade.

2. The Contracting Parties shall consult on any difficulties that may arise in their trade in agricultural products and shall seek to provide solutions which will allow trade in agricultural products insofar as they do not endanger human, animal, and plant health.

3. To insure harmonious development of trade in agricultural products, the joint committee shall establish a professional working group, which shall convene at the request of either contracting party to consider matters relating to paragraphs 1 and 2.

United States Department of Agriculture
Animal and Plant Health Inspection Service
Washington, DC 20250

cc: Wadsworth/Schroeder

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Subject: Israeli Proposal on Animal and Plant Health Regulations

Date: June 22, 1984

To: Richard A. Smith
Administrator
Foreign Agricultural Service

In response to your recent memorandum regarding the proposed establishment of a bilateral professional working group, we would be happy to participate in such an effort. We certainly support the elimination of all possible nontariff trade barriers which adversely affect free trade and agricultural market expansion.

The three proposed articles appear to provide the necessary framework under which the professional working group could function. We have no additions or corrections to make.

We are prepared to name APHIS representatives from both Veterinary Services and Plant Protection and Quarantine programs once we know more details.

Thank you for the opportunity to comment on this important issue.

Bert W. Hawkins
Administrator

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I. E. PERFORMANCE REQUIREMENTS

At the March negotiating session, the USG pressed the GOI to include a provision in the FTA prohibiting the use of trade related performance requirements. The GOI agreed to include a provision which prohibits the use of local content requirements as a condition of entry or for receiving governmental incentives and export performance requirements as a condition for establishment. The following language was agreed by both sides to cover these instances:

Draft Investment Provision on Trade-Related Performance Requirements

Neither Party shall impose, as a condition fo establishment, expansion or maintenance of investments within its territory by nationals or companies of the other Party, requirments to export any amount of production resulting from such investments or to purchase locally-produced goods and services. Moverover, neither Party shall impose requirements to purchase locally produced goods and services as a condition for receiving any type of governmental incentives (subject to the Subsidies Provisions of this Agreement). [to export or]

The GOI, however, refused to prohibit export performance requirements linked to government incentives under this provision. They did agree to consider this issue in the context of negotiating the subsidies portion of the agreement. (See III A.10.)

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II. A. THIRD PARTY CONCILIATION

Status

The Israelis are to table at this round proposed language providing for third party conciliation as a means of resolving disputes. We have said that we would give careful consideration to such a proposal.

II. B. REASONS FOR LICENSING

Status

We have asked the Israelis to provide us with an annotated list of all products subject to licensing. They are to indicate the specific reason for licensing each product. This information is essential to enable us to formulate a proposal on licensing under the free trade area agreement. The Israelis, for administrative reasons, justify all licensing actions to the GATT as balance-of-payments measures. In these negotiations, however, they have admitted to using licensing for other reasons, including the protection of infant industries. The annotated list will be the first time that they have specified in writing the reasons for licensing various products.

II. C. BALANCE OF PAYMENTS SAFEGUARDS

Status

The Israelis are to table at the July round a response to the four-point U.S. proposal on balance of payments safeguards presented at the May round. They have agreed in principle to the second point of our proposal, which is that BOP measures taken should not undermine the benefits extended to the United States under the free trade area. We asked them to consider the other three points as well, and they are to make a proposal integrating the four points at this round. We will be conferring with the Israelis on BOP safeguards at the technical level during the week of July 2. If developments occur during those consultations that require additional TPSC guidance, the LDC Subcommittee on Israel will circulate a separate paper on this matter for TPSC review prior to beginning formal negotiations during the week of July 9.

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II. D. TREATMENT OF PURCHASE TAX

Status

The U.S. del tabled a proposal in May for treatment of the purchase tax in the free trade area. We asked that the tax be applied on a national treatment basis, and that the GOI would act to resolve any complaints raised by individual U.S. exporters about the administration of the purchase tax (including the TAMA). We also asked that any disputes arising on this matter be handled through the general dispute settlement provisions of the agreement. The Israelis expressed some concern about this approach to the matter. Consequently, we asked them to recommend an alternative approach.

II. E. EXPORT SUBSIDIES

Status

The Israelis have not accepted previous U.S. proposals on the elimination of export subsidies under the free trade area agreement. The U.S. del proposed at the May round that the GOI formulate a proposal outlining the commitments they were willing to make on export subsidies and export performance requirements for discussion during the July round.

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III. A. EXPORT SUBSIDIES

Issue

Israel has responded to most of the questions submitted by the USG on its export subsidy programs although a few clarifications remain outstanding. The TPSC needs to review: 1) which programs should be the focus of our attention in light of the information now available; and 2) whether any modification to our current negotiating position as set out in the January TPSC paper is warranted.

Current Position

Our initial negotiating position was:
1) Requirement of total elimination of all export subsidies;
2) As a fallback position, the elimination of export subsidies on merchandise exports to the United States.

The GOI subsequently informed us that immediate elimination of all export subsidies was impossible. We have also learned informally that elimination of export subsidies on merchandise exports to the U.S. is administratively impossible. In the alternative, the GOI offered a standstill/phase-down of four "major" export subsidy programs. The timing of the phase-down was left vague and a large escape clause conditioned on international competitiveness and exchange rate disequilibrium was included. Substantive negotiations were put on hold pending necessary factual clarifications.

Discussion

A. Relevant International Standards for Israeli Export Subsidy Programs

The GOI maintains three generic types of programs which could present problems under the "Illustrative List of Export Subsidies", annexed to the GATT Subsidies Code. Two, the regional development law and the Export Marketing Fund, fall under item (a) which states that the provision by governments of direct subsidies to a firm or industry contingent upon export performance is an illegal export subsidy. The remaining seven programs (and possibly the Export Marketing Fund as well) are export credit funds which fall under item (k) which describes the grant by governments (or special institutions controlled by and/or acting under the governments) of export credits at rates below what they have to pay for the funds (or would have to pay if they borrowed on international capital markets to obtain the same funds) or the payment by them of all or part of the costs incurred by exporters or financial institutions in obtaining credit as an illegal export subsidy. The standard in item k will be referred to as "cost of money to the government" for this paper.

B. Issues of General Concern

Because of certain unusual rules governing the sources of the dollars used in many of the GOI's export financing schemes, there are two possible entities to which the TPSC could look to determine "cost". In Israel commercial banks now grant dollar-denominated export credit loans under all financing programs except the Long- and Medium-Term Financing Fund from their own currency resources. Prior to this, all monies came directly from the Bank of Israel ("BOI"), essentially the government. The GOI establishes the interest rates and terms for these export credits through the different funds; according to GOI documents, these are not statutory bodies but rather frameworks for granting credit. Thus, the TPSC could decide that we should consider the cost of money to be the rate at which commercial banks borrow (or would otherwise obtain) money. However, the funds have various mechanisms which maintain a more than totally passive role for the BOI. The nature of the involvement will be described in the section on each program.

As will be seen from the following description, the choice between the two alternatives has a real impact on the "cost" standard. Of course, as the Israelis have been made aware, the "cost" standard would be irrelevant to the determination of a countervailable subsidy in any investigation under our countervailing duty law.

We note that, based on our analysis, this alternative cost of money problem does not arise in the export credit funds which conduct their lending in shekels. In these funds commercial banks may take out loans with the BOI on a daily basis for the amount of money they have lent under the funds. Thus, we consider that the commercial banks are acting merely as conduits for the BOI.

C. Export Subsidy Programs

We have reviewed information on nine export-oriented programs. Following is a brief description of each, the percentage each represents of total export financing from the GOI, any remaining problems/questions we have with these funds, and, where applicable, an explanation of the preferential rate(s) available under the program and the two possible benchmarks, either cost of money to commercial banks or to the BOI.

1. Program for the Encouragement of Capital Investment (ECIL)

This law is designed to encourage investment in various developing regions in Israel. The amount of the benefits (which consist of preferential loans, grants, and tax benefits) depends on the region involved. As of January, 1984, the GOI modified the ECIL, tying the receipt of benefits not only to a company locating in certain areas but also to its agreeing to fulfill certain export performance criteria. During budget year 1983, 14 billion Is shekels were allocated for this program, or approximately $400 million.

2. Export Production Fund ("EPF")

This fund provides preferential short-term (average 3.5 months) financing through commercial banks. Eighty-five percent of the program's funds has been in shekels, with the remainder in foreign currencies, primarily dollars. The EPF loans are tied to firms' annual exports, their production turnover, and the amount of value which the firm added to the exported goods. Exporters draw down credit allotments through a line of credit opened at a commercial bank. Of the total amount of funds disbursed under all eight of the export financing programs, the shekel portion of the EPF represents 18.7 percent and the foreign currency portion represents 4.8 percent.

a. Foreign Currency Portion

Loans are made under this portion of the EPF at the Eurocurrency rate plus 1.5 percent, or approximately 13.2 percent. While only 15 percent of EPF loans have been in foreign currencies, according to our Embassy in Israel, this will rise to 25 percent for 1984. All of the dollars disbursed under this program are raised by the commercial banks. However, for loans made under this program the banks are required to charge off only 70 percent against their reserve requirement set by the BOI. Hence, by loaning under this program, a commercial bank is permitted to "extend" its available funds by the BOI.

Commercial banks borrow at LIBOR plus 3/8 percent, or 12.08 percent currently. The preferential interest rate for this portion of the EPF is the 13.2 percent just referred to.

The BOI/GOI borrows at several rates; ideally we would want to use a weighted average rate to determine the BOI/GOI's cost of borrowing. We lack the amount of borrowing that the BOI/GOI does at each rate and so give the rates we know (8-9 percent for Patek accounts and 12.1 percent for two new dollar-linked bonds issued by the GOI[1]), alla of which are below the rate at which the loans are given.

b. Shekel Portion

These loans are granted by the GOI at an annual interest rate of 60-100 percent, with an average, in 1983, of 83.9 percent per year.

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1. There is a question whether the bond rate is an appropriate benchmark because of the newness of the bonds, their small amount, and because they were not fully subscribed, but, in any case, it is lower than the lending rate. Patek accounts are foreign currency accounts held by non-residents in Israel. The GOI has listed another instrument which is a savings scheme linked to the dollar with an interest rate of LIBOR minus 0.5 percent (11.2 percent). We are not sure if this is an appropriate instrument but it is also below the lending rate for this part of the EPF.

Commercial banks take out loans with the BOI, as described in the general concerns section of this paper, for the full amount of money they have lent under the fund and the BOI will also adjust their reserve requirements by 30 percent. The GOI borrows at rates ranging from 3-5.5 percent plus the change in the CPI[2]. In 1983, this rate is 150.54 percent. Therefore, in 1983, the difference between what the government pays for short-term shekel financing and what banks lend short-term shekels is 66.64 percentage points.

3. Imports-For-Exports Fund ("I-E")

This fund is designed to fund the import component required for exporting and is used solely for raw materials. The fund is administered by commercial banks and operates in four currencies, primarily U.S. dollars, at preferential interest rates. The program is available for up to 42 percent of the value of the imported raw material component of the exported product for a period of 90 days, and in theory is renewable up to a maximum of 12 months, the average length of these loans seems to be 3.5 months. The monies in this fund represent 10.1 percent of total export credit funds financing.

The GOI has told us that the interest rate for these loans is 60 percent of the Eurocurrency rate. We have determined that this number, in dollars, could be 6.26, 6.75, or 7.09 percent for May, 1984[3]. The BOI reimburses the commercial banks for the difference between the rate at which the banks lend and Eurocurrency plus 3/8 and adjusts their reserve requirements as under the EPF.

The GOI/BOI borrows at 12.1 percent and 8-9 percent, as noted above in program 1(a) above. Commercial banks borrow at LIBOR plus 3/8 (12.08 percent). All the rates at which the banks lend are below estimates of the rate at which either the BOI/GOI or commercial banks borrow. Using the cost of money to the government, the interest difference ranges from 0.91 to 5.84 percentage points. Using the cost of money to the commercial banks, the difference ranges from 4.99 to 5.82 percentage points.

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2. These rates come from information from the GOI given to us at the May, 1984 negotiations and additional documents submitted by the GOI to us in June, 1984. The weighted average of these rates is 4.94 percent plus the yearly change in the Consumer Price Index ("CPI"). The yearly increase in the CPI for 1983 is 145.6 percent according to a BOI Economic Indicators publication.

3. The 6.26 percent figure is an annualized figure given to us by the GOI. The U.S. Embassy has stated that the May, 1984 interest rate for this fund is approximately 6.75%. The 7.09% rate is 60% of the Eurodollar rate on 5/12/84.

4. Export Shipments Fund ("ESF")

This program provides short-term financing for export accounts receivable. The fund operates in foreign currencies and has provided loans of up to 90 percent of a particular shipment's f.o.b. value for a maximum period of 180 days. These credits represent 36.8 percent of total export credit funds financing. The GOI has told us that the general methodology for calculating the interest rate charged under the program is Eurocurrency plus 1.5 percent (currently 13.2 percent for dollars). However, using the data supplied by the GOI in May, the annualized rate would be 11.98 percent.

All of the dollars disbursed under this program are raised by the commercial banks. However, for loans made under this fund, commercial banks are required to charge off only 70 percent against their reserve requirements set by the BOI. Hence, by loaning under this program, commercial banks are permitted to "extend" their available funds by the BOI. The GOI/BOI, as stated above, borrows at 12.1 and 8-9 percent while commercial banks borrow at LIBOR plus 3/8, or 12.08 percent. Loans are made at above all of the possible "cost" alternatives unless the 11.98 percent rate is accurate in which case loans are being make at 0.1 percentage points lower than the cost to commercial banks.

5. Indirect Exports Fund

This program provides short-term credit for financing the production of inputs sold to export producers. It is being phased out, although there has been no formal cancellation of the fund as yet. The GOI has promised to send us a letter stating that this program will terminate at the end of 1984. We have been told that only packaging material producers are still eligible to receive credits. However, a BOI publication notes that credit in this fund rose 586% from January to November 1983. We have asked the Embassy of Israel to explain this discrepancy. We are unsure what percent of total export credit funds this program represents but the latest figures from the GOI indicate that it is approximately 0.5 percent.

Israeli shekels under this fund are lent at 100% per year. The GOI borrows at approximately 4.94% plus the change in the CPI, at 150.54% per year, as stated above. We are not sure what the commercial banks' shekel borrowing cost is, but it is probably higher than that of the GOI. Thus, the subsidy element is at least 50.54 percentage points while the program is in existence.

6. Marketing Promotion Fund

This fund gives concessionary dollar loans to fund export promotion by financing smaller businesses to help them open overseas offices, advertise abroad, participate in trade fairs, and, in general, market their products overseas. The average length of these loans is 3 years and the loans finance up to 75 percent of the exported

value. We have asked additional questions about the terms and conditions of the loans and the program in general. It represents only 1.7 percent of the total export financing available in Israel.

The GOI told us in May that loans are granted under this program at 8 percent. The U.S. Embassy in Israel has told us that such loans are granted at 85 percent of the Eurodollar rate (9.95 percent in May, 1984). The inconsistency may be due to a difference in time periods. We will ask for a clarification of this point. As stated above, the GOI/BOI's cost of money is 12.1 and 8-9 percent; the commercial banks' cost of money is LIBOR plus 3/8 (12.08 percent). Using the government's cost of money, the potential interest rate differential ranges from 0 to 4.1 interest points. Using the banks' cost of money, the interest differential ranges from 2.13 to 4.08 interest points.

7. The Export Reorientation Fund

We have little information on this fund other than that it provides small amounts of preferential dollar and shekel financing for up to 75 percent of the value of the exports and the loans average 2 years. The dollar loans outstanding represent 0.1 percent and the shekel loans represent only 0.06 percent of total export credit funds outstanding.

The dollar lending rate is 8 percent, as in fund 6 above, the Marketing Promotion Fund. Thus, the interest differential is identical to that in the Marketing Promotion Fund and ranges from 0 to 4.1 interest points, depending on the interest rate and whose cost of money we use. The shekel financing is 82 percent per year. The difference between this and the rate at which the GOI borrows is 68.54 interest points.

8. The Diamond Fund

There are three types of short-term financing granted under this program, production, inventory and shipment. All financing is similar to that in the EPF, I-E Fund and ESF but is reserved exclusively to diamonds. We have not examined this program in detail because there is no competing industry in the U.S. However, the percentages of total export credit funds financing the three portions of the fund receive are 11.9, 6.5, and 0.5 percent, respectively. The TPSC should decide whether we wish to raise this with the Israelis since it represents a measurable amount of financing or ignore the program since it is so specialized and we have no competing industry.

The production part of this fund finances loans at 60 percent of the Eurodollar rate, the same as the Imports-for-Exports Fund, and thus represents an export subsidy ranging from 0.91 to 5.84 interest points. The other two parts of this fund, the inventory and the shipment parts, lend funds at the Eurodollar plus 1.5 percent interest rate (see the ESF). Thus, these are probably not subsidized.

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9. Long- and Medium-Term Financing Fund for Equipment

This fund is similar to the U.S. Export-Import Bank. It provides financing for capital goods for a period of three to five years. A 15 percent down payment is required and only 85 percent of the value of the exports is financed. This fund represents 8.3 percent of total export credits disbursed under the export financing funds. Commercial banks may receive a loan from the BOI for the entire amount they lend under this fund.

The GOI has stated that it lends at the OECD consensus rates except that all dollar financing is done at 10 percent. The Israelis told us in May that they adopted a 10 percent rate for dollar loans because it was administratively simpler and because this would cause the interest on such loans to exceed OECD rates for category III countries (lower income countries with a GNP/capita of below $680 which receive more preferential interest rates) which constituted the overwhelming majority of the loans under this program. Subsequently, we have received data from the GOI which indicates that in 1983 there were no dollar-denominated loans to category III countries, down from 2.6 percent in 1982 and 11.2 percent in 1981. In 1983, 43.4 percent of dollar-denominated loans went to category II countries (GNP/capita between $681 - $4000) and 56.6 percent to category I countries (GNP/capita over $4000). The OECD consensus rates for category I countries for 1983 were 12.15 percent or 12.40 percent (see attached chart for further details).

If the interest rates for other currencies in this program are compatible with OECD rates, these would not constitute an export subsidy.

10. Export Commitment Tied to Incentive

Israeli incentives tied to export performance requirements significantly subsidize the products involved, reportedly up to as much as 75 percent of an investment in some cases. Available incentives (or subsidies) include the following: (1) governmental loans covering between 40 and 70 percent of the net investment at below market interest rates of 7.5-10 percent; (2) government grants ranging from 15-30 percent of net investment, depending on the geographical location of the investment; a 20 percent income tax reduction; and 5 percent rebate of customs duties on capital equipment imports. To qualify for these incentives, investors must export between 35 and 65 percent of their production.

The U.S. should press the GOI to elimate as soon as possible the requirement for export commitments tied to these incentives. We are proposing that the GOI accomplish this objective by first, agreeing to a standstill on the imposition of new export commitments and secondly, phase-out existing export performance requirements as a condition for receiving incentives by January 1, 1989 (or the agreed date at which staging would be completed). Accordingly, the USG should propose the following language to the Israelis:

Proposed Subsidies Language on Export Performance Requirements

1. From the date of implementation of this agreement, neither party shall impose new or expand existing requirements to export as a condition for receiving governemental incentives.

2. Parties shall phase-out any existing requriements to export as a condition for receiving governmental incentives of any type. The phase-out shall occur over a four-year period, beginning on January 1, 1985 (the date of the first generalized tariff cuts) and being completed on January 1, 1989 (the date on which tariffs on most products are to be reduced to zero under the FTA agreement).

EXIMBANK'S INTEREST RATES

The following interest rates apply under Eximbank's Direct Credit Loan Program, the Medium-Term Credit Program, and the Small Business Credit Program. Under each program, the rate charged will vary with the category of the country to which the export will be shipped and with the repayment period of the loan.

Country Classification	2-5 Years	More than 5 Years
I-Relatively Rich	12.15%	12.40%
II-Intermediate	10.35%	10.70%
III-Relatively Poor	9.50%	9.50%

Country Categories for OECD Arrangement on Officially Supported Export Credits

Category I: (GNP per capita of $4,000 or more, as of 1979 IBRD figures)

Andorra; Australia; Austria; Bahrain; Belgium; Bermuda; Brunei; Canada; Czechoslovakia; Denmark; Finland; France; Germany, Democratic Republic; Germany, Federal Republic; Greece; Iceland; Ireland; Israel; Italy; Japan; Kuwait; Liechtenstein; Luxembourg; Libya; Monaco; Netherlands; New Zealand; Norway; Qatar; San Marino; Saudi Arabia; Spain; Sweden; Switzerland; United Arab Emirates; United Kingdom; United States; U.S.S.R.; Vatican City

Category II: (GNP per capita of less than $4,000; not eligible for IDA or mixture of IDA/IBRD financing)

Albania; Algeria; Antigua; Argentina; Bahamas; Barbados; Belize; Botswana; Brazil; Bulgaria; Colombia; Chile; Costa Rica; Cuba; Cyprus; Dominican Republic; Ecuador; Fiji; Gabon; Gibraltar; Guatemala; Hong Kong; Hungary; Iran; Iraq; Ivory Coast; Jamaica; Jordan; Kiribati; Korea, North; Korea, South; Lebanon; Macao; Malaysia; Malta; Mauritius; Mexico; Montserrat; Morocco; Namibia; Nauru; Netherlands Antilles; Nigeria; Oman; Panama; Papua New Guinea; Paraguay; Peru; Poland; Portugal; Romania; St. Kitts-Nevis; St. Lucia; Seychelles; Singapore; South Africa; Suriname; Syria; Taiwan; Trinidad & Tobago; Tunisia; Turkey; Uruguay; Venezuela; Yugoslavia

Category III: (Eligible for IDA or IRBD and IDA Financing; or GNP per capita below $680)

Angola; Bangladesh; Benin; Bolivia; Burma; Burundi; Cameroon; Central African Republic; Chad; China; Congo, People's Republic; Egypt; El Salvador; Ethiopia; Gambia; Guinea; Guinea-Bissau; Haiti; Honduras; India; Indonesia; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mozambique; Nepal; Nicaragua; Niger; Pakistan; Philippines; Rwanda; Senegal; Sierra Leone; Somalia; Sri Lanka; Sudan; Tanzania; Thailand; Togo; Uganda; Upper Volta; Yemen Arab Republic, Yemen, P.D.R.; Zaire; Zambia; Zimbabwe

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III. B. GENERAL SAFEGUARDS

Issue

The GOI and the USG have agreed in principle that the free trade area should strive to meet the GATT Article XXIV criterion of covering "substantially all" trade. The TPSC needs to consider what type of general safeguard to have in the agreement to meet our domestic need to offer relief to producers of import sensitive products, but which does not conflict with Article XXIV or with the broader U.S. policy objective of negotiating a multilateral safeguards code.

Recommendation

That the TPSC adopt Option A, as discussed below.

Options

A. Include language in the FTA permitting the application of escape clause measures on a most-favored-nation basis. Incorporate Article XIX by reference, and include an agreement that subsequent amendments to Article XIX (and/or a new multilateral safeguards understanding) would be applicable in the future. Include language under the notification and consultation measures to cover bilateral consultations on safeguard measures.

B. Incorporate in the FTA language providing for a "second track" safeguard procedure, using a lesser standard of injury than applies in U.S. law under Section 201 (see below for discussion of various options). Provide for a special safeguard procedure in U.S. implementing legislation for safeguard actions taken exclusively within the context of the FTA.

Discussion

A strict interpretation of GATT Article XXIV is that the parties to a free trade area would not apply Article XIX measures to each other's trade. Article XIX actions are not among the exceptions specified in Article XXIV.8(b) to the requirement that duties and other restrictive measures be eliminated on substantially all trade. However, in granting import relief under Section 203 of the Trade Act of 1974, the President has no authority

to exempt any particular country or countries from the terms of the relief. Yet an attempt to seek a legislative exemption for Israel from import relief actions could meet with strong domestic opposition and possible Congressional disapproval.

However, an attempt to establish a special safeguards procedure only for use in the context of the U.S.-Israel free trade area could damage our case for seeking approval of the agreement under Article XXIV. At a minimum, the selectivity incorporated in such an approach would greatly complicate United States' efforts to achieve consensus on a new multilateral understanding on safeguard measures.

Incorporating Article XIX (and future amendments) into the free trade area by reference, and permitting escape clause actions to be applied on a MFN basis, would preserve our right to apply safeguards consistent with U.S. law without creating major derogations from the free trade area concept under GATT Article XXIV. Adopting this approach would not require new administrative procedures. Improved procedures regarding notification, consultation, and settlement of safeguard cases could be incorporated on a bilateral basis in the FTA agreement, much as was done in the United States/Canada Understanding on Safeguards (see Attachment A).

However, in order to preserve maximum product coverage under the agreement and to avoid domestic opposition to the FTA, it may be necessary to consider a special safeguard procedure for the agreement. This issue has particular importance because the safeguard criteria adopted in this agreement would set a precedent for any other free trade areas which the United States might negotiate. For the time being, agricultural quotas under Section 22 of the Agricultural Assistance Act are being dealt with in the product coverage discussion of the FTA and are not considered in the context of this paper.

Special Safeguard Proposal

The CBI contains a special safeguard mechanism only for perishable horticultural products; a broader special safeguard system was under consideration until the CBI implementing legislation took care of the problem by exempting sensitive products (e.g., leather products, tuna, shoes) from duty elimination.

Israel has proposed that the FTA agreement contain safeguard language which parallels U.S. import relief law (i.e., imports must be a substantial cause of serious injury). (See Attachment B.) Acceptance of the Israel safeguard proposal would mean

that U.S. industries, firms and workers injured by FTA imports would have to rely on existing Section 201 procedures to obtain import relief.

The U.S. Government could modify the Israel proposal by introducing a less rigorous injury standard than the "substantial cause" criteria of the 1974 Trade Act. The approach presented here adopts a two-track safeguard mechanism, maintaining Section 201 procedures for most products, while adopting a special procedure for selected import sensitive items. The special procedure, at most, would permit the United States to raise duties back to the original MFN level or to delay staging under the FTA. Thus, the special safeguard injury standard need not be as rigorous as that used in Section 201 actions, which can result in a substantial increase in duties above the MFN rate.

Under this option we assume that private petitioners would have the option of utilizing current safeguard procedures (i.e., Section 201) to request an increase in MFN duties from all sources including Israel. Action under the FTA safeguard would be limited to actions only against Israel--i.e., returning the duty to its MFN level or delaying the phase-in of duty elimination. Action could be initiated either by petition from a private party of self-initiated by the USG, using some "trigger" criteria as an indication of possible injury.

A. Options for injury criteria

The following represent some of the possible standards of injury that could be adopted under the special standard:

1. Increase in imports is or is likely to be seriously detrimental to a production activity (from EC.-Israel Agreement). This standard has a precedent is that it has already been applied in one free trade area.

2. Market disruption test (as in Section 406 of the Trade Act).

3. Material injury standard (as in U.S. antidumping, countervailing duty laws).

4. Old TAA standard - FTA imports are an important cause but not necessarily the most significant cause).

5. A new standard patterned after GSP, i.e., import sensitive in context of the FTA.

B. Internal Guidelines or "Trigger" Criteria

A quantitative formula (or set of criteria) could be used to trigger an injury investigation by the U.S. Government whenever FTA imports reach some threshold as determined by the formula. Alternatively, the U.S. Government could conduct an annual review of trade trends under the FTA and utilize a set of internal guidelines to decide whether to self-initiate an injury investigation. The trigger mechanism ideally would be based on changes in the competitiveness of FTA imports due to duty elimination, and would indicate the potential for disruption to domestic production. A major problem is the lack of current data on domestic production or shipments at the tariff-line level. If current data is used, the trigger will have to be based on changes in imports; the injury investigation would then look also at changes in production and other economic factors.

In general, injury from increased imports will be greater a) the higher the initial level of imports, b) the higher the initial duty rate, and c) the greater the elasticities of supply and demand. Changes in relative shares by themselves do not say much about import injury. For example, the FTA share could double by going from 1 percent to 2 percent or from 40 percent to 80 percent. Injury is more likely in the later case. The change in imports (or in import share) needs to relate to the initial level of imports or to the level of production. This suggests utilizing a set of gates based on a combination of import shares and import increases (e.g., for a 20 percent share, the trigger would be set at 30 percent; for a 40 percent share, the trigger would be set at 50 percent). Other types of formulas could also be developed. Various possible formulas could be tested based on 1983 data to determine how these criteria would have impacted if they had applied in previous years.

C. Procedures for Investigation

Under Section 201 of the Trade Act private parties directly petition the International Trade Commission to conduct an investigation to determine if imports are a substantial cause of serious injury; the ITC has six months to complete its investigation. In the case of perishable horticulture products, the CBI allows petitioners for import relief to file a simultaneous petition with the Secretary of Agriculture to request emergency relief, pending the outcome of the ITC investigation. The Secretary of Agriculture has 14 days to make a decision. The President is directed to impose temporary relief within seven days of

an affirmative finding by the Secretary of Agriculture. The Act does not provide any specific injury or trigger criteria other than the substantial cause criteria under Section 201. Emergency relief ceases to apply if the ITC makes a negative injury finding, or when the President rejects a positive ITC injury finding. In the case of non-perishable products, relief from FTA imports need not be as quick as under the CBI horticulture provisions. On the other hand, the six-month ITC investigation may be too long a period.

At a minimum, in the context of the FTA it may be necessary to consider some special procedure for handling import relief for perishable products. A different standard of injury may not be required; however, the length of time allotted for the investigation is the most critical element when such products are involved.

This option recommends that the TPSC make the initial decision on whether to self-initiate an injury investigation or to accept a private petition. The ITC could then carry out the actual investigation. Given a less rigorous injury standard (in comparison with Section 201) and the focus on one single country (Israel), the ITC should be able to complete the investigation in about three months, rather than the full six months required for a standard escape clause investigation. After the ITC makes an injury determination, the TPSC would then decide what action to take.

Option A:

Include language in the FTA permitting the application of escape clause measures on a most-favored-nation basis. Incorporate Article XIX by reference, and include an agreement that subsequent amendments to Article XIX (and/or a new multilateral safeguards understanding) would be applicable in the future. Include language under the notification and consultation measures to cover bilateral consultations on safeguard measures.

Pros:

-- Preserves our right to apply safeguards consistent with U.S. law without creating major derogations from GATT Article XXIV.

-- Does not require new legislative authority or administrative procedures.

-- Improved consultation, notification, and settlement procedures to supplement the provision can be worked out easily on a bilateral basis (e.g., under the work of the Joint Committee and as part of the provisions on dispute settlement).

-- Does not hamper broader U.S. policy objectives to seek consensus on a new multilateral understanding on safeguards.

Cons:

-- May encounter domestic/Congressional opposition because no special procedure is set up to handle more import sensitive product areas.

-- May increase pressure for product exclusions under the agreement, which would damage prospects for obtaining approval for the FTA in the GATT under Article XXIV.

Option B:

Incorporate in the FTA language providing for a "second track" safeguard procedure, using a lesser standard of injury than applies in U.S. law under Section 201. Provide for a special safeguard procedure in U.S. implementing legislation for safeguard actions taken exclusively within the context of the FTA.

Pros:

-- Would make the agreement more palatable to domestic producers and Congressional interests who are concerned about the agreement's effects on sensitive product areas.

-- Eliminates the need for product exclusions or extended staging on numerous products.

Cons:

-- Conflicts with the general concept of free trade areas contained in GATT Article XXIV.

-- Goes well beyond probable need. USITC advice indicates import sensitivity in only limited product areas. Small size of Israeli producers and limited production capacity is unlikely to result in widespread import surges in numerous products.

-- Selectivity in the approach conflicts with Article XIX and could complicate U.S. efforts to achieve international consensus on a multilateral safeguards code.

-- Opens up sensitive issues such as the appropriate injury criteria to be used in import relief cases.

-- Introduces complex new administrative procedures in the import relief process.

UNITED STATES/CANADA UNDERSTANDING ON SAFEGUARDS

1) Article XIX of the GATT permits safeguard actions on imports of particular products. Nothing in this understanding shall alter the rights and obligations of the two governments under Article XIX. The absence of agreed interpretations of certain provisions of Article XIX, in particular, paragraph 3(a), has resulted in disagreements between Canadian and United States authorities respecting the application of safeguard actions. Therefore, with a view to facilitating agreement with respect so such safeguard actions, the governments of Canada and the United States intend to follow the procedures set out below in applying any such safeguard action which affects the trade of the other party.

2) A safeguard action is defined as any such action taken under Article XIX and any similar emergency action on imports of particular products.

3) Before either party applies a safeguard action which affects the trade of the other party, it will give advance notice in writing to the other party and afford an opportunity to consult with respect to the safeguard action under consideration. The advance notice should be given as soon as possible, normally at least 30 days before the effective date of the action. It should include a detailed statement setting forth the case for action and a preliminary indication of the type of safeguard action being contemplated.

4) Consultations will inter alia consider the effect of the proposed action on the trade of the other party and the scope, consistent with the GATT, for applying the safeguard action so as to minimize adverse effects on the trade of the other party.

5) In limited and exceptional circumstances, such as those involving horticultural products, the party proposing to take an emergency action will be free to do so two working days after the date of receipt, by the affected party, of written notification.

6) Safeguard actions are to be temporary. The period for which any safeguard action is expected to be in effect shall be specified at the outset. Actions extended beyond the initial specified period will be subject to the notification and consultation provisions in this understanding. Safeguard actions, to the extent possible, should be progressively liberalized during the period of their application. Also safeguard actions should be, to the extent possible, in the form of a tariff increase, rather than a quota or other quantitative restriction. In any event, the action taken shall not be more restrictive than is necessary to prevent or remedy the injury to the producers in the country taking the safeguard action.

7) Any action taken by either party under Article XIX shall be notified to the GATT.

8) Safeguard actions covered by this understanding will be reviewed regularly. In this regard, the two governments will consult on request with a view to examining:

(a) the effect of the safeguard actions on the trade of the other party; and

(b) the economic condition of the domestic industry of the country taking the safeguard actions.

In addition, the party taking the safeguard action shall, to the extent feasible, keep under review the progress and specific efforts made by firms in the industry concerned to adjust to import competition.

9) Article XIX 3(a) permits an exporting country affected by a safeguard action of another country to suspend substantially equivalent concessions. Both governments recognize that this right is an effective discipline in ensuring that emergency safeguard actions are temporary and justified.

10) With regard to Article XIX 3(a) rights, the two governments agree that compensation is a preferred alternative to suspension of substantially equivalent concessions. The right to suspend substantially equivalent concessions pursuant to Article XIX 3(a) should be exercised as a last resort failing agreement in bilateral consultations and/or agreement on appropriate compensation.

11) The two governments agree that several factors should be taken into account by the party affected by the safeguard action in deciding to request compensation or to exercise its rights under Article XIX 3(a). The affected party will normally not request compensation or exercise its rights under Article XIX 3(a) if the party taking the safeguard action:

(a) institutes a safeguard action for three years or less; and

(b) applies a safeguard action that does not significantly affect the exports of the other party.

12) Consistent with Article XIX rights, appropriate compensation or suspension of substantially equivalent concessions should be determined on a case by case basis. Both governments shall endeavor to maintain a general level of reciprocal and mutually advantgeous concessions. Consistent with customary GATT practice, for the purpose of assessing compensation or suspension of substantially equivalent concessions, a base period will be established. Normally, this would be the most recent three year period for which statistics on actual trade are available, taking

into account any other relevant factors.

(a) Where the safeguard measure is in the form of a tariff increase, compensation or suspension of substantially equivalent concessions will be equal to the additional duties likely to be collected due to the tariff increase. The average annual imports of the product subject to the safeguard action during the representative base period should be used as a surrogate for the volume of trade of that product for each year in which the safeguard action is in effect. Other relevant factors such as the effect of the action on exports and exporters should also be taken into account in calculating the compensation or suspension of substantially equivalent concessions.

(b) Where the safeguard action is in the form of a quantitative restriction on imports, compensation or suspension of substantially equivalent concessions should be determined by a projection of trade loss based upon a straight line projection of trade using the representative base period, calculated on the basis of unit sales.

13) Consistent with GATT practice, the 90 day period referred to in Article XIX 3(a) may be extended by mutual agreement. Both governments agree that, in consultations to determine both the amount of compensation owed and a list of possible compensation items, every effort should be made to reach an early agreement, normally within eight months from the time the safeguard action was taken.

14) Both governments agree that final agreement on the list of products which shall be part of the compensation package or, if necessary, a final decision on the suspension of concessions, should normally be achieved within 12 months of the implementation of the safeguard action.

15) Unless terminated pursuant to paragraph 17, this understanding shall continue in force until such time as both parties are signatories to a multilateral safeguards understanding which both parties agree supersedes this understanding.

16) This understanding may be amended by the agreement of both parties.

17) This understanding may be terminated by either party. Termination will take place 60 days after written notification of intent to terminate is received by the other party to the understanding.

Feburary 17, 1984

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SAFEGUARDS

ATTACHMENT B

ISRAELI PROPOSAL ON A GENERAL SAFEGUARD PROVISION

Relief from Injury Caused by Import Competition

Where an article is being imported into a contracting party in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing an article like or directly competitive with the imported article, the party concerned may take appropriate measures to prevent or remedy the serious injury or the threat to the industry in question under the conditions and in accordance with the procedures laid down in Article.....(The article dealing with notification, consultation and dispute settlement.)

May 17, 1984

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PROPOSED RULES OF ORIGIN IN THE US-ISRAEL FREE TRADE AREA AGREEMENT

I. ISSUE.

The Israelis have agreed that rules of origin in the Free Trade Area agreement should be modeled on the rules contained in the Caribbean Basin Economic Recovery Act (CBERA), which modified the GSP rules of origin slightly. Inherent in this agreement-in-principle is their acceptance of our concept of "substantial transformation," which is integral to our system of rules of origin. We now need to discuss possible FTA rules of origin in detail. Recommendations on the key areas which will be under discussion follow.

II. BACKGROUND.

See attached paper.

III. RECOMMENDATIONS.

1. RECOMMENDATION ON SPECIAL RULES OF ORIGIN. That we resist the inclusion of special rules of origin in the FTA.

2. RECOMMENDATION ON IMPORTING COUNTRY CONTENT: That we agree to a 15 percent domestic content requirement relevant to both parties.

3. ISRAELI CERTIFICATION:

A. OPTION ONE ON ISRAELI CERTIFICATION: That the GSP government certification system be adapted for use in the US-Israel FTA.

B. OPTION TWO ON ISRAELI CERTIFICATION: That the CBERA non-government certification system also be used for the US-Israel FTA.

C. RECOMMENDATION ON ISRAELI CERTIFICATION: That we use a simple declaration similar to the GSP system for certification of Israeli exports to the U.S.

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4. U.S. CERTIFICATION.

A. OPTION ONE FOR U.S. CERTIFICATION: That a government certification system be set up for U.S. exports to Israel.

B. OPTION TWO ON U.S. CERTIFICATION: That a non-government certification system be set up for U.S. exports to Israel.

C. RECOMMENDATION ON U.S. CERTIFICATION: That we propose option two, a non-governmental certification system, involving a simple declaration by exporters, for U.S. exports to Israel.

5. RECOMMENDATION ON DIRECT SHIPMENT. That we inform the Israelis we agree to the inclusion of a waiver of direct shipment under certain conditions and that customs representatives of both countries should meet to discuss the direct shipment criteria for the FTA.

6. RECOMMENDATION ON FRAUD ISSUES: That the Special Committee of U.S. and Israel customs representatives also review the fraud prevention methods of the GSP/CBI systems and the EC-Israel arrangement and advise on a suitable mechanism for inclusion in the FTA.

7. RECOMMENDATION ONE ON COST OR VALUE DETERMINATIONS FOR ISRAELI EXPORTS. That the cost or value determinations be continued to be made in the same manner as under GSP/CBI.

RECOMMENDATION TWO.: That the US/Israel Special Committee of Customs Representatives also review any request the Israelis may bring forward for cost or value determinations regarding U.S. exports and report their recommendations to the TPSC.

Attachments:
1. Paper on rules of origin
2. Agreed-upon principles

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June 28, 1984

PROPOSED RULES OF ORIGIN
IN THE US-ISRAEL FREE TRADE AREA AGREEMENT

I. AGREEMENT-IN-PRINCIPLE.

As indicated in the attachment, we have achieved a measure of agreement on rules of origin: (a) that we will use GSP Rules modified along the lines of the Rules contained in the Caribbean Basin Economic Recovery Act (CBERA), (b) that the U.S. concept of "substantial transformation" will remain the underlying concept to the Rules of Origin applied in the FTA, (c) that the GSP/CBI requirements for "direct costs of processing operations" will be applicable, (d) that 35 percent local content in the beneficiary country will be the mininum percentage only in cases where the entering article is not "wholly the growth, product, or manufacture" of a party and (e) that articles or materials will not be considered to have been grown, produced, or manufactured in a Party "by virtue of having merely undergone (a) simple combining or packaging operations, or (b) mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article."

Key areas on which we have not yet reached an interagency U.S. Government position are listed below. These are to be the subject of discussion with the Israelis during the next formal round of negotiations, beginning July 9.

II. LOCAL CONTENT REQUIREMENTS.

1. WHOLLY OBTAINED. Both governments have agreed that articles which are wholly the growth, product, or manufacture of either country and which are imported directly from one party into the customs territory of the other, meet the country of origin criteria.

2. LOCAL CONTENT. The Israelis have agreed to a 35% requirement for rules of origin applied to eligible articles which are not wholly the growth, product, or manufacture of either country. They are, however, worried about U.S. articles (e.g., textiles) which may include imported inputs or materials. Consequently, the question arises whether we wish to include special rules of origin in the FTA in order to prevent illegal transshipment.

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B. RECOMMENDATION ON SPECIAL RULES OF ORIGIN. That we resist the inclusion of special rules of origin in the FTA.

PRO: The GSP/CBI rules are adequate, especially in view of the small size of our trading relationship with Israel. These rules are well known to U.S. Customs authorities and to importers and exporters. Adding special rules of origin to the FTA only complicates matters unnecessarily.

CON: The existing GSP/CBI rules of origin are not adequate because they do not meet the concerns of import-sensitive U.S. industries, who will therefore seek exclusion of their products from the FTA.

3. PERCENT OF IMPORTING PARTY CONTENT.

CBERA rules permit 15 percent of the 35 percent to be composed of materials of U.S. origin. The Israelis also wish to include the 15 percent content provision in the FTA. (Since this is a reciprocal agreement, the 15 percent importing country content in this case would also apply to Israeli inputs in U.S. exports to Israel.) Concern regarding a percentage of importing country content normally revolves around the argument that it will cost jobs in the exporting country by encouraging the export of more processing facilities.

RECOMMENDATION ON IMPORTING COUNTRY CONTENT: That we agree to a 15 percent domestic content requirement relevant to both Parties.

PRO: Total Israeli imports account for less than two percent of U.S. imports per year. Even in the event of increased Israeli imports into the U.S. as a result of the duty-free benefits of the FTA, these imports would not injure U.S. industry. Rather, in view of the (a) investment incentive this rule creates, (b) the opportunity for increased exports that results, the inclusion of a 15 percent importing country content privilege appears economically advantageous for both parties to the agreement.

CON: The extra amount of increased eligible trade resulting from the 15 percent content rule could result in a loss of jobs and/or processing facilities in the country concerned.

III. CERTIFICATION.

The Israelis have indicated that they wish to apply in the FTA the same certification system already used for their exports under GSP. However, this may require that a similar governmental certification system be set up for U.S. exports to Israel.

1. ISRAELI CERTIFICATION:

A. OPTION ONE ON ISRAELI CERTIFICATION: That the GSP government certification system be adapted for use in the US-Israel FTA.

Under GSP, the U.S. only requires the Certificate of Origin Form A, a form approved by the UNCTAD, for shipments valued at $250 or more. The exporting country supplies the form, which is completed and signed by the exporter and then certified by the designated government authority in the beneficiary country. The authorities are specifically designated and their signatures are kept on file for authentication purposes.

PRO: This system is well known by importers and exporters worldwide and a change in prefix before the TSUS numbers in the entry documentation (plus additional minor modifications which Customs might require) could adapt this system to the US-Israel FTA.

CON: U.S. Customs has long been dissatisfied with the GSP certification system and therefore has provided for an exporter's declaration and an importer's endorsement in lieu of government certification for purposes of the CBERA. Their problem with Form A revolves both around the law enforcement aspects of Rules of Origin and the fact that the CBERA requires more specific information than the GSP Form A provides. They find Form A inadequate because the source of information lies beyond their jurisdiction and because the Form A has no provision for including details on cumulation of value or on specific processing operations (i.e. relative to the CBERA limits on combining, packaging and diluting). However, both importers and exporters have objected to the new CBERA method. Customs has not yet made a decision on how it will resolve the issue to meet the concerns expressed. (See below.)

B. OPTION TWO ON ISRAELI CERTIFICATION: That the CBERA non-government certification system also be used for the US-Israel FTA.

Under the CBERA system, the exporter shows why his exports meet the rules of origin criteria and the importer states that to the best of his knowledge and belief the information provided by the exporter is correct. No government authority is involved and no official signature is required.

PRO: U.S. Customs considers the CBERA non-government system to be a marked improvement over the GSP system because the endorsement letter from the importer aids them in identifying and prosecuting possible fraud and because the greater detail concerning cumulation of value and processing operations provides a better basis for determining compliance with the country of origin rules.

CON: 1. Exporters claim that the CBERA system (as interpreted by U.S. Customs) requires them to include information in the exporter's letter which could reveal business confidential information to the importer. Importers do not want to supply an endorsement letter, because they are required to state that to the best of their knowledge and belief the information contained in the exporter's letter is correct. Since they would normally have little basis for such a judgment, they feel this statement could make them inadvertently culpable under U.S. law if subsequent Customs investigations revealed fraud on the part of the exporter. Because of the foregoing fears, both exporters and importers have sent written complaints and it appears that many are continuing to trade under GSP rules rather than switch to the CBERA rules because of the uncertainty about the certification process. U.S. Customs is presently reviewing its position on this issue, but has not yet reached a decision.

2. The interagency U.S. Operational and Policy Committees for the Caribbean Basin Initiative are favoring a return to the GSP system, since it appears the uncertainty about certification/documentation is undermining the effects of the CBERA's trade creation purpose. The Caribbean Basin Initiative was an historic decision taken in response to the great economic needs of the region. By the same token, we should not set up a system for the FTA which is so hard to use that it undermines the agreement.

3. Having different systems in effect for U.S. GSP, the CBI program, and the US-Israel FTA only adds to the confusion and is an added non-tariff barrier prospective exporters may not be able (or willing) to overcome.

C. RECOMMENDATION ON ISRAELI CERTIFICATION: That we use a simple declaration similar to the GSP system for certification of Israeli exports to the U.S.

2. U.S. CERTIFICATION.

We need to consider what type of certification system might be possible to meet the Israeli request. (The certification system should not be part of the agreement itself, but rather an ancillary understanding as this would enable future adjustments without going back to Congress).

A. OPTION ONE FOR U.S. CERTIFICATION: That a government certification system be set up for U.S. exports to Israel.

PRO: 1. Israel has requested this, and has said that they would be happy to have this authority delegated fairly widely (regional USDOC officers, state governments, Chambers of Commerce, etc.). The control mechanism of a government certification system is more secure because there is some kind of government authority behind the certification and the signatures and seals of authorizing officials are on file for authentication.

2. If the Israelis use the GSP system and we do not use a government certification system, the two systems for the FTA would be assymmetrical and consequently difficult to negotiate or enforce.

CON: 1. The U.S. geographical limits are so vast, and the possible source of U.S. exports to Israel so great, that it would be expensive and administratively difficult to set up a certifying government system which would not automatically be a significant non-tariff barrier to any increased U.S. exports to Israel.

2. A newly set up U.S. government certification system could get us caught up in issues we couldn't handle easily in the dispute settlement mechanisms.

B. OPTION TWO ON U.S. CERTIFICATION: That a non-government certification system be set up for U.S. exports to Israel.

PRO: The CBERA system which Customs prefers could be used as the model, and a simple exporter declaration in the form of a letter could be required. (A suitable format would have to be worked out which would eliminate the possibility of revelation of business confidential information.) No Israeli importer letter need be required.

CON: 1. Could result in an asymmetrical system.

2. The Israelis have requested that we set up a government certification system for U.S. exports to Israel.

RECOMMENDATION ON U.S. CERTIFICATION: That we propose option two, a non-governmental certification system, involving a simple declaration by exporters, for U.S. exports to Israel.

IV. DIRECT SHIPMENT.

The Israelis have asked that the rules of origin permit a waiver on a case-by-case basis of direct shipment of goods which have left bonded warehouses or the Israeli customs territory before entering the customs territory of the U.S. They have told us that this has been possible under the EC-Israel free trade area agreement, but the instances have been rare.

Under the EC-Israel agreement, goods originating in Israel or in the Community and constituting one single shipment which is not split up may be transported through territory other than that of the Contracting Parties with, should the occasion arise, transshipment or temporary warehousing in such territory, provided that the crossing of the latter territory is justified for geographical reasons, that the goods have remained under the surveillance of the customs authorities in the country of transit or of warehousing, that they have not entered into the commerce of such countries nor been delivered for home use there and have not undergone operations other than unloading, re-loading, or any operation designed to preserve them in good condition.

Under U.S. GSP, the eligible article must either be shipped directly from the beneficiary country to the U.S. without passing through the territory of any other country, or if

shipped through the territory of any other country, the merchandise must not have entered the commerce of that country while en route to the U.S. In all cases, the invoices, bills of lading, and other documents connected with the shipment must show the U.S. as the final destination.

Also under U.S. GSP entrepot trade is eligible for GSP under certain circumstances. Eligible articles shipped from a beneficiary developing country through a free trade zone in a beneficiary country will qualify for GSP if: (1) the merchandise does not enter into the commerce of the country maintaining the free trade zone; and (2) the eligible articles do not undergo any operations other than (a) sorting, grading, or testing, (b) packing, unpacking, changing of packing, decanting or repacking, (c) affixing marks, labels, or other distinguishing signs, if incidental to any of the foregoing operations, or (d) operations necessary to ensure the preservation of the merchandise in the condition it was introduced into the free trade zone. In such cases, two Certificates of Origin are required. In addition, an article shipped from a beneficiary developing country to the U.S. through the territory of any other country will be considered to have been imported directly providing that the article (1)is usually the growth, product or manufacture of the beneficiary developing country, (2) remains under the control of the customs authorities in the intermediate country, (3) does not enter into the commerce of the intermediate country except for sale other then at retail, and where the importation results from the original commercial transaction between the importer and the producer or the latter's sales agent, (4) has not been subjected to operations other than loading and unloading and other activities necessary to preserve the article in good condition, and (5) complies with the GSP origin requirements as stated in the Certificate of Origin Form A.

Under CBERA, the "imported directly" criterion of the GSP system has been set aside to permit shipment from any beneficiary country as long as the rules of origin have been met (i.e., including the rules governing inputs from Puerto Rico, the Virgin Islands and any Designated Country). The CBERA did not address the issue of free trade zones. Since the FTA is a bilateral arrangement only, the CBERA shipment rules are not relevant to the FTA.

RECOMMENDATION ON DIRECT SHIPMENT. That we inform the Israelis we agree to the inclusion of a waiver of direct shipment under certain conditions and that customs representatives of both countries should meet to discuss the direct shipment criteria for the FTA.

V. FRAUD, DISPUTE, ETC.

Because of the duty-free access to the EC which Israel enjoys for a wide range of products, there is some concern among U.S. agencies and industry that trans-shipment might be a future problem once Israel gained guaranteed duty-free access to the U.S. market. The possibility of fraud has already been noted in fruit juice exports. Others are concerned about trans-shipment of Asian or EC products. The Israelis are concerned about possible fraud in expanded U.S. exports to Israel (e.g., textiles, or products made in the Caribbean Basin which traverse the U.S. duty-free).

RECOMMENDATION ON FRAUD ISSUES: That the Special Committee of U.S. and Israel customs representatives also review the fraud prevention methods of the GSP/CBI systems and the EC-Israel arrangement and advise on a suitable mechanism for inclusion in the FTA.

VI. COST OR VALUE DETERMINATIONS FOR RULES OF ORIGIN:

There is a long history of standard U.S. definitions of how to determine these values. It is unlikely the Israelis will object to a continuance of our approach.

RECOMMENDATION ONE ON COST OR VALUE DETERMINATIONS FOR ISRAELI EXPORTS. That the cost or value determinations be continued to be made in the same manner as under GSP/CBI.

RECOMMENDATION TWO.: That the U.S./Israel Special Committee of Customs Representatives also review any request the Israelis may bring forward for cost or value determinations regarding U.S. exports and report their recommendations to the TPSC.

VII. RECOMMENDATION ON LANGUAGE.

That the Rules of Origin language to be contained in the FTA be along the following lines (which have been modified from the CBERA):

QUOTE

TITLE _____. ELIGIBLE ARTICLES.

(Note: There are missing paragraphs on some points which would have to be included; e.g., substantial transformation.)

Unless otherwise excluded from eligibility by this title, the duty-free treatment provided under this title shall apply to any article which is the growth, product, or manufacture of a beneficiary country if--

(A) that article is imported directly from one Party into the customs territory of the Other Party;

(B) (language on waiver of direct shipment?)

(C) in the case of articles not wholly the growth, product, or manufacture of a Party, the sum of (i) the cost or value of the materials produced in the customs territory of that Party, plus (ii) the direct costs of processing operations performed in the customs territory of that Party is not less than 35 per centum of the appraised value of such article at the time it is entered.

For purposes of determining the percentage referred to in subparagraph (C), an amount not to exceed 15 percent of the appraised value of the article at the time it is entered in the customs territory of one Party may be attributed to the cost or value of materials produced in the customs territory of the other Party.

No article or material shall be considered to have been grown, produced, or manufactured in a Party by virtue of having merely undergone--

(A) simple combining or packaging operations, or

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

As used in this subsection, the phrase "direct costs of processing operations" includes, but is not limited to--

(A) 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; and

(B) dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the specific merchandise.

Such phrase does not include costs which are not directly attributable to the merchandise concerned or are not costs of manufacturing the product, such as (i) profit, and (ii) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture, or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions or expenses.

UNQUOTE

The duty-free treatment provided by this Agreement shall apply to any article which is the growth, product, or manufacture of a beneficiary country if--

(A) that article is imported directly from one party into the customs territory of the other; and

(B) the sum of (i) the cost or value of the materials produced in the exporting country, plus (ii) the direct costs of processing operations performed in the exporting country is not less than 35 per centum of the appraised value of such article at the time it is entered; and

(C) it has been substantially transformed in the exporting country into a new and different article of commerce.

No article or material of a beneficiary country shall be eligible for such treatment by virtue of having merely undergone--

(A) simple combining or packaging operations, or

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

As used in this subsection, the phrase "direct costs of processing operations" includes, but is not limited to--

(A) 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; and

(B) dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the specific merchandise.

Such phrase does not include costs which are not directly attributable to the merchandise concerned or are not costs of manufacturing the product, such as (i) profit, and (ii) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture, or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising and salesmen's salaries, commissions or expenses.

We may wish to consider whether, and to what extent, the cost or value of components produced in the exporting country may count toward the 35 percent value added requirement.

III. D. AGRICULTURAL SUBSIDIES

Issue

It recently has been proposed that Israel discipline its use of agricultural subsidies as a part of the FTA agreement.

Recommendation

This paper makes no recommendation at this time. The TPSC is asked to consider this issue at this time and to decide whether a request should be presented to the Israelis on this aspect.

Discussion

In previous discussions with Israel on export subsidies, agricultural subsidies have not been included in the scope of programs reviewed. In both the preliminary discussions held with the GOI on possible accession to the Subsidies Code and in discussions of this topic thus far in the free trade area context, U.S. negotiators proceeded on the assumption that developing countries have not been required to make a commitment on the elimination of agricultural subsidies, export or otherwise, under the U.S. Subsidies Code Commitments Policy. The only provisions of the Subsidies Code relating to developing country agricultural export subsidies involve more traditional GATT determinations of effect, rather than prohibition of such subsidies.

Our negotiations with Mexico to reach a bilateral understanding on export subsidies are the first where the United States has requested a developing country to go beyond GATT obligations in eliminating subsidies on agricultural products. It could be argued that since Mexico is not a member of GATT, and since the agreement is purely bilateral, it was permissible to include additional requirements in the agreement that have not been asked of other developing countries seeking to make commitments under the Subsidies Code. However, Israel is a GATT member.

On the other hand, the free trade area agreement is a bilateral arrangement which could admit special requirements agreeable to both parties.

According to Embassy Tel Aviv, Israel drastically reduced most of its agricultural subsidies in the last year. Based on information in official GOI statistics, the total of agricultural subsidies granted in 82/83 was $834.9 million, compared to $2.3 billion granted in the preceding period (October 1 - September 30). This represents a reduction, in the aggregate, of 60 percent.

However, these figures include a number of purely domestic subsidies, such as payments for animal feed and water. They also include allocations for consumer subsidies (for instance on bread) to reduce purchase prices of goods at the retail level. If only agricultural export subsidies are included, the total of these granted in 82/83 was $126 million, compared to $533 million for 81/82, for an aggregate decrease of 76 percent.

The export subsidy programs include the setting of minimum prices for exported products (funded partly by the GOI and partly by the agricultural cooperatives); subsidized loans to agricultural producers for equipment, such as greenhouses; and investment incentives similar to the Regional Development Program for industrial investment. There also is an exchange rate insurance scheme in place. The Embassy does not believe that this is a subsidy because exporters pay premiums for the insurance. We will obtain more information on this program next week.

The value of total agricultural output in Israel for the 81/82 period was $2.4 billion; in 82/83, this amount increased slightly to $2.8 billion. In 82/83, the value of export subsides in relation to total agricultural output was less than 5 percent.

We would be throwing a new issue on the table at this point in the negotiations if we request that the Israelis eliminate agricultural export subsidies. While it is doubtful that they would have a complete response for us on the point at the July round, we can be sure that they would request reciprocal action from the United States.

While legally we may be able to allow Israel to continue its use of export subsidies on agricultural products, such a course of action would cause a negative reaction, possibly a very serious one, in the agricultural community. We are proposing that there be no exclusions from product coverage. This is despite ITC advice that several farm products are likely to be negatively affected. To disregard the ITC advice and then remove the protection from subsidies that many thought was provided by the 1979 Trade Act would be a double blow that could generate opposition to the FTA.

We have argued since the beginning of these negotiations that both sides would eliminate tariff and non-tariff barriers to each other's trade. In this context, the GOI has consistently requested the removal of U.S. quota restrictions on dairy products under Section 22 of the Agricultural Assistance Act. We have told them that we consider Section 22 outside the scope of the Agreement since we have a GATT waiver for the arrangement. They have noted that their small agricultural subsidies likewise are legal under the terms of the GATT. If and when this issue is raised, we must be fully prepared to respond on the Section 22 case as well as on other agricultural support programs maintained in the United States.

III. E SERVICES

Objectives for Services at July 9 Negotiations

The United States will address two issues in which the Israelis requested clarification: (1) Meaning of "best efforts" statement and (2) Reasons for excluding immigration issues from the FTA. We will not be able to address exceptions on July 9 because additional time is necessary to complete consultations within the USG on this item. Since part of our consultative process is in financial services and banking, it should be made clear that these two sectors are excluded from the discussion.

The last meeting was devoted mainly to a U.S. presentation on the services proposal with little substantive input from the Israelis. We expect the Israelis will provide their own views in more detail at the July 9 meeting, which will enable us to have a better idea as to their outlook on the services provision. It may be recalled that in May the Israelis were requested to provide information on the following:

- Regulation of services outside the central government;
- Structure of public or quasi-public service monopolies; and,
- List of exceptions to the principle of national treatment.

Thus, the July 9 meeting should focus principally on Israeli thoughts as well as two items we are prepared to address at this time. We would expect to be able to discuss specific sectoral coverage at the August negotiations.

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Final

SERVICES PROPOSAL

CLARIFICATION OF "BEST EFFORTS" COMMITMENT BY THE FEDERAL GOVERNMENT

Issue

At the May negotiations of the FTA in Jerusalem, Israeli officials expressed particular concern over how the USG could fulfill its part of the services provisions of the FTA in view of state regulatory responsibility over a number of service sectors. In this context they requested clarification of the meaning of "best efforts" in the following statement that appeared in the USG Proposal on Services (p. 3):

> "While the Federal Government of the United States cannot commit the separate State Governments to observe the national treatment provisions for services of the Free Trade Area agreement, the Federal Government will undertake its best efforts to ensure that State Governments conform with the relevant provisions on services of the Free Trade Area agreement."

Recommendation

That the TPSC direct the U.S. negotiators to outline to the Israelis the U.S. Government's position on the "best efforts" commitment by the Federal Government on services in the FTA Agreement.

Background

In negotiating national treatment for services trade between the U.S. and Israel in the FTA, we need to keep in mind that Israel, where services sectors are regulated mainly by the central government, foresees that it could be asked to assume wider obligations than the United States, where many service sectors are regulated by state and local governments. In those instances, the Federal Government will not accept obligations under the FTA Agreement committing the states to specified action.

Discussion

In fulfilling its "best efforts" commitment in the FTA agreement, the Federal Government will explain to state governments the nature of the international obligations on services in the FTA and the likely benefits of such an arrangement to U.S. services firms.

While recognizing that services sectors in a number of cases are regulated by the States, the Federal Government will:

-assume the role of receiving industry complaints on services from the GOI;

-inform concerned States of those issues raised by the GOI; and

-recommend, in those instances where the States enact laws or regulations that are, in the opinion of the Federal Government, inconsistent with the principles of the FTA, that the States reconsider their actions.

In issues involving State Governments, the Federal Government will act as a liaison between the GOI and the States to communicate GOI concerns to appropriate State authorities; in some instances, the States may wish to discuss the issue directly with the GOI in cooperation with the USTR.

While the Federal Government's authority in the area of State regulatory policy goes no further than to persuade the States of the importance of being consistent with our international obligations, there are in fact few State regulations that deny market access to a foreign firm providing the service from abroad. In most cases, State regulatory policy does not discriminate between U.S. and non-U.S. providers of that service.

However, the FTA provides principles as well as a process of consultations for dealing with those situations where dialogue and, where appropriate, persuasive efforts can be made to encourage local governments to act in harmony with the FTA. Once that process is exhausted and the GOI determines that the State or local practice has a truly significant impact, it would be in a position to take steps to redress the balance of concessions in the FTA.

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SERVICES PROPOSAL

CLARIFICATION OF EXCLUSION OF IMMIGRATION ISSUES FROM THE SERVICES PROPOSAL

Issue

At the May negotiations of the FTA in Jerusalem, Israeli officials requested clarification of the following statement that appeared in the USG Proposal on Services (Appendix A):

"Note that trade in services issues are independent of immigration questions, which are concerned with the movement of persons across national boundaries."

Recommendation

That the TPSC direct the U.S. negotiators to outline to the Israelis the U.S. Government's position on why a trade negotiation is not the appropriate forum in which to discuss immigration issues.

Discussion

While the movement of salesmen or professionals with specific skills across national borders is in many instances critical to the ability of a company to conduct business internationally, current international trade rules do not deal with visa questions.

Laws that restrict the movement of workers beyond national borders reflect community standards on a broad range of social, economic, and political issues. These issues override trade considerations in the development of immigration policy, and visa questions have traditionally been covered under bilateral agreements such as FCN Treaties or bilateral visa or consular agreements.

Although we recognize that services trade may depend even more heavily on the movement of people than merchandise trade (professionals in the banking, insurance or telecommunication areas, for instance), the United States does not believe that it would be useful or appropriate to negotiate immigration problems in a trade forum.

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PROPOSAL

Services Trade Provisions in the U.S.-Israel Free Trade Area

Purpose

The purpose of this proposal is to assure market access for exports of services between the United States and Israel.

When entering into a free trade area arrangement, the signatories agree to remove border measures that restrict trade between their countries, consistent with legitimate governmental social and national security objectives.

In the case of services, which are often highly regulated, trade may be restricted by internal measures as much as by measures imposed at the border. For this reason, provisions in the U.S.-Israel Free Trade Area specifically relating to services trade are intended to prevent undue, discriminatory restrictions on market access for services. While domestic regulations may be legitimate and necessary, some measures may be discriminatory.

Proposal

I. The key elements of this proposal are the principles of National Treatment and Transparency for trade in services.

While recognizing the legitimacy of governmental authority to regulate domestic business, we want to assure that internal regulations are not administered in a discriminatory manner and do not place unnecessary burdens on foreign service firms. To do so, the objective of market access for services exports needs to be buttressed by the principles of national treatment and transparency for services.

A. National Treatment for Trade in Services

The principle would assure that a foreign supplier is able to market or distribute his service under the same conditions as a like service provided by a domestic supplier. When a commercial presence in the domestic market is necessary in order to provide a service from abroad or is required by the host government, nationals of each party shall receive national treatment in the right to such a presence in order to provide that service.

Examples of national treatment for trade in services include the following:

-Foreign-processed data could be distributed locally, subject to the same regulations as are imposed on locally-processed data.

-A foreign insurance company would be able to offer for sale its insurance services, subject to special fiduciary requirements imposed by governments on insurance firms outside their administrative jurisdiction.

-A foreign motion picture distributed locally would be subject to the same tax as is imposed on a local film.

-A foreign consulting firm

-- whose service is not locally regulated, would be able to provide its service locally, without any restrictions;

-- whose service is locally regulated, would be able to provide its consulting service on the domestic market consistent with local regulatory practices.

1) Role of public and quasi-public monopolies

While the national treatment principle for trade in services is not intended to prevent supervisory authorities of either Party from establishing public monopolies with reserved special rights, outside their reserved area such monopolies have the obligation not to discriminate against competing foreign firms. This means, for example, that a public or quasi-public monopoly may not

-charge discriminatory rates for services reserved to it by the Government when a foreign enterprise needs such services for activities not covered by the public monopoly.

-abuse its market position when competing outside its specially reserved area with a foreign enterprises.

2) Special requirements provision

The national treatment principle for trade in services is not intended to supersede the authority of State or regulatory bodies outside the Federal Government of the United States, as in the areas of insurance and professional services.

While the Federal Government of the United States cannot commit the separate State Governments to observe the national treatment provisions for services of the Free Trade Area agreement the Federal Government will undertake its best efforts to ensure that State Governments conform with the relevant provisions on services of the Free Trade Area agreement. The Federal Government recognizes that these efforts are necessary if other nations are to make meaningful commitments in these areas.

3) Exceptions to the principle of national treatment

Each party reserves the right to limit the extent to which foreign-based service firms may export services to the territory of the other in the following service areas: (TO BE COMPLETED)

B. Transparency for Trade in Services

Without ready access to regulatory information, foreign companies could be denied a meaningful opportunity to compete fairly in the local market. Transparency for services would assure that regulations of service sectors would be open and unambiguous and not have the potential to hamper or distort trade in services.

II. Consultation Procedure and Dispute Settlement Mechanism

The U.S.-Israel Free Trade Area agreement will include a consultation procedure and enforcement mechanism that will apply equally to goods and services, unless otherwise noted.

Appendix A

Services encompass, but are not limited to, risktaking (insurance, financial activities 1/ intellectual and creative efforts, (professional services, 2/ computer software and motion pictures), technology (consultants, data-based activities, engineering, technical knowhow), infrastructure industries (banking, 1/ communications, transportation), and tourism industries (tour operators, hotels, recreational facilities).

Trade in services takes place when the service is exported from the supplier country or is purchased by a resident of the importing country. Note that trade in services issues are independent of immigration questions, which are concerned with the movement of persons across national boundaries.

By contrast to merchandise trade, which involves the physical transfer of goods across national boundaries, the delivery of services across national frontiers is carried out in several different ways. The foreign supplier of the service may

- arrange for a local agent in the importing country to distribute the service locally, in the name of the foreign supplier where so desired; where subject to local regulations, the foreign supplier may distribute his service directly;

- arrange for delivery of the service to the purchaser in the supplier country;

- incorporate the service in a good which is shipped across national boundaries;

- deliver merchandise and persons or transmit information or data between countries.

1. For the time being, financial services and banking will not be among the services included in this disucssion; these services may be considered at a later date. Should these services ultimately be included within the Free Trade Area arrangement, it may be necessary to modify the principles contained in this proposal as they apply to financial services and banking.

2. Professional services include, but are not limited to, the legal, medical, accounting and construction/engineering professions.

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III. F. INFANT INDUSTRIES

Issue

In March, the Israelis indicated their interest in including a provision in the free trade area allowing for protection of infant industries. At the time, U.S. negotiators responded that, if such a provision were to be a part of the agreement, that the protective measures could only be applied during the phase-in period of the FTA. We did not indicate that we would agree to an infant industries provision in the agreement. This paper sets out some considerations on such a provision for TPSC review.

Recommendation

That the TPSC authorize U.S. negotiators to propose a provision for infant industries as outlined in Option B, **should the Israelis request that such a provision be included during the July round.**

Options

A. No provision.

B. Respond with a provision much like the one in the EC - Israel Free Trade Area agreement, allowing for some **tariff-based** protection under limited conditions and only on **new** industries.

C. Accept the Israeli proposal from the March negotiations.

Discussion

During the March negotiations, the Israelis proposed that an infant industries provision be included in the free trade area agreement. We did not respond to their proposal at the time, since our preference was to have no such provision in the agreement. We did observe, however, that it was our legal interpretation of GATT Article XXIV that protective measures for infant industries could only be taken in the context of an **interim agreement** leading to a free trade area, i.e., during a phase-in period of duty-free concessions. It was our view that any such measures would have to be dismantled prior to the agreement's final implementation. The Israelis agreed with this interpretation.

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We believe the Israelis will again raise their interest in having an infant industries provision in the U.S.-Israel free trade area agreement. We have examined closely the article pertaining to infant industries in the EC-Israel agreement, and we believe that a provision modeled along its lines would not harm U.S. interests. The EC-Israel agreement allows Israel to increase the 1975 base rate of duty temporarily on up to ten percent of the value of Israel's imports from the European Community. Staging of concessions was then based on the revised rate. All such measures must be removed by the time the agreement is finally staged in, on January 1, 1989. The increased tariffs would only be allowed to apply to new industries, i.e., industries not in existence at the time the agreement first entered into force. We have asked EC representatives about their experience with this part of the agreement, and they tell us that the Israelis have not abused the privilege, and that it has not been the basis for any contention in their agreement.

Option A -- Discussion

It was our original negotiating strategy to resist including an infant industry provision in the free trade area agreement. Until we knew more details about the possible product coverage and staging to be considered under the FTA, it was not possible to assess how such a provision might affect our interests. We have said from the beginning that if we were to consider such a provision in the agreement, infant industry measures, as allowed under GATT Article XVIII, could only be allowed during the phase-in period of the agreement.

Not allowing protection for infant industries under the agreement would remove the uncertainty that will occur if Israel has the authority to change tariff rates on certain products under such a provision. On the other hand, a carefully limited infant industry provision, patterned after that contained in the EC-Israel agreement, may give the Israelis the flexibility they feel they need to protect new industries without harming U.S. export interests.

Option B -- Discussion

Article 3 of Protocol 2 of the EC-Israel free trade area agreement sets out the limits to be applied to Israel in taking infant industry measures (see attachment). Duty increases are limited to 20 percent ad valorem. The total value of the products on which such measures may be applied is limited to the aforementioned 10 percent of Israel's imports from the EC in a certain base year, in this case, 1973.

only following consultation in and after agreement within the Joint Committee. The measures may only be applied to industries not in existence when the free trade area entered into effect. Twenty-four months after Israel introduces, increases, or re-introduces such customs duties, Israel must begin to reduce the measures by 5 percent per year, and they must be eliminated by January 1989.

This provision is very specific and carefully lays out the limits within which Israel can take protective measures to aid infant industries. The U.S. proposal should contain the following elements:

1. a limitation on the amount by which customs duties may be increased;

2. a limitation on the total amount of trade which can be affected by such measures during the phase-in period;

3. as in the EC-Israel agreement, a stipulation that the measures may only apply to products of industries **not in existence** on the date of entry into force of the U.S.-Israel agreement;

4. set out the procedures (i.e., notification, consultation, agreement) under which Israel may take such actions and a specific deadline after which no further measures may be taken;

5. a timetable for the phase-out and eventual elimination of all such measures

If the Israelis request that an infant industries provision be included in the agreement, U.S. negotiators at this round could indicate to the GOI del the above elements that we believe are necessary to include in such a provision. We suggest that the formulation given in the EC-Israel agreement is a reasonable one to adopt. Thus the limits in points (1) and (2) above would be 20 percent ad valorem and 10 percent of Israel's imports from the United States in 1983.

Option C -- Discussion

In March, the GOI proposed the following language for an infant industry provision:

> Insofar as its industrialization and development make protective measures necessary, Israel may introduce, increase or re-introduce customs duties in conformity with relevant GATT provisions.

This formulation is a broad one. Although it limits the actions which can be taken to the increase of customs duties, it does not specify any quantitative limits on how much or on what amount of trade duties could be increased, as was done in the EC-Israel agreement. For this provision to be acceptable to us, we should modify the Israeli proposal to limit the scope and magnitude of tariff increases allowed and limit their application only to truly infant industries, i.e., those not in existence at the time the U.S.-Israel free trade area agreement enters into force.

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III. G. LICENSING

ISSUE

During the May round of negotiations on the U.S.-Israel Free Trade Area, U.S. negotiators agreed to provide some suggested language on licensing for a separate provision of the agreement which would apply to licensing measures that are not either pure balance-of-payments actions or GATT Articles XX exceptions. The USG needs to approve such language for presentation to the GOI at the July round.

RECOMMENDATION

That the TPSC approve the language in the proposal below for presentation to the Israelis during the July round of negotiations on the free trade area.

BACKGROUND

U.S. concerns about Israel's licensing system center on the apparent arbitrariness with which the system has operated in the past. We want to ensure that the trade benefits we expect to receive from the FTA are not negated (or reduced significantly) by restrictive import licensing on Israel's part. In particular, we want to limit the circumstances under which they can resort to licensing.

Historically, the Israelis have notified all their licensing restrictions to the GATT as measures taken for balance-of-payments reasons. Our approach thus far to licensing in the FTA negotiations has been to obtain as much information as possible on the operation of Israel's import licensing system and the specific reasons why individual products are subject to import licensing. The Israelis have admitted using licensing for a variety of reasons, including for infant industry purposes. We expect to receive an annotated list from the GOI during this round indicating the specific reasons for which items have been licensed.

The GOI submitted material on their licensing system to us during the May round (attached). We requested the GOI to submit material to ensure transparency and to aid our understanding of the quantities of imports to be permitted under licenses. Embassy Tel Aviv is currently translating some materials that were provided by the GOI at the last round.

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The suggested language below follows up on the U.S. proposal that there be a separate provision in the agreement on licensing measures which are not taken purely for balance of payments reasons or which do not fall under Article XX exceptions.

Proposal

The United States and Israel agree that licensing requirements will not be imposed on each other's trade, unless the licenses are:

-- automatically approved; or

-- necessary to administer a quantitative ceiling on imports justified under another provision of the FTA Agreement; or

-- necessary to administer dietary restrictions (kosher requirements).

Under the FTA, quantitative restrictions may not be imposed in order to develop infant industries.

The United States and Israel will provide each other with a list showing which items are subject to automatic import licensing and which are subject to non-automatic licensing. Changes in lists of products subject to automatic or non-automatic licensing will be notified to the other party on a regular basis and will include a specific justification for each change.

If, after entry into force of the FTA, an import license for an item on the automatic list is denied, that item will be regarded by the parties to this agreement as subject to non-automatic licensing. Notification of denial of a license for an item on the automatic list will be provided to the other party to this agreement within 60 days of the denial, along with a justification for the non-automatic status of that item. In addition, that item will be subject to the provisions of the FTA Agreement on administration of non-automatic licenses, described below.

In the administration of all licensing requirements applied to each other's trade, for whatever reasons, the United States and Israel will adhere to the provisions of the GATT Licensing Code contained in Article 1, General Provisions; Article 2, Automatic Import Licensing; and Article 3, Non-automatic Import

Licensing. Where the code makes reference to requirements for reporting to GATT Contracting Parties, the United States and Israel agree to observe such requirements between themselves and to consult with one another on matters concerning licensing in the Joint Committee on a regular basis, or as necessary at the request of either party.

ISRAEL IMPORT LICENSING SYSTEM
Basic document for the FTA negotiations with the USA

1. Legal and administrative basis of the import restrictions

The Import Export Ordinance (New Version) 1939 provides the legal basis for Israel control and regulation of the foreign trade.

The Import Licensing Order 1939 commits all imports to licensing. However, the bulk of imports is now covered by the Free Imports Order 1978, issued by the Minister of Industry and Trade on 20 July 1978.

Individual import licences, where still required, are issued by the "Competent Authorities" - officials designated for that purpose by the Ministers concerned (Industry and Trade, Agriculture, Transport, Health, Welfare, Communications, Education and Finance).

As of 6 June 1978 the Free Imports Order permits the import of all commodities, except those specifically mentioned in the first annex to that order.

2. Relevance to the provisions of the GATT

All products covered in the Israeli licensing regime are included in the list attached to our basic document presented to GATT contracting parties before the periodical consultation on Israel's B.C.P. restrictions. In all consultations held so far, the list and the restrictions were fully discussed and subsequently approved by the Contracting Parties on the basis of articles XII and XVIII of the GATT.

3. Purpose and application of import licensing

Although GATT justification for Israel's import licensing is mainly based on the necessity to safeguard Israel's balance of payments, import licensing serves also other purposes, which are taken into consideration as leading criteria for the issue of the import licence by the Competent Authority. Thus, import licences are, granted after ensuring that the products to be imported fulfill such criteria, which are well known to importers and are incorporated in laws and regulations. Items subject to import licensing can be therefore grouped according to the purpose of licensing requirements :

a) Enforcement of agricultural planning, including quantitative restrictions of domestic production.

b) Protection of human, animal or plant life and health. Several products are subject to import licensing for this reason, namely live animals, seeds, chemicals used in the manufacture of medicaments and so forth.

c) Enforcement of currency regulations and prevention of tax evasion such as import and export restrictions on gold and platinum.

d) Customs enforcement, to prevent undue classification of imported products, such as classification of dutiable imports under a duty free tariff item.

e) Ensuring proper after-sale servicing and compliance with safety standards, as required by internal regulations (e.g. imports of motor vehicles).

f) Ensuring the supply of essential products and the maintainance of adequate stocks (e.g. imports of fuels and some basic foodstuffs).

g) Protection of public morals

4. Administration of import licensing

Import licensing system is de facto administered in compliance with the Agreement on import licensing procedures.

a) Eligibility of persons , firms and organizations for the submission of an application for an import licence is clearly defined in the Import and Export Order (Foreign Trade Occupation) 1981.

b) There is only one type of application form. It is simple and readily available in each of the Ministries concerned. (A copy was given to U.S. delegation)

c) For each item subject to import licensing, there is only one Competent Authority designated for that purpose by the Minister concerned.

d) No penalties are imposed for omissions or mistakes in the application form, nor is the application refused because of minor documentation errors or omissions.

e) As a rule, custom clearance of licensed imports is not refused because of minor variations in value or quantity or weight.

f) Foreign exchange is always available for all imports, including licensed imports, as indicated in our Basic Document for the GATT B.O.P. Consultations.

g) According to internal regulations, the period of time for processing an application will not take longer than 14 days from the date of application, except for irregular instances, such as in case of incomplete documentation.

h) In the event that the applicant is dissatisfied with the decision of the Competent Authority, he may plea also before the High Court of Justice.

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III. H. ISRAELI OFFSETS

Options on Dealing with Israeli Offset Policy

Policy

During our May meetings in Jerusalem, we received an extensive briefing on Israel's current offset policy. The GOI raised "Buy America", but then in effect recognized that they also had some "Buy Israel" practices. We need to decide how to deal with Israel's government procurement practices in the context of the FTA.

The following discussion applies only to civilian government procurement. Military procurement and any area covered by the current Israeli-US MOA are outside the scope of this discussion.

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Recommendation

1. That we ask the GOI for a description of present "Buy Israel" regulations and/or practices.

2. That we review those practices to see whether there are any specific ones important enough to raise in the context of the FTA.

3. That our initial position on Israeli offset policy in the context of the FTA be guided by option 1 below.

Discussion

During our May meeting in Jerusalem, the GOI raised Buy America practices, but then admitted that they too maintained Buy Israel practices. We need to know more about what these practices are, whether they are legally required, and how they are administered. We should, therefore, ask the GOI for a

presentation on their Buy Israel practices. Since it is most unlikely that we would be able to change our Buy America requirements, we will need to be somewhat modest in any requests that Israel significantly modify its Buy Israel practices, but should review whatever information the Israelis give us to make sure that the system is one we can deal with on the Hill if it is raised in the context of the FTA. In any event, by treating "Buy Israel" separately from offsets we should be able to deflect any Israeli effort to link offsets to Buy America.

In discussing Israel's offset practices, the GOI explained that/it is strictly a "best efforts" policy, ,as regards the United States, that/it comes into play/only ,it is after a successful bidder has been identified, if and when that the amount of the requested offset is limited to 35% of the contract amount, and that there is no penalty or warranty clause. This policy, they said, does not apply to purchases covered by the Government Procurement Code.

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We have several options for dealing with this policy:

1. Ask the GOI to treat US source civilian procurement in the same manner it treats Code covered procurement, i.e., that it not apply any kind of offset policy.

Pro:

-- Would provide the greatest degree of trade opportunity for American exporters.

Con:

-- The GOI would strongly resist. A prolonged hassle on this subject could distract attention from inherently more important negotiating issues.

2. Ask the GOI to commit itself in writing to limitations on its offset policy for US suppliers which essentially match the description they have already given us of their policy.

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Under this option, we would envisage a provision of the agreement spelling out that Israel would not use offset requests as a means of choosing between US and other foreign suppliers; that their policy would continue to be a "best efforts" policy, that there would be no penalty or warranty clauses, and that the percentage of contract for which offsets could be sought would be limited to 35%. In addition, we would retain the right to raise problems involving offset requests under the agreement's consultations procedures.

Pro:

-- Provides leverage for US businesses to resist offset pressures at pre-award phase of contracting.

- Would prevent the GOI from changing its policy to our detriment at a later stage;

-- Is probably obtainable.

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Con:

-- Does not eliminate Israel's offset practices.

3. Ask the GOI to incorporate into the FTA language on offsets drawn from the Government Procurement Code:

Article V 14 (h) states that "Entities should normally refrain from awarding contracts on the condition that the supplier provide offset procurement opportunities or similar conditions. In the limited number of cases where such requisites are part of a contract, Parties concerned shall limit the offset to a reasonable proportion within the contract value and shall not favour suppliers from one Party over suppliers from any other Party. Licensing of technology should not normally be used as a condition of award but instances where it is required should be as infrequent as possible and suppliers from one party shall not be favoured over suppliers from any other Party."

Pro:

-- The Code language has international standing and has already been accepted by the GOI in the context of their Code membership.

-- Emphasis is on avoiding offsets, albeit in a very mild way.

Con:

-- Because it is less specific and more hortatory than option 2, this option could permit the GOI to tighten up on its offset requests, for example by increasing the percentage of coverage.

-- Use of this particular provision of the Code without the rest of the Code provisions would be somewhat anomalous; and incorporation of the whole Code would widen the scope of the negotiations to include Buy America.

-- US plans to propose complete prohibition of offsets under the Government Procurement Code as part of on-going renegotiations of the Code. Uncertainty about the outcome of this effort could complicate negotiation of the FTA.

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III. I. ADJUSTMENT OF SPECIFIC DUTIES

Issue

Israel has requested that a provision allowing for the adjustment of specific duties, consistent with GATT Article II.6(a), be included in the free trade area agreement. The USG needs to respond to this proposal.

Recommendation

That the TPSC decide to accept the proposed GOI language for a provision on the adjustment of specific duties in the U.S.-Israel free trade area agreement.

Discussion

About 10 percent of Israeli duties currently are specific. Israel has stated that due to the (historic) rapid devaluation of the shekel, that it will be necessary to adjust specific duties in line with inflation (currently running at about 300-400 percent) under the terms of the free trade area. They propose to make such adjustments as authorized under Article II.6(a) of the GATT. The Israelis further stated that they would use the duty rate established as of the last adjustment as the base rate for the next adjustment.

Obviously, as the Agreement is phased in and duties move to zero, this provision will become obsolete.

PROPOSAL

Assuming that Israel continues to adjust specific duties as permitted under GATT Article II.6(a), the U.S. agrees that a provision allowing for such adjustments to be made should be included in the U.S. - Israel free trade area agreement. Accordingly, the United States can accept for inclusion in the agreement the following preliminry language suggested by Israel:

> In case the exchange rate for the currency in which specific duties and charges are expressed is reduced by more than 20 percent, such specific duties and charges may be adjusted to take account of this change.

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TRADE POLICY STAFF COMMITTEE

DRAFT Document 84-89

SUBJECT:

U.S.-Israel Free Trade Area Negotiations:
Product Coverage and Staging

SUBMITTED BY:

Office of the United States
Trade Representative

DATE: July 3, 1984

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U.S. - ISRAEL FREE TRADE AREA
PRODUCT COVERAGE AND STAGING NEGOTIATIONS

ISSUE:

The United States and Israeli delegations will meet in Washington July 9 - 14 to resume negotiations on the U.S.-Israel Free Trade Area. These negotiations will address product coverage and staging of products for the first time. The U.S. delegation needs guidance on the product coverage for the agreement, a proposal on principles to follow for staging and several possible staging scenarios which could be tabled at the negotiations to explain our suggested approach to staging.

RECOMMENDATIONS:

1. That the TPSC approve the general staging approach outlined on **page 7** and recommend that the delegation explore this approach with the Israelis.

2. That the TPSC approve the specific product related staging recommendations forwarded by the Task Force and outlined in **Appendix IV** as an indicator of the eligibility of these products for special treatment. The Task Force assumes in its recommendation that these products may be given longer staging if such staging is required for balancing or negotiating purposes.

3. That the TPSC provide guidance to the negotiating team on the desired treatment of products for which they were unable to reach agreement (outlined **pages 8-9** and **Appendix V**).

4. That the TPSC approve the initial list of priority request items outlined in **Appendix VI** as an indicative, but not necessarily exhaustive list of products for which we want expedited staging or staging no less favorable than that received by the European Community from the time of entry into force of the U.S.-Israel agreement through January 1, 1989.

5. That the TPSC approve the inclusion of textiles in the agreement with the assumption that textile quotas could be applied under the MFA if the elimination of tariffs on these products resulted in significantly increased Israeli imports of textiles and apparel and caused severe problems.

BACKGROUND:

To date, negotiations on the U.S.-Israel Free Trade Area have not addressed the issues of product coverage and staging in any detail. In January, the U.S. delegation informed the Israelis that we could not begin tariff negotiations on products until we had received advice from the U.S. International Trade Commission on the probable economic effects of eliminating duties on products from Israel. As a result, the only discussions of these issues have focused on general principles such as our mutual agreement that both parties will meet the GATT tests laid out in Article XXIV to cover "substantially all trade" and stage the agreement in within a reasonable period of time. In March, we agreed to a few general guidelines on product coverage in a non-paper which noted that product coverage should include industrial and agricultural products, that staging should be used as a key mechanism for giving sensitive products on both sides time to adjust to the FTA and that both parties should endeavor to have comparable benefits during the transition period. We also have a general agreement that binding of a particular tariff at zero under the FTA is a concession, even if the product in question now benefits from a unilaterally granted duty free status (such as GSP products and products where Israel may have unbound tariff eliminations).

Discussions on the staging of the agreement have been general and have not been linked to any particular products. Last year the Israelis tabled an initial staging proposal which heavily favored longer staging for U.S. products entering Israel. The U.S. delegation tabled a counter-proposal in February (TPSC 84-16). However, only preliminary and theoretical discussions have been held on the issue thus far. Product coverage and specific staging negotiations will begin on July 9.

I. Staging

The current U.S. staging proposal is based on a number of assumptions:

1) The U.S.-Israel FTA will meet the criteria of GATT Article XXIV;

2) Only a minimal number of products will be labeled "sensitive" and these will be handled through longer staging;

3) Both the United States and Israel will receive roughly equal benefits throughout the staging period;

4) Israel's legal obligations under their FTA with the European Community should be taken into account (e.g. Israel can not give U.S. exporters an advantage by faster duty reductions

than that applicable to products covered in the EC arrangement;;

5) The United States will receive equal treatment with the European Community throughout the staging period.

6) The MFN duty rate (except for the 1975 Understanding products where Israel's rate to the EC on January 1, 1984 will apply) in effect on January 1, 1984 will be the basis for staged duty reductions.

7) The proposals should be kept simple.

U.S. STAGING PROPOSAL CURRENTLY ON THE TABLE (TABLED 2/14/84)

U.S. Imports From Israel

1) Products MFN duty free (1982: $650 million or 56 percent of total U.S. imports from Israel) would be maintained at zero upon entry into force of the agreement. This category includes diamonds, aircraft and potash.

2) Duties on most products not already MFN duty free would be gradually reduced to zero by January 1, 1989. This category could include some of the products presently under GSP (1982: $448 million or 39 percent of U.S. imports from Israel). Assuming GSP is renewed, Israel would continue to be eligible for GSP subject to product graduation and competitive need limits. Staging of the duty reductions would parallel Israeli duty reductions in Category 2 (below).

3) Duties would be reduced to zero within ten years of entry into force of the agreement on the most sensitive items, to be identified by the ITC and private sector advice.

Israeli Imports from the U.S.

1) Duties on 50 percent of U.S. exports to Israel (1982: $750 million) would be maintained at zero upon entry into force of the agreement. This would include duties already MFN duty free (22 percent). Other products to be included in this category could be identified by the U.S. based on market opportunities and competitive advantage.

2) Duties on an additional 40 percent of U.S. exports to Israel would be gradually reduced to zero by January 1, 1989. The staging would be accomplished in such a way that at no time would the U.S. be accorded less favorable treatment than the EC. Products covered

in the 1975 GSP Understanding, not already duty free, would be included in this category. The category would be supplemented by the list of American products disadvantaged by the Israel-EC agreement. These products could be identified by complaints already received from American companies plus information obtained from public hearings. The category could also be supplemented by the U.S. list of priority products which are not included in Category 1.

3) Duties on the most sensitive products would be reduced to zero within 10 years of entry into force of the agreement. The initial list of products to be presented by the Israelis.

CURRENT ISRAELI STAGING PROPOSAL
(TABLED 1/17/84)

U.S. Imports from Israel

1) Products MFN duty free (1982: $650 million or 56 percent of total U.S. imports from Israel) would be bound at zero upon entry into force of the agreement.

2) Products which are presently under GSP (1982: $448 million or 39 percent of U.S. imports from Israel) would be bound at zero upon entry into force of the agreement. This category includes jewelry, pharmaceuticals, medical equipment, etc. In undertaking this commitment, the U.S. would give Israel GSP benefits today and into the future, would give up competitive need exclusions, and would give duty free treatment to products already graduated and excluded by competitive need (5 products).

3) Most products now dutiable (1982: about 10 percent of U.S. imports from Israel) would be eliminated according to the following schedule:

   a. 60 percent of the duty reduction upon entry into force

   b. 80 percent reduction by the end of first year

   c. 100 percent by end of second year

Israeli Imports from the U.S.

1) Duties on 50 percent of U.S. exports to Israel (1982: $750 million) would be bound at zero upon entry into force of the agreement. This category includes products

already bound at duty free (22 percent) and products assessed at duty free, but not bound (28%).

2) Duties on another 25 percent of U.S. exports to Israel would be gradually reduced to zero by January 1, 1989. This category would include products in the 1975 GSP Understanding. Reductions would be completed according to the following schedule:

a. 30 percent of reduction upon entry into force;
b. 40 percent by end of first year;
c. 50 percent by end of second year;
d. 80 percent by end of third year;
e. 100 percent by January 1, 1989

3) Duties on remaining products (about 25 percent) would be phased out over 10 years. This category would include products manufactured in Israel where longer staging is necessary. Reductions would be accomplished according to the following schedule:

a. 5 percent of reduction by end of second year
b. 20 percent by end of third year;
c. 40 percent by end of fourth year
d. 50 percent by end of sixth year
e. 80 percent by end of eighth year
f. 100 percent by end of tenth year.

According to Israeli officials, in their proposal, the basic duty rate to which the reduction would apply would be the bound GATT rate, or the rate in force on January 1, 1975. In addition, the Israeli proposal includes a general reference to staging for infant industries. This issue is addressed in the TPSC paper on non-product issues for the July 9 round of negotiations.

A detailed comparison of the provisions of these two proposals which are currently on the table is outlined in Appendix I. Following is a comparison of the percent of duty free trade at each point of staging in each proposal.

TABLE I
CURRENT U.S. PROPOSAL (2/15/84)
PERCENT OF DUTY FREE TRADE AT EACH POINT OF STAGING*

	CURRENT MFN DUTY-FREE	IMMEDIATE TO 2 YEARS	5 YEARS	10 YEARS
ISRAELI IMPORTS FROM U.S.	22%	50%	90%	100%
U.S. IMPORTS FROM ISRAEL	53.3%	53.3%	93.8%	100%

*** BASED ON 1983 TRADE FIGURES**

CURRENT ISRAELI PROPOSAL (1/17/84)
PERCENT OF DUTY FREE TRADE AT EACH POINT OF STAGING*

	CURRENT MFN DUTY-FREE	IMMEDIATE TO 2 YEARS	5 YEARS	10 YEARS
ISRAELI IMPORTS FROM U.S.	22%	50%	75%	100%
U.S. IMPORTS FROM ISRAEL	55%	90%	95-100%	

*** BASED ON 1982 TRADE FIGURES**

SUGGESTED MODIFICATION OF STAGING PROPOSAL FOR JULY NEGOTIATIONS
Conceptual Approach to Staging

For administrative reasons alone the staging scenario should be kept as simple as possible. It seems sensible for both sides to stage immediately to zero all non-sensitive products, to offer all "sensitive" products the longest staging possible

and to put all remaining products in the middle years of implementation. From a practical point of view, as far as our side is concerned almost all Israeli imports are already duty-free. Most of those which are not, are going to be "sensitive" and will be subject to extended staging. What we need to keep an eye on is the equity our exports will receive in the Israeli market.

This "simple" approach requires us to develop a mathematical formula taking into account the median range of protection for each party. Once a trade weighted median was calculated for both the United States and Israel, items below the median could be fit into a shorter staging period and those above the median could be staged over a longer period of time. The use of the "median range" of protection would be necessary because of the variance in the average tariff levels between the United States and Israel. In addition, given our agreement with the Israelis that sensitive products (however defined) would be staged over a longer period of time, it would probably be necessary to have a special "basket" of products for which each party would negotiate staging other than that specified by the formula.

The TPSC Task Force recommends that this approach to staging be explored with the Israeli delegation during the next round of negotiations. Two possible examples of how this proposal might work on the U.S. side are attached in Appendices II and III. The Task Force will be developing comparable information on the Israeli side.

III. Product Coverage

In addition to the general principles of product coverage to which we have informally agreed, we have a "gentleman's agreement" with the Israelis that there will be no product exceptions in the agreement. This is based on our awareness that once any exception is tabled, by either side, there will be no way to stem the political pressure to expand in both countries to exceptions and the negotiations immediately will unravel. Such an event would, among other things, make it impossible to meet the GATT test, since 90 percent of our imports from Israel are already duty free) and would weaken our citrus case against the EC tremendously.

In preparation for the upcoming negotiations the TPSC Task Force on Israel has conducted a review of products for which there were indications of either economic or political sensitivity. For the vast majority of products the Task Force has agreed on recommendations regarding the staging which they wish to make to the TPSC. However, on a number of products, the Task Force was unable to reach agreement as a result of reservations by one agency or by a request from the Department of Agriculture that these products be excluded from the coverage of the agreement.

In this review, the Task Force adopted a number of assumptions and procedures. First, if not flagged as potentially sensitive the product would be considered eligible for immediate staging (subject to adjustment for balancing and negotiating purposes). Second, the Task Force reviewed all products for which we had had public testimony asking for special treatment or special advice from the private sector advisors and the Congress. Third, the Task Force used a five year staging period as a medium term for staging and ten years as our maximum staging period. Fourth, since the U.S. modified approach to staging was not developed at the time of the product review, the Task Force assumed that if the Task Force staging decision on any product reviewed was to stage faster than the formula would require, it would be assumed that it should be staged according to the formula rather than according to the Task Force decision.

In addition, the Task Force indicated products which would require special attention to rules of origin and products where it was felt that it would be useful to hold out for extended staging for negotiating purposes rather than for any particular sensitivity.

Approximately 350 products were reviewed in this process and the Task Force was able to reach agreement on all but 23. A summary list of decisions is attached (Appendix IV). In a number of cases, the Department of Labor has reserved and without their vote, we have a tie on the recommended staging. These items are flagged with a question mark on the final decision column. Those items where USDA has requested exclusions are noted with a question mark and an indication of USDA's request. No formal interagency vote was taken on these latter items.

USDA's exclusion request include: processed tomato products, olives, cut roses, avocados, artichokes, pimientos, citrus fruit juices and dehydrated onion and garlic. Based on 1983 data, these items represent $23 million or forty-six percent of our agricultural imports from Israel. Information on each of these products is provided in USDA papers attached in **Appendix V.** The decisions recommended reflect the USDA position rather than that of the Task Force. In addition, a summary sheet of trade data and ITC advice is attached at the beginning of Appendix V for the consideration of the TPSC.

IV. U.S. Priority Requests

The Task Force has examined a number of products for which the United States is likely to request immediate staging. The most obvious are the 133 products that were included in the 1975 GSP Understanding -- those products where our trade directly parallels that of the EC in the Israeli market. In addition, we have identified a number of products which were not included in the GSP Understanding for which we have had

complaints that U.S. firms are facing a disadvantage vis a vis the EC. These two lists will form the core of our priority request list and will be supplemented by a number of additional items. A complete list of these products is attached in **APPENDIX VI**. The Task Force recommends that this list be adopted as our initial priority request list for the negotiations.

V. Special Considerations in Product Coverage Negotiations

A. Textiles and the Multifiber Arrangement

It was the decision of the Task Force to recommend that all textile products be included in the FTA, and that as an initial position, these products be staged in over a 10 year period. This recommendation is offered with the understanding that both the United States and Israel are members of the MFA and either party can call for a bilateral agreement on quotas at any time should there be a need for such action. The United States does not have a textile bilateral with Israel.

According to Israeli officials, no quotas are in place on their textile exports to the European Community. They have indicated that all tariff and non-tariff barriers have been eliminated on EC textile imports from Israel.

B. Section 22 Quotas

The issue of Section 22 of the Agricultural Adjustment Act will arise in the context of product coverage discussions as a result of the fact that Israel has a cheese quota under Section 22 that Israel requested be eliminated. Fundamentally the question of U.S. maintenance of Section 22 is a larger question which will have to be addressed in terms of the GATT legality of maintaining Section 22 under provisions of GATT Article XXIV, and the U.S. domestic policy concerns and legality under U.S. domestic law regarding any modification of Section 22. The TPSC Task Force recommends that the TPSC direct further attention to these questions following the course of discussion at the July round.

APPENDIX I

Comparison of U.S. and Israeli Proposals

Category 1 in both the U.S. and Israeli staging proposals are identical. The American and Israeli views differ on several major points which are listed below.

United States	Israel
Concurrent staging	Faster staging by U.S --duties on 95 percent of U.S. imports from Israel zero immediately, and duties on the remaining 5 percent of imports from Israel zero by the end of the second year of the agreement. Israel staging--Duties on 50 percent of imports from the U.S. reach zero immediately, duties on another 25 percent reach zero by January 1, 1989, and duties on the final 25 percent over 10 years.
Duties on GSP and 1975 Understanding products to reach zero by January 1, 1989. Israel to remain eligible for GSP during the staging period.	Duties on GSP products zero upon entry into the agreement. Duties on 1975 Understanding products lowered to zero gradually by January 1, 1989.
Uses MFN duty rate in effect on January 1, 1984 as basis for phased duty reductions, except for 1975 Understanding products where duty rates to the EC on January 1, 1984 would be used.	Uses bound GATT duty rate or rate in force on January 1, 1975.
No infant industry clause	Contains an Infant Industry Clause.

APPENDIX II
STAGING SCENARIO # 1
(based on 1983 trade)
and
(current U.S. proposal)

	$thousands	Subtotal	% Total Imports from Israel
Immediate			
MFN DF	666,454.6		53.3
<5% GSP	117,892.9		9.4
	784,347.5	784,347.5	(62.7)
5 yr. <5% MFN	34,220.6		2.7
<10% GSP	299,094.2		23.9
<15% GSP	25,596.6		2.0
<10% MFN	31,743.3		2.5
	390,654.7	1,175,002.2	31.1(93.8)
10 yr. 15%+GSP	26,386.0		2.1
45% MFN	30,400.4		2.4
15% +MFN	13,330.4		1.1
	70,116.8	1,245,119.0	5.6(99.4)
			100%

MFN DF = MFN duty-free

APPENDIX III
STAGING SCENARIO # 2
(based on 1983 trade)

	$thousands	Subtotal	% Total Imports from Israel
Immediate			
MFN DF	666,454.6		53.3
<5% MFN	34,220.6		2.7
<5% GSP	117,892.9		9.4
	818,568.1	818,568.1	65.4(65.4)
3 yrs. <10% GSP	299,094.2		23.9
		1,117,662.3	(89.4)
5yrs. <15% GSP	25,596.6		2.0
<15+ GSP	26,386.0		2.1
*<10% MFN	31,743.3		2.5
	83,725.9	1,201,388.2	6.6(96.1)
10yrs.<15% MFN	30,400.4		2.4
15+ MFN	13,330.4		1.1
	43,730.8	1,245,119.0	3.5(99.4)
			100%

***NOTE:** $5 million in unallocated GSP total is error factor.

MFN DF = MFN duty-free

APPENDIX IV

TASK FORCE PRODUCT REVIEW STAGING RECOMMENDATIONS

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TPSC VERSION

JUNE 28, 1984

PRODUCT REVIEW DECISIONS
June 18-June 29, 1984

KEY: L = 10 years M = 5 years I = Immediate ? = Reserve
E = Exemption US (*) = USTR vote to break a tie
MFN - Unless marked AVE, these are ad valorem rates

CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISIONS	
AGRI PRODUCTS						
105.50	Turkey (Under 40¢/lb)	3.0AVE	No	No	M	
105.55	Turkey (over 40¢/lb)	12.5	No	No	M	
105.60	Other bird meat	3.6 AVE	No	No	I	
105.82	Goose-liver products	0.2 AVE	No	No	I	
105.84	Other pre/pres. birdmeat	0.3AVE	No	Yes	I	
117.60	Gruyere process cheese	7.0	No	No	L	
117.88	Cheese, substitute,NSPF	10.0	No	No	L	
119.50	Eggs in shell/not chickn	1.7AVE	No	Yes	M	
119.55	Chicken eggs in shell	9.0AVE	No	Yes	M	
119.65	Dried egg products	13.9AVE	No	No	M	
119.70	Other egg products	4.0AVE	No	No	M	
140.30	Dehydrated garlic	35.0	No	No	?	USDA Request for Exception
140.40	Dehydrated onions	28.8	25.0	No	?	USDA Request for Exception
140.60	Garlic flour	35.0	No	No	?	USDA Request for Exception
140.65	Onion flour	35.0	No	No	?	USDA Request for Exception
140.74	Tomato flour	13.0	No	No	?	USDA Request for Exception
141.6020	Pimientos, 8.oz or less	9.5	No	No	?	USDA Request for Exception
141.6040	Pimientos, other size	9.5	No	No	?	USDA Request for Exception
141.65	Tomato paste and sauce	13.6	No	No	?	USDA Request for Exception
141.66	Tomatoes, canned	14.7	No	No	?	USDA Request for Exception
141.7600	Artichokes, pickld/brine	12.0	No	No	?	USDA Request for Exception
141.9200	Artichokes, other prep.	17.5	No	No	?	USDA Request for Exception
141.9800	Peppers, prep/preserved	17.5	No	Yes	I	

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CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISION	
146.2400	Apricots, prep./presvd.	35.0	No	No	L	
146.3000	Avocados, fresh	51.9 AVE	Yes	No	?	USDA Request for Exception
147.0300	Grapefruit (Aug-Sept)	10.7 AVE	No	No	L	
147.0700	Grapefruit (Oct.)	9.4 AVE	No	No	L	
147.1500	Grapefruit (Nov.-July)	20.2 AVE	No	No	L	
147.1900	Lemons	6.7 AVE	No	No	M	
147.3140	Oranges	6.7 AVE	No	No	M	
147.42	Dates,fr or dried/w.pit	1.7 AVE	No	No	I	
147.44	Dates, pitted	8.9 AVE	No	No	I	
148.4200	Olives, not ripe/green	3.6 AVE	No	No	?	USDA Request for Exception
148.4400	Olives, not ripe, other	5.7-8.9 AVE	No	No	?	USDA Request for Exception
148.4600	Olives, ripe/not pitted	3.2 AVE	No	No	?	USDA Request for Exception
148.4800	Olives, other	7.4 AVE	No	No	?	USDA Request for Exception
148.5000	Olives, pitted/stuffed	3.7-9.2 AVE	No	No	?	USDA Request for Exception
148.5600	Olives, other prep.	7.9 AVE	No	No	?	USDA Request for Exception
148.7800	Peaches, prep./presvd.	20.0	No	No	M	
148.8600	Pears, prep./presvd.	18.0	No	No	M	
149.2820	Plums & prunes, " "	17.5	No	No	M	
149.6000	Other fruit, nspf	7.0	No	No	M	
150.0200	Mixed fruit	7.0	No	No	M	
150.0500	Mixed fruit (w. citrus)	17.5	No	No	M	
CITRUS JUICES						
165.3050	Orange juice, not. conc.	14.0 AVE	No	No	?	USDA Request for Exception
165.3080	Grapefruit juice not con	14.0 AVE	No	No	?	USDA Request for Exception
165.3540	Frozen conc.orangejuice	43.5 AVE	No	No	?	USDA Request for Exception
165.3550	Frozen con. lemon juice	43.5 AVE	No	No	?	USDA Request for Exception
165.3580	Frozen conc.grpeftjuice	43.7 AVE	No	No	?	USDA Request for Exception

CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN GSP	STAGING DECISION	
WINE AND ROSES					
167.1020	Wines,less $6/bottle	29.5 AVE	No No	M	
167.1040	Wines, over $6/bottle	6.7 AVE	No No	M	
167.3000	Still winesfrom grapes	3.7-13.5AVE	No No	M	
192.1800	Fresh cut roses	8.0	No No	?	USDA Request for Exception
TEXTILES AND APPAREL					
345.10	Knit fabric/veg.fiber	19.5	No No	L	
356.40	Woven/knit fab:manmade	11.5+	6.0 No	L	
360.44	Floor coverings	15.5		L	
374.65	Hosiery	4.0		L	
383.84	Womens' knit swimsuits	24.0+		L	
385.63	Labels of textile	10.2	9.2	L	
3790250	Manmade Sweaters	28.0	21.0	L	
3791520	" "	34.0	17.0	L	
3792640	" "	38.8	35.0	L	
3792650	" "	38.8	35.0	L	
3794060	" "	21.0		L	
3794070	" "	21.0		L	
3797240	" "	23¢/lb+ 25.1%	17.0	L	
3797250	" "	23¢/lb+ 25.1%	17.0	L	
3797400	" "	19¢/lb+ 11.5%	7.5	L	
3797610	" "	19¢/lb+ 18.5%	17.0	L	
3797620	" "	"	"	L	
3797630	" "	"	"	L	
3797640	" "	"	"	L	
3799035	" "	19¢/lb+ 32.5%	13¢/lb+ 32.5%	L	
3799040	" "	"	"	L	
3830233	" "	28%	21.0	L	
3830360	" "	26%	14.0	L	
3831320	" "	34.0	17.0	L	

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CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISON
3831857	Manmade Sweaters	38.8	35	NO	L
3831860	" "	"	"	"	L
3832054	" "	34.0	17	"	L
3832358	" "	"	"	"	L
3832750	" "	21.0		"	L
3832751	" "	"	"	"	L
3833070	" "	14.5	8	"	L
3835216	" "	8.8	5	"	L
3835246	" "	"	"	"	L
3835276	" "	"	"	"	L
3835830	" "	23¢/lb+ 25.1%	17	"	L
3836000	" "	19¢/lb+ 11.5%	7.5	"	L
3836350	" "	19¢/lb+ 18.5%	17	"	L
3836360	" "	"	"	"	L
3836371	" "	"	"	"	L
3836372	" "	"	"	"	L
3837712	" "	8.0%	6	"	L
3837732	" "	"	"	"	L
3837752	" "	"	"	"	L
3838070	" "	19¢/lb+ 32.5%	13¢/lb+ 32.5%		L
3838073	" "	"	"		L
3838665	" "	14¢/lb+ 25.9%	17%		L
CHEMICALS					
402.80	Halogenated hydrocarbons	14.2	9.1		L
403.51	Phenol alcohols, etc.	10.0	7.2		L
403.59	From Chemical appendix	13.5			L
403.64	Ethers, from chem. appen	22.0	20.0		L
403.66	Other ethers	13.5			L
404.36	Polycarboxylic acids	21.2	20.0		L
405.52	Carboxymide-func.compound	17.3	15.0		L
407.07	Certain benzenoid prods.	13.5			L
420.82	Sodium bromide	4.9			L

WITH ASSUMPTION OF NO EXCEPTIONS

CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MTN	MFN	GSP	STAGING DECISION
402.82	BROMINE CHEMICALS	9.1			L WITH ASSUMPTION OF NO EXCEPTIONS
403.56	" "	.7¢/lb+ 19.4%	1.1¢/lb 19.4%		L " " " " "
415.05	" "	2¢/lb	3.1¢/lb		L " " " " "
416.4540	" "	4.2%	4.9%	YES	L " " " " "
417.4440	" "	3.1%	3.4%	YES	L " " " " "
420.02	" "	1.5¢/lb	1.7¢/lb	YES	L " " " " "
420.3605	" "	3.1%	3.4%	YES	L " " " " "
421.6280	" "	3.7%	4.2%	YES	L " " " " "
422.78	" "	3.7%	4.2%	YES	L " " " " "
425.24	" "	3.7%	4.2%	YES	L " " " " "
425.9940	" "	4.2%	4.9%	NO	L " " " " "
429.28	" "	.7¢/lb+ 3.5%	.8¢/lb+ 4.4%		L " " " " "
429.4830	" "	3.7%	4.2%	YES	L " " " " "
429.4860	" "	"	"	YES	L " " " " "
429.9590	" "	"	"	YES	L " " " " "
430.2040	" "	"	"	NO	L " " " " "
432.25	" "	"	"	YES	L " " " " "

******* MTN AND MFN DUTY RATE COLUMNS ARE REVERSED ON THIS PAGE ONLY *******

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CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISION	
GLASS/CERAMICS						
532.2400	Ceramic floor/wall tile	20.8	19.0	No	L	
532.2700	Ceramic floor/wall tile	22	20.0	No	L	
533.7900	Non-bone china tableware	26.0	---	No	I	
42.3340	Ord.glass	0.5¢/lb	0.4¢	No	M	
542.3370	Ord. glass	0.5¢/lb	0.4¢	No	M	
542.3540	Ord. glass	0.6¢/lb	0.4¢	No	M	
542.3570	Ord. glass	0.6¢/lb	0.4¢	No	M	
544.5400	Mirrors	10.0	---	Yes	M	
546.1120	Tumblers	20.0	---	No	M	
546.1840	Tumblers, nspf.	10.5	---	No	M	
546.2020	Tumblers, over $5 ea.	7.7	---	No	I	
546.3520	Colored glassware	20			M	
546.6020	Tumblers	30	---	No	I	
546.6040	Table kitchen/cookware	30	---	No	I	
546.6060	Glassware, nspf.	30	---	No	I	
546.6260	Cut, engraved glass	15.0	---	No	I	
546.6640	Not cut or engraved	15.0	---	No	I	
546.6660	Between $3-$5 each	15.0	---	No	I	
MACHINE TOOL PARTS AND ACCESSORIES						
649.4305	End milling cutters	10.1	7.2	Yes	M	
649.4315	Milling cutters NSPF	10.1	7.2	Yes	M	
649.4330	Threading dies, taps,etc	10.1	7.2	Yes	M	
661.90	Centrifuges & parts	4.5	3.9	Yes	M	
662.50	Spraying equipment	4.2	3.7	Yes	?	SPLIT VOTE LABOR RESERVE
674.30	Metal working machinetool	7.4	5.8	Yes	M	
674.32	Drilling, boring, millng	4.9	4.2	Yes	M	
674.35	Other metal work machines	5.6	4.4	Yes	M	
676.3000	Office machines, NSPF	4.2	3.7	Yes	I	
676.3030	Data processing machines	4.2	3.7	Yes	I	
676.3033	Data proces, CRT, color	4.2	3.7	Yes	I	
676.3036	Data proces, CRT	4.2	3.7	Yes	I	
676.3039	Data proces, Other	4.2	3.7	Yes	I	

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CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISION
BALL BEARINGS					
680.3000	Antifriction ball/roller	5.8	4.9	No	I
680.3300	Ball bearings;int.shaft	4.9	4.2	No	I
680.3704	Radial ball bearings	11.0	No	No	L
680.3708	9-30 mm. ball bearings	11.0	No	No	L
680.3712	30-52 mm.ball bearings	11.0	No	No	I
680.3717	52-100 mm. ball bearings	11.0	No	No	I
680.3718	Over 100 mm.ball bearings	11.0	No	No	I
680.3722	Parts	11.0	No	No	I
680.3727	Inner races, etc.	11.0	No	No	I
680.3932	Tapered roller bearings	8.9	No	No	I
680.3934	Cup and cone assem. set	8.9	No	No	I
680.3938	Cup & cone (separate)	8.9	No	No	I
680.3940	Other parts	8.9	No	No	I
680.3952	Spherical roller bear.	8.9	No	No	I
680.3956	Parts:spherical, etc.	8.9	No	No	I
680.3960	Other roller bearings	8.9	No	No	I
TELECOMMUNICATIONS					
684.6210	Telphne. switching	8.5		Yes	I
684.6220	Telephone instruments	8.5		Yes	I
684.6240	Other telephone apparat.	8.5		Yes	M
684.6420	Machines, teleprinting	5.9	4.7	Yes	I
684.6440	Telegraph apparatus	5.9	4.7	Yes	I
685.1100	Color TV receivers	5.0	5.0	No	I
685.1400	Color TV rec/and tube	5.0	5.0	No	I
685.1500	Color TV rec/no tube	5.0	5.0	No	I
685.1700	TV tuners	5.0	5.0	No	I
685.2475	Radioreceivers30-4000MNZ	7.7	6.0	Yes	M
685.2486	Radio pagers	6.0	6.0	Yes	M

CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISION
685.2943	Transceivers	6.0	6.0	Yes	M
685.2962	Radio antennas, NSPF	6.0	6.0	Yes	M
685.2976	Radio apparatus/parts	6.0	6.0	Yes	M
685.8035	Capacitors, fixed NSPF	6.0	6.0	No	I
686.1057	Resistors, fixed	10.0	10.0	No	I
687.3500	Cathode ray color tubes	15.0	15.0	No	M
687.5400	Cathode ray tubes/parts	6.0	6.0	No	I
	NON-RUBBER FOOTWEAR				
700.0500	(Includes 120 seven-digit	Yes	No	No	?
700.1000	TSUS numbers of footwear	"	"	"	"
700.1500	with uppers of leather,	"	"	"	"
700.2020	vinyl or plastic, fiber,	"	"	"	"
700.2045	wood, etc. but excludes	"	"	"	"
700.2050	footwear of rubber and	"	"	"	"
700.2060	canvas/rubber footwear.)	"	"	"	"
700.2500	through 700.4575 plus	"	"	"	"
700.7200	through 700.9545	"	"	"	"
	RUBBER FOOTWEAR				
700.5100	Hunting boots,galoshes	8.8	6.6	No	M
700.5200	Below ankle	25.0	No	No	M
700.5300	Above ankle	37.5	No	No	M
700.5400	Zoris	3.8	2.4	No	I
700.5600	Athletic shoes	6.0	No	No	M
700.5700	Rubber overshoes	37.5	No	No	M
700.5900	Slip-ons (no fasteners)	37.5	No	No	M
700.6100	Below $6.50/pr	37.5	No	No	M
700.6200	$6.50-$12 90¢/pr +	20.0	No	No	M

CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISION
700.6300	Over $12	20.0	No	No	M
700.6400	Rub.soles Below $3/pr	48.0	No	No	M
700.6700	$3-$6.50/pr 90¢/pr +	37.5	No	No	M
700.6900	$6.50-$12/pr 90¢/pr +	20.0	No	No	M
700.7100	Over $12/pr	20.0	No	No	M
	LEATHER PRODUCTS				
706.0500	Lea.flatgoods,not rept.	8.0	8.0	No	M
706.0600	Luggage or Handbgs,rept.	6.5	5.3	No	I
706.0700	Lea.handbats, NES, -$20	10.0	10.0	No	I
706.0900	Lea.handbags, NES, +$20	9.4	9.0	No	I
706.1320	Fitted luggage, not rept	8.8	8.8	No	M
706.1340	Unfittedluggage,not rept	8.8	8.0	No	M
706.3640	Cotton handbags, NSPF	10.1	10.1	No	I
706.3650	Other cotton luggage	10.1	10.1	No	M
706.3680	Other cotton flatgoods	10.1	10.1	No	M
706.4106	Other cotton hndbgsNSPF	20.0	20.0	No	I
706.4111	Other cotn.luggage NSPF	20.0	20.0	No	M
706.4121	Other cot.flatgoodsNSPF	20.0	20.0	No	M
706.4140	Hndbgs,text.not cotton	20.0	20.0	No	I
706.4150	Luggage,text,not cott.	20.0	20.0	No	M
706.6225	Handbags, plastic	20.0	20.0	No	I
706.6230	Handbags, material,NSPF	20.0	20.0	No	I
706.6245	Fit/unfit. luggage NSPF	20.0	20.0	No	M
	SURGICAL/MEDICAL				
709.15	Electro Surg.Ap./Parts	11.7	7.4	Yes	I
709.17	Other electromed.ap/pts	4.9	4.2	Yes	I
709.63	Other X-ray apparatus	2.3	2.1	Yes	I
709.66	Medical radiation eqpmt.	4.5	4.0	Yes	I

CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISION
712.05	Elec.Optical Instrum.	19.4	10.0	Yes	I
712.47	Auto Flight Control In.	4.2	4.2	Yes	I
712.49	Other Elec. Measure/Anaz	7.8	4.9	Yes	I
713.11	Meters MSPF	70¢ + 10.9	45¢+ 7.0	Yes	I
CLOCKS/WATCHES					
715.0509	Watches	Yes	No	No	M
715.0510	Watches	Yes	No	No	M
715.0511	Watches	Yes	No	No	M
715.0512	Watches	Yes	No	No	M
716.1040	Watch movements	Yes	No	No	M
716.1830	Watch movements	Yes	No	No	M
716.1870	Watch movements	Yes	No	No	M
716.2040	Watch movements	Yes	No	No	M
716.2740	Watch movements	Yes	No	No	M
716.2840	Watch movements	Yes	No	No	M
716.2940	Watch movements	Yes	No	No	M
JEWELRY					
740.1100	Gold Rope necklaces	8.6	6.5	No	L
740.1200	Mixed link necklaces	8.6	6.5	No	L
740.1300	Other necklaces	8.6	6.5	No	L
740.1400	Other prec.met.jewelry	8.6	6.5	No	I
740.1500	Other prec.met.jewelry	8.6	6.5	No	I
740.3000	Jewelry,below 20¢/doz.	11.3	7.2	Yes	I
740.3400	Watch brace. Below$5/doz	21.9	19.0	Yes	I
740.3500	Watch brace. Over$5/doz.	21.9	14.0	Yes	I
740.3800	Jewelry, over 20¢/doz.	17.2	11.0	Yes	I
740.5500	Crucifixes/prec.metal	11.4	7.8	Yes	I
740.6000	Crucifixes	7.4	5.8	Yes	I
740.7000	Chains,prec.metal	10.8	7.0	No	L
745.6600	Clasps of gold;platinum	8.6	6.5	Yes	I

CURRENT TSUS	ABBREVIATED DESCRIPTION	DUTY STATUS MFN	MTN	GSP	STAGING DECISION
LEATHER WEARING APPAREL					
791.7620	Mens/Boys Coats&Jackts.	6.0	6.0	No	I
791.7640	Womens/Girls/InfantsC&J	6.0	6.0	No	I
791.7660	Other, leather, NSPF	6.0	6.0	No	I

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APPENDIX V

PRODUCTS FOR WHICH USDA IS SEEKING

EXCEPTIONS FROM FTA

SUMMARY

PRODUCTS FOR WHICH USDA HAS REQUESTED FTA EXCLUSION

TSUS	DESCRIPTION	DUTY RATES 1984	MTN	1982 IMPORTS ($ thousands)	1983 IMPORTS ($ thousands)	USITC ADVICE	RATIO 1982 IMPORT From Israel/U.S. Domestic Consumption
140.3000	dehydrated garlic	35% ave	35%	0	0	potential significant adverse impact	0
140.4000	dehydrated onion	28.8% ave	25%	0	0	potential significant adverse impact	0
140.6000	garlic flour	35% ave	35%	0	0	potential significant adverse impact	0
140.6500	onion flour	35% ave	35%	0	0	potential significant adverse impact	0
140.7400	tomato flour	13% ave	13%	0	0	potential significant adverse impact	n/a
141.6000	pimentos	9.5% ave	9.5%	0	46	Not identified as import sensitive	n/a
141.6520	tomato paste	13.6% ave	13.6%	13,073	9,504	potential significant adverse impact	3% (all canned tomato products)
141.6540	tomato sauce	13.6% ave	13.6%			potential significant adverse impact	
141.6600	tomatoes	14.7% ave	14.7%	5,498	11,139	potential adverse adverse impact	

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PRODUCTS FOR WHICH USDA HAS REQUESTED FTA EXCLUSION

TSUS	DESCRIPTION	DUTY RATES 1984	DUTY RATES MTN	1982 IMPORTS ($ thousands)	1983 IMPORTS ($ thousands)	USITC ADVICE	RATIO 1982 IMPORT From Israel/U.S. Domestic Consumption
141.7600	artichokes	12% ave	12%	0	0	not identified as import sensitive	n/a
141.9200	artichokes	17.5% ave	17.5%	0	0	not identified as import sensitive	n/a
146.3000	avocados	6.5ct/ pound	6.5ct/	0	0	not identified as import sensitive	n/a
148.4200	olives	15ct/ gallon 3.6% ave	15ct/	0	0	potential significant adverse impact	
148.44	olives	20ct/ gallon 5.7-8.9% ave	20ct/	26.6	34	potential significant adverse impact	
148.46	olives	15ct/ gallon 3.2% ave	15ct/	0	0	potential significant adverse impact	
148.48	olives	30ct/ gallon 7.4% ave	30ct/	0	0	potential significant adverse impact	1.7 (for all categories of olives)
148.50	olives	30ct/ gallon 3.7%-9.2% ave	30ct/	2,347	1,633	potential significant adverse impact	
148.56	olives	5ct/ gallon 7.9% ave	5ct/	79	51	potential significant adverse impact	

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SUMMARY

PRODUCTS FOR WHICH USDA HAS REQUESTED FTA EXCLUSION

TSUS	DESCRIPTION	DUTY RATES 1984	MTN	1982 IMPORTS ($ thousands)	1983 IMPORTS ($ thousands)	USITC ADVICE	RATIO 1982 IMPORT From Israel/U.S. Domestic Consumption
165.3050	orange juice	20ct/ gallon	20ct/ gallon	2	0	potential significant adverse impact	n/a
165.3080	grapefruit juice	20ct/ gallon	20ct/ gallon			potential significant adverse impact	n/a
165.3550	frozen concentrate lemon juice	35ct/ gallon	35ct/ gallon			potential significant adverse impact	n/a
165.3540	frozen concentrate orange juice	35ct/ gallon	35ct/ gallon	7	0	potential significant adverse impact	n/a
165.3580	frozen concentrate grapefruit juice	35ct/ gallon	35ct/ gallon			potential significant adverse impact	n/a
192.1810	roses	8% ave	8%			potential significant adverse impact	
				295	441		.2%
192.1890	roses	8% ave	8%			potential significant adverse impact	

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Dehydrated Onions and Garlic

I & II. Product Category Description and duty --

TSUS	PRODUCT	DUTY
140.3000	Dehydrated garlic	35%
140.4000	Dehydrated onions	28.8% (staged for reduction to 25.0% by 1/1/87)
140.6000	Garlic flour	35%
140.6500	Onion flour	35%

III. Background and Justification for Sensitivity

-- Horticultural ATAC and private sector indicated their opposition to any tariff reduction.

-- The USITC identified these products as being significaltly import sensitive.

-- Currently, there are no imports from Israel, but there is concern that the removal of U.S. duties could attract foreign investment (primarily from the EC) to Israel for the production and export of those products to the U.S. market. The U.S. is already operating with excess capacity.

-- The USG has been unwilling to grant GSP for these products. A Total of 9 petitions have been rejected or denied during 1980-83.

IV. Rules of Origin Problems

-- There is industry concern that there will be transshipments from Egypt, who has processing facilities.

V. Special Safeguard Measures

-- None

VI. Final Recommendation

-- Exclude products from tariff reductions under the FTA.

VII.

PRO--Would alleviate private sector and ATAC concerns over tariff reductions.

-- Would ease grower concerns that if duties are lifted, imports will increase sharply and the domestic industry will suffer.

CON--Would discourage maximum product coverage under the FTA.

CMP/HTPD
June 1984
3469H p.4

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Pimientos

I. Product Category Description

141.6020--Pimientos, prepared or preserved, containers of 8 oz. or less
141.6040--Pimientos, prepared or preserved, other

II. Specific Tariff Duty

Duty for both categories is 9.5%

III. Background and Justification for Sensitivity

-- Horticultural ATAC and private sector have indicated their opposition to any tariff reduction

-- During the 1978-82 period, all GSP petitions were rejected or denied on a total of three occasions.

-- Pimiento imports have been steadily trending upward and now account for nearly one-half of U.S. consumption.

-- Spain now accounts for most of the imports, but Israel's share would increase if the duties were eliminated.

IV. Rules of Origin Problems

-- None

V. Special Safeguard Measures

-- None.

VI. Final Recommendation

-- Exclude from tariff reductions under the FTA.

VII.

PRO--Would alleviate private sector and ATAC concerns over tariff reduction.

CON--Would discourage maximum product coverage under the FTA.

CMP/HTPD:June 1984:3459H p.4

Artichokes

I. Product Category Description

141.7600--Artichokes, pickled or in brine
141.9200--Artichokes, otherwise prepared or preserved

II. Specific Tariff ~~Duty~~

Artichokes, pickled or in brine--12%
Artichokes, otherwise prepared or preserved--17.5%

III. Background and Justification for Sensitivity

-- In the 1960's there were six domestic processors, but foreign competition has now reduced that number to only one.

-- Imports of artichokes (141.92) have doubled over the past five years and current import duties must be maintained to ensure the viability of the U.S. industry.

-- Horticultural ATAC and private sector have indicated their opposition to any tariff reduction.

-- Presently there are no imports from Israel, but if the duty were eliminated, this would likely result in shipments from Israel.

IV. Rules of Origin Problems

-- None

V. Special Safeguard Measures

-- None

VI. Final Recommendation

-- No tariff reduction under the FTA.

VII.

PRO--Would alleviate private sector and ATAC concerns over tariff reductions.

CON--Would discourage maximum product couverage under the FTA.

CMP/HTPD
June 1984
3459H

Olives

I & II. Product Category Description

TSUS	Products	Duty	AVE(%)
148.42 --	Olives, not ripe or green	15¢/gal.	3.6
148.44 --	Olives, not ripe, other	20¢/gal.	5.7-8.9
148.46 --	Olives, ripe but not pitted	15¢/gal.	3.2
148.48 --	Olives, other	30¢/gal.	7.4
148.50 --	Olives, pitted or stuffed	30¢/gal.	3.7-9.2
148.56 --	Olives, otherwise prepared	5¢/lb.	7.9

III. Background and Justification for Sensitivity

-- Horticultural ATAC and private sector indicate their opposition to any tariff reduction.

-- USITC identified these products as being significantly import sensitive from the standpoint of domestic producers.

-- Israel and other countries have sought numerous GSP for olives and all 17 petitions have been denied or rejected between 1979-83.

-- Israeli olives often sell well below the price of domestic and other imported olives and as a result Israel is increasing shipments of California-style black olives.

-- A bumper 1984 U.S. crop is expected and carryover stocks are projected between 1-2 years' supply. With domestic consumption remaining flat, prices and profits are under further pressure, even if imports do not increase.

IV. Rules of Origin Problems

-- None

V. Special Safeguard Measures

-- None

VI. Final Recommendation

-- Olives should not be subject to tariff reductions under the FTA.

VII.

PRO -- Would alleviate private sector and ATAC concerns over tariff reductions.

-- Would prevent additional significant damage to domestic industry.

CON -- Would discourage maximum product coverage under the FTA,

CMP/HTPD
June 1984
3459H (p 1)

Citrus Products

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I. Product Category Description -- Duty

165.3050	-- Orange juice, not concentrated	20¢/gal.
165.3080	-- Grapefruit juice, not concentrated	20¢/gal.
165.3550	-- Frozen conc. lemon juice	35¢/gal.
165.3540	-- Frozen conc. orange juice	35¢/gal.
165.3580	-- Frozen conc. grapefruit juice	35¢/gal.

II. Background and Justification for Sensitivity --

--Horticultural ATAC and private sector have indicated their opposition to a tariff reduction.

-- Requests for duty-free access under GSP have repeatedly been denied in recognition of the need to maintain the delicate equilibrium that exists between domestic availability, consumption requirements, and imports under the existing tariff structure.

-- The Israeli citrus processing industry is highly developed. U.S. and world supplies of grapefruit juice in recent months have been excessive and price levels for both juice processors and growers have been noticeably depressed. While this situation has improved somewhat following the Florida freeze, as Florida grapefruit production moves upward in the near-term, we see no room for an influx of duty-free Israeli grapefruit juice without causing harm to the U.S. industry.

--U.S. citrus products, especially orange juice, already face heavy competition from imports. Orange juice imports increase during Florida freeze years, thus holding down prices and preventing growers from recouping their crop losses. Israel is the world's third largest exporter of orange juice. The elimination of the duty on Israeli orange juice would result in a savings to importers of $487 per metric ton of 65^{0} brix frozen concentrate and could cause substantial downward price pressure.

--USITC identified these products as being significantly import sensitive.

III. Rules of Origin Problems -- None, if exemption is granted.

Special Note: Israeli orange juice exports during the 1979-1982 period were more than double the estimated volume of its own industry's production. This was achieved through the re-export of imported Brazilian orange juice.

IV. Special Safeguard Measures -- None.

V. Final Recommendation -- Exemption of duty-free treatment for the citrus juice categories specified above.

VI.

PRO--Would provide necessary tariff protection for the U.S. industry, as explained above.

CON--Would discourage maximum immediate tariff removal under the FTA.

CMP/HTPD;June 1984;3367H

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Tomato Products

I & II. Product Category Description and duty --

TSUS	PRODUCT	DUTY
140.7400	Tomato Flour	13%
141.6520	Tomato paste	13.6%
141.6540	Tomato sauce (incl. pulp)	13.6%
141.6600	Tomatoes, otherwise prepared or preserved	14.7%

III. Background and Justification for Sensitivity

-- Horticultural ATAC private sector and members of Congress have repeatedly indicated their extreme opposition to any tariff reduction or removal.

-- The USITC identified these products as being significantly import sensitive.

-- U.S. prices have been shown to be sensitive to imports.

-- The U.S. industry is already facing heavy competition from imports. The total volume of imports has tripled during the past five seasons.

-- The Israeli tomato processing industry is very competitive. In recent years, U.S. imports from Israel have nearly tripled and have grown faster than imports from other origins. The f.o.b. price of Israeli tomato paste and sauce is the lowest among the major suppliers of U.S. imports.

-- The Israeli tomato processing industry is growing rapidly and has the potential for further expansion. Production of tomatoes for processing grew from 166,000 metric tons in 1980 to 293,000 tons in 1983.

-- Israeli tomato processors, facing difficult conditions in the European market because of the extravagant EC processing subsidies, have become highly dependent on the U.S. market.

IV. Rules of Origin Problems

-- None, if CBI/GSP rules are enforceable.

V. Special Safeguard Measures

-- None.

VI. Final Recommendation

-- Exclude from scope of FTA.

VII.

PRO--Would protect the economic viability of an important U.S. Agricultural industry.

--Would make the FTA more attractive to Californians.

--Would alleviate ATAC, private sector and Congressional concerns over tariff reductions.

CON--Would discourage maximum product coverage under FTA.

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See pp. 26-27 of ITC report 109

Avocados

I. Product Category Description --

146.3000-- Avocados (alligator pears), fresh, or prepared, or preserved

II. Specific Tariff Number -- Avocados, fresh, or prepared, or preserved 6.5¢/lb.; AVE in 1983 was 51.9% (duty staged for reduction to 6.0¢/lb. by 1987)

III. Background and Justification for Sensitivity --

-- Horticultural ATAC and private sector indicated their opposition to any tariff reduction.

-- Israel is the world's largest exporter of avocados and elimination of the U.S. duty could lead to exports to the East Coast -- the same growth area for domestic growers in Florida and California. Currently, imports from Israel are nil.

-- In 1982, the USG rejected petitions to have avocados placed on GSP.

IV. Rules of Origin Problems --

None, if GSP/CBI rules are enforced properly.

V. Special Safeguard Measures --

CBI provision for perishable products.

VI. Final Recommendation --

-- Eliminate tariff during a 10-year staging period.

VII.

PRO

-- Would enable growers to graqually adjust to increasing imports from Israel

-- Would partially alleviate private sector and ATAC concerns over tariff reduction.

CON

-- Would probably discourage maximum immediate tariff removal under the FTA.

-- Would be regarded by the domestic industry as insufficient tariff protection.

AAEE/ITP
June 1984
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Roses

I & II. Product Category Description and duty

TSUS	PRODUCT	DUTY
192.1810	Roses, sweetheart	8%
192.1890	Roses, other	8%

III. Background and Justification for Sensitivity

--USITC identified fresh cut roses as being significantly import sensitive.

-- In 1981, the USG rejected a petition submitted by Jamaica to have roses placed on GSP.

-- Israel is one of the world's largest exporters of fresh cut roses and the elimination of U.S. duty would lead to even larger shipments to this country, which would hurt U.S. rose producers all over the country.

-- In addition to the current 8 percent U.S. duty on roses, the USG requires a CVD cash deposit of 22.56 percent on the f.o.b. value of roses imported from Israel to offset substantial subsidies growers in Israel receive from their government.

-- U.S. rose growers have promoted legislation to raise the level of U.S. import duties on roses to the same level charged in the EC, the other major market for roses. (EC duties on roses entering during the period November 1 to May 31 is 24 percent ad valorem, while for those entering from June 1 to October 31 it is 17 percent ad valorem.)

IV. Rules of Origin Problems

-- None, if GSP/CBI rules are enforced properly.

V. Special Safeguard Measures

-- CBI provisions for perishable products.

VI. Final Recommendation

-- Exclude from tariff reduction under the FTA.

VII.

PRO--Would alleviate private sector and ATAC concerns over tariff reduction.

--Would limit domestic market loses to imports.

CON--Would discourage maximum product couverage under the FTA.

CMP/HTPD
June 1984
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U.S. PRIORITY REQUESTS

ITEMS

APPENDIX VI

M[illegible] Industry and Trade
Foreign Trade Administration

[illegible]ENTIAL

GSP - UNDERSTANDING

BTN	DESCRIPTION	Duty Rates 1.1.75	Duty Rates a) 25.11.81 b) 2.1.83 General	Duty Rates EEC	1982 Imports (US$000) Total	1982 Imports USA	1982 Imports EEC	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1975	a) 1982 b) 1983	1986	Duty Paid on Imports from US (includes 3% surcharge) US 000	%
27105090	W[illegible] oil, paraffin oil & liquid (G)	45%	a) 28% b) 28%	28% 14%	600	90	485	41	25 25	9	512	23.4
27105500	lubricating oils (G)	45%	a) 26.7% b) 22.5%	26.7% 22.5%	3306	734	1825	330	196 165	77	3805	21.4
30039010	Antibiotic preparations	30%	a) 18% b) 18%	17.8% 12.7%	84	2	47	1	.. ..	..	6	2.1
30039000	Medicaments not elsewhere specified	50%	a) 18% b) 15%	17.8% 15%	6634	756	4185	378	136 113	79	2551	13.9
38140000	Anti-knock preparations oxydation inhibitors gum inhibitors viscosity improvers, anti-corrosive preparations and similar prepared additions for mineral oils (G)	50%	a) 26.7% b) 22.5%	26.7% 22.5%	12725	2144	10457	1072	572 470	[illegible]	[illegible]	10.1
	MTN duty		(25% in 1987)					(536)				
38[illegible]	Reagents of the kind used for immunological serological or haematological laboratory tests, nes	10%	a) 6% b) 6%	4.9% 3.5%	2331	877	1043	88	[illegible] 53	53	1526	6.0
38[illegible]	Chemical products and preparations, nes	50%	a) 28% b) 22.5%	28% 22.5%	11282	6211	4575	3106	1739 1400	652	39802	26.4
39011010	Amino resins without addition of alkyds	25%	a) 14% b) 14%	13.1% 9.3%	519	80	370	20	11 11	11	143	7.4
39011020	Cyclo hexamone resins	20%	a) free b) "	free "	13	0	13	[illegible]	- -	-	-	-
39011030	Epoxy resins (G)	20%	a) 10.5% b) 10.5%	10.5% 7.5%	1696	309	554	62	32 32	32	751	10.0

BTN	DESCRIPTION	Duty Rates 1.1.75	Duty Rates a) 25.11.81 b) 2. 1.83 General	Duty Rates EEC	1982 Imports (US$000) Total	1982 Imports (US$000) USA	1982 Imports (US$000) EEC	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1975	Duty on Imports from USA Calculated on 1982 Basis (US$000) a) 1982 b) 1983	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1985	Duty Paid on Imports from US (includes 3% surcharge) US $000	Duty Paid on Imports from US (includes 3% surcharge) %
39011040	Polyamides (G)	20%	a) 11.9% b) 10.5%	11.9% 8.5%	6004	3578	[illegible]	716	4.8 576	576	[illegible]	1.1
39011059	Polyester resins other than those non-saturated, containing styrene or other monomers capable of polymerisation and hardening into a solid on addition of pure oxyde catalyst and an accelerator	20%	a) 11.2% b) 11.2%	[illegible] 7%	4756	107	44.9	.1	1.2 12	11	146	5.6
39011099	Other resins in the form of powder, granules, flakes, lumps or liquids, nes	20%	a) 11.9% b) 10.5%	11.9% 8.5%	10394	1070	[illegible]	.14	1.7 11.	11.2	1896	7.3
39021012	Polyethylene MTN duty	25%	a) 17.5% b) 12.5% (20% in 1987)	17.5% 12.5%	19862	1294	6101	.24 (.96)	.96 192	144	5,999	10.6
39021069	Methacrylic and polyacrilic resins and copolymers other than those copolymers of acrylomitryl containing not less than 85% and not more than 9% of acrylomitryl.(G)	.9%	a) 14% b) 10.5%	14% 8.5%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39025010	Plates, sheets, foil, strip or film, whether in the form of sleeves or not : Made of acrylic materials	IL 2.60 per kg	a) 18 4.75 per kg b) 9.36/kg	18 4.75 per kg 9.36/kg	1.10	301	[illegible]	[illegible]	14 14	14	.234	[illegible]
39025020	Polytetra fluoroethylene	20%	a) 12% b) 12%	12% 10%	4.24	62	[illegible]	1.2	7 7	7	159	10.3
39025030	Copying sheets similar to copying paper of headings, 77.07 or 78.13	22.5% but not less than IL 0.17/m	a) 15.3% b) 15.3%	13.4% 9.5%	313	101	173	[illegible]	15 15	11	417	15.3
39025041	Polymetisation and prolymetisation products made of or containing expanded foam or sponge plastic materials : without textile material	30% and 0.45/kg	a) 16% b) 12.7%	16% 12.7%	2722	570	[illegible]	171	91 72	60	775	5.6

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BTN	DESCRIPTION	Duty Rates 1.1.75	Duty Rates a) 25.11.81 b) 2. 1.83 General	Duty Rates a) 25.11.81 b) 2. 1.83 EEC	1982 Imports (US$000) Total	1982 Imports (US$000) USA	1982 Imports (US$000) EEC	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1975	Duty on Imports from USA Calculated on 1982 Basis (US$000) a) 1982 b) 1983	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1988	Duty Paid on Imports from US (includes 3% surcharge) US 000	Duty Paid on Imports from US (includes 3% surcharge) %
39025059	Other	IL 3.50kg + 20%	a) IS 4.20 kg + 13.6% (-17.3%) b) 8.28/kg + 13.6%	IS 4.20 kg + 11.9% 8.28/kg + 8.5%	334	[illegible]	[illegible]	[illegible]	[illegible]	1	19	6.0
39025071	Other plates, sheets, foil, strip or film, not thicker than 0.06 m.m. excluding those embossed in two or more colors	20%	a) 16% b) 10.5%	14% 10%	2571	811	1637	162	130 85	85	2870	14.6
39025081	In one color, not figures	IL 2.60/kg	a) IS 4.75/kg (=10.6%) b) 9.36/kg	IS 4.75/kg 9.36/kg	3323	445	2333	72	47 47	47	690	[illegible]
39025089	Other	IL 3.50/kg + 20%	a) IS 4.20/kg + 13.6% (=20.6) b) 8.28/kg +10.5%	IS 4.20 +11.9% 8.28/kg +8.5%	3965	188	3441	57	39 [illegible]	20	566	[illegible]
39079990	Articles of materials of the kinds described in headings Nos. 39.01 to 39.06 nes	45%	a) 28% b) 22.5% (28% in 1987)	[illegible] 22.5%	10073	[illegible]	[illegible]	[illegible] ([illegible])	[illegible] 307	[illegible]	[illegible]	[illegible]
	MTN duty											
48079000	Paper and paper, bound impregnated, coated, surface colored, surface decorated or printed (not being merely ruled, lined or squared and not constituting printed matter within Chapter 49) in rolls and sheets	45%	a) 24% b) 19.1%	24% 19.1%	11173	1418	5347	638	340 271	149	6724	19.5
55099000	Woven fabrics of cotton, nes (C)	IL 0.70/m + 25%, but not less than IL 2.20/m	a) 14.9% b.n.l than IS 3.06/m b) 10.5% bnl than 6.04/m	14.9% b.n.l. than IS 3.06/m 10.5% bnl than 6.04/m	12675	1905	7081	475	284 200	200	6753	14.6

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	DESCRIPTION	Duty Rates 1.1.75	Duty Rates a) 2%.11.81 b) 2. 1.85 General	Duty Rates EEC	1981 Imports (US$000) Total	1981 Imports (US$000) USA	1981 Imports (US$000) EEC	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1975	Duty on Imports from USA Calculated on 1982 Basis (US$000) a) 1982 b) 1983	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1985	Duty Paid on Imports from US (includes 3% surcharge) US $ 000	Duty Paid on Imports from US (includes 3% surcharge) %
400	Woven fabrics of synthetic fibres	IL 0.70m + 25%, b.n.l. than IL 2.20m	a) 14.9% b.n.l. than IR 3.00m	14.9% b.n.l. than IR 3.00/m	17185	3278	9707	808	481	339	9627	4.1
			b) 10.6% bnl than 6.04/m	10.6% bnl than 6.04/m					342			
401	Woven pile fabrics and chenille fabrics made of 80% cotton with stripe parallel to the selvedges produced in the weaving process of a weight not exceeding 380/m	IL 0.70/m + 25% b.n.l. than IL 2.20/m	a) 14.9% b.n.l. than IR 5.00/m	14.9% b.n.l. than IR 5.00/m	5941	1382	2107	546	206	145	8176	24.4
			b) 10.6% bnl than 11.64/m	10.6% bnl than 11.64/m					146			
402	... ribbed wire rod	20% + 0.065/kg	a) ...	5.0%	459	12	417	3	1 1	1 1	15	5.2
			b) 6%	4.2%								
403	(G)	20% 0.065/kg	a) IR 52.50/ ton + 15.6% (=52.6%)	IR 52.50/ ton + 11.9%	12527	156	2745	75	50	16	447	11.7
			b) 108.00/ ton + 15.6%	108.00/ ton + 8.5%					50			
404	Structures and parts of structures of iron or steel	20%	a) 11.9% b) 10.5%	11.9% 8.5%	6998	3501	4890	700	417 568	568	8067	9.5
405	Bolts, nuts, screws, rivets, cotters, cotter pins, washers and spring washers, of iron or steel, nes	60%	a) 40% b) 30%	40% 30%	19435	10498	5666	6275	4185 2137	1098	55689	21.9
406	Articles of iron or steel, nes	35%	a) 20% b) 14.7%	20% 14.7%	6985	5119	2921	1092	654 458	527	9592	12.7

		Duty Rates			1982 Imports (US$000)			Duty on Imports from USA Calculated on 1982 Ba % dHR			Duty Paid on $. R H surcharge)	
			b) 2. 1.83 General	EEC	Total	USA	EEC	1975	a) 1982 b) 1983	1985	US 000	%
74070000	Tubes, pipes and blanks of copper, hollow bars of copper											
74071000		12.5%	a) free	free	40	[illegible]	7	4	-	-	15	1.7
			b) "	"					-			
74079900		12.5%	a) 8%	7.4%	6680	[illegible]	1456	1.4	[illegible]	[illegible]	2061	[illegible]
			b) 8%	5.3%					[illegible]			
76029910	Wrought bars, rods, angles shapes and sections of aluminium, aluminium wire, round of a diameter not exceeding 10mm.	5%	a) 2.8%	2.4%	401	[illegible]	[illegible]	17	10	10	280	[illegible]
			b) 2.8%	1.7%					10			
76029990	Other, nes	10%	a) 8%	5.9%	11163	7163	[illegible]	[illegible]	573	573	15533	[illegible]
			b) 8%	4.2%					573			
	MTN duty		(8% in 1987)					(573)				
76039900	Wrought plates, sheets and strips, of aluminium, nes.(G)	10%	a) 8%	5.9%	[illegible]	[illegible]	[illegible]	494	[illegible]	[illegible]	[illegible]	[illegible]
			b) 8%	4.2%					[illegible]			
	MTN duty		(8% in 1987)					([illegible])				
76079900	Tube and pipe fittings of aluminium, weighing up to 5 kg	10%	a) 8%	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]			
			b) 8%	[illegible]					1			
82030000	Hand tools as pliers , pincers, tweezers etc.	25%	a)10.5%	10.5%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			b)10.5%	7.5%					[illegible]			
84104042	of a kind used in motor car	50%	a) 24%	24%	[illegible]	[illegible]	[illegible]	[illegible]	16	7	[illegible]	[illegible]
			b) 24%	21.2%					16			
84104043	with electric motor metal, not more than 2.512 g	20%	a) 13.6%	11.9%	205	7	195	1	1	1	23	13.5
			b) 13. %	8.5%					1			
84104049	Others, nes (G)	25%	a) 13.1%	13.1%	6252	2047	[illegible]	[illegible]	268	215	[illegible]	10.3
			b) 10.5%	9.3%					215			
	MTN duty		(12.5%in 1987)					([illegible])				

BTN	DESCRIPTION	Duty Rates 1.1.75	Duty Rates a) 25.11.81 b) 2. 1.83 General	Duty Rates EEC	1982 Imports (US$000) Total	1982 Imports (US$000) USA	1982 Imports (US$000) EEC	Duty on Imports from USA Calculated on 1982 Rates (US$000) 1979	Duty on Imports from USA Calculated on 1982 Rates (US$000) a) 1982 b) 1985	Duty on Imports from USA Calculated on 1982 Rates (US$000) 1988	Duty Paid on Imports from US (includes 5% surcharge) US $000	Duty Paid on Imports from US (includes 5% surcharge) %
84105010	Parts of pumps : pump bodies for pumps of 84104042	50%	a) 24% b 24%	24% 21.2	74	..	58	..	.. ..	..	2	24.0
84105090	others	25%	a) 12.2% b) 10.5%	12.2% 8.7%	5635	2173	3038	547	265 228	228	5810	11.0
84113019	Others, nes	20%	a) 11.9% b) 10.5%	11.9% 8.5%	12108	1400	10236	260	155 137	137	3199	10.1
84116090	Parts for air pumps, vacuum pumps, compressors, etc, nes	20%	a) 12.6% b) 10.5%	12.6% 9%	3482	1115	2014	223	140 117	117	3123	11.5
84120000	Air conditioning machines self-contained comprising a motor-driven fan and elements for changing the temperature an humidity of air (G)	20%	a) 14% b) 10.5%	14% 10%	1806	1231	174	246	172 129	129	2911	9.7
	MTN duty		(16% in 1987)					(197)				
84159990	Refrigerating equipment	25%	a) 14% b) 12.5%	14% 12.5%	13031	8717	6679	2179	1220 1090	915	32284	15.2
	MTN duty		(11% in 1987)					(959)				
84178099	Machinery, plant and similar equipment, weighing up to 5000 kg. nes (G)	20%	a) 13.1% b) 10.5%	13.1% 9.5%	5407	858	2413	109	110 88	89	1604	7.4
84189914	Filter for oil, fuel or air used in internal combustion engines	50%	a) 24% b) 21.2%	24% 21.2%	865	490	337	245	118 104	51	2389	20.0
84189919	Other filtering and purifying machinery and apparatus, nes	30%	a) 14% b) 12.7%	14% 12.7%	4328	1905	2098	571	266 242	200	5151	11.2
	MTN duty		(14% in 1987)					(266)				
84189920	Parts for filtering and purifying machinery and apparatus	30%	a) 14% b) 12.7%	14% 12.7%	3361	1243	1838	373	174 158	130	4005	13.3
84225039	Pneumatic cranes & conveyors	20%	a) 11.9% b) 11.9%	11.9% 8.5%	1381	66	1145	14	8 8	7	218	13.6

BTN	DESCRIPTION	Duty Rates 1.1.75	Duty Rates a) 25.11.81 b) 2. 1.83 General	Duty Rates EEC	1982 Imports (US$000) Total	1982 Imports (US$000) USA	1982 Imports (US$000) EEC	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1978	Duty on Imports from USA Calculated on 1982 Basis (US$000) a) 1982 b) 1983	Duty on Imports from USA Calculated on 1982 Basis (US$000) 1985	Duty Paid on Imports from US (includes 5% surcharge) US 000	Duty Paid on Imports from US (includes 5% surcharge) %
84225090	Other cranes & conveyors	20%-25%	a) 12.6% b) 10.5%	12.6% 9%	10325	4509	5608	14.7	568 473	473	1471?	13.4
84226010	Machinery mounted or adapted for mounting on a tractor : Hydraulic, with shovels with capacity up to 1.25 m3	25%	a) 14% B) 12.5%	14% 12.5%	628	309	228	77	44 39	32	894	11.9
84226091	Others, imported with tractor	10%	a) 8% b) 8%	7% 5%	105	105	-	10	8 8	8	163	6.4
84226099	Others	20%	a) 14% b) 14%	14% 10%	236	144	38	29	20 20	15	714	20.4
84229990	Parts for lifting, loading, unloading machinery, telphers - and conveyors etc. nes.	25%	a) 13.1% b) 10.5%	13.1% 9.3%	6479	2207	3619	552	289 232	232	4986	9.3
84239900	Excavating, levelling, tamping boring & extracting machinery stationary or mobile, for earth minerals or ores (G) MTN duty	20%	a) 14% b) 10.5% (10.5% in 1987)	14% 10%	46985	22437	21270	4487 (2356)	3141 2356	2356	65894	12.1
84459910	Brake presses and guillotines up to 12.000 kg	15%	a) 8% b) 8%	7.3% 5.7%	903	85	646	13	7 -	7	174	6.1
84459939	Hydraulic presses, hydropneumatic eccentoric presses, nes	15%	a) 12% b) 12%	10.5% 7.5%	671	50	616	8	6 6	4	75	6.7
84490000	Tools for working in hand, pneumatic or with self-contained non-electric motor	20%	a) 10.5% b) 10.5	9.8% 7%	3441	977	1820	195	103 103	103	2458	10.3
84523000	Accounting machines (G)	20%	a) 13.6% b) 13.6%	11.9% 8.5%	3	-	3	-	- -	-	-	-
84529900	Calculating machines, nes	30%	a) 14% b) 14%	14% 12.7%	3106	157	237	47	22 22	16	612	16.1

	DESCRIPTION	1.1.75	a) 29.11.81 b) 2. 1.85 General	EEC	Total	USA	EEC	Duty on imports from USA Calculated on 1982 Basis (US$000) 1975	a) 1982 b) 1983	1985	Duty paid on Imports from US (includes 5% surcharge) IS 000	%
8452	Parts & accessories for machines falling within 84.52 and 84.53 (calculating machines & automatic dataprocessing machines)	20%	a) 10.5% b) 10.5%	9.8% 7%	30195	11341	16453	2268	1191 1191	1191	29928	10.9
	MTN duty		(10.5% in 1987)					(1191)				
8453	Parts & accessories for machines falling within 8451 and 8454 (typewriters & other office machines)	40%	a) 20% b) 20%	20% 17%	672	244	357	98	49 49	26	1295	21.8
	MTN duty		(30% in 1987)					(73)				
8480	Machinery & mechanical appliances, nes, and parts	20%	a) 11.9% b) 10.5%	11.9% 8.4%	4951	2906	1659	581	346 305	305	6114	8.7
	MTN duty		(10.5 in 1987)					(305)				
8481	Taps, cocks, valves & similar appliances, nes	20%	a) 14% b) 10.5%	14% 10%	16405	7284	7839	1457	1020 765	765	14648	8.3
8482	Parts for taps, cock, valves and similar appliances, nes	25%	a) 12.2% b) 12.2%	12.2% 12.2%	3059	898	1666	225	110 110	94	2074	9.5
8483	Ball, roller or needle bearing (G)	10%	a) 8% b) 8%	4.9% 3.9%	10743	5401	5054	540	272 272	272	5423	6.6
8483	Flywheels, puleys, pulley blocks, chain wheels & cogwheels											
8483.10		15%	a) free b) "	free "	197	176	20	26	- -	-	75	1.8
8483.90		15%	a) 10.5% b) 10.5%	10.5% 7.5%	5862	1273	1969	191	134 134	134	3611	10.5
8484	Generators, motors & rotary converters, up to 1 kg											
8484.10		25% b.n.l. than 7.15/kg	a) free b) "	free "	1880	1398	365	549	- -	-	554	1.6

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		Duty Rates			1982 Imports (US$000)			Duty on Imports from USA Calculated on 1982 Basis (US$000)			Duty Paid on Imports from US (includes 5% surcharge)	
	DESCRIPTION	1.1.75	a) 25.11.81 b) 2. 1.83		Total	USA	EEC	1979	a) 1982 b) 1983	1985	IS 000	%
1089		25% b.n.l. than 7.15/kg	a) 15.7% b.n.l. than IS 3.82/kg b) 11.2% bnl than 7.51/kg	15.7% 11.2%	6534	2316	3216	579	364 259	243	6980	12.4
1111	Transformers, inductors, chokes & reactors; weighing not more than 25,000 kg											
1181		22.5%	a) free b) "	free "	3721	2658	480	598	- -	-	982	1.5
1189		22.5%	a) 14% b) 10.5%	13.4% 9.5%	2059	942	913	212	132 99	99	2667	11.7
1190	Parts thereof											
1191	Of ferrite	22.5%	a) free b) "	free "	551	263	139	59	- -	-	85	1.3
1193	Single laminations up to 15cm	22.5%	a) free b) "	free "	534	271	263	61	- -	-	66	1.0
1195	Parts up to 500 gr	22.5%	a) free b) "	free "	1082	612	306	138	- -	-	255	1.7
1199	Other parts MTN duty	22.5%	a) 14% b) 14% (20% in 1987)	13.4% 9.5%	446	62	307	14 (17)	9 9	7	22%	14.9
1200	Other electrical goods as motors etc., nes	22.5%	a) 13.4% b) 12.7% (16% in 1987)	13.4% 12.5% 12.7%	8759	5873	2191	1571 (1889)	617 1500	617	11658	8.2
1300	Radio-navigational aid, radar and radio remote control apparatus (G)	10%	a) free b) "	free "	5824	5249	393	525	- -	-	2089	1.2

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			General	EEC	Total	USA	EEC	[illegible]	a) 1982 b) 1983	1985	surcharge IS 000	%
85181090	Fixed electrical capacitors	10%	a) free b) "	free "	8824	5368	2380	537	- -	-	143[illegible]	1.1
85189900	Variable electrical capacitors	10%	a) free b) "	free "	2929	2402	400	[illegible]40	- -	-	1059	1.8
85191000	Resistors, fixed or variable	10%	a) free b) "	free "	11073	5231	1117	[illegible]	- -	-	172[illegible]	1.4
85196500	Plugs, sockets for lighting power	35%	a) 20% b) 20%	20% 14.9%	187	23	147	8	5 5	5	50	9.0
85197030	Safetyswitches operating on underflow or earthing currents	10%	a) 6.8% b) 6.8%	5.9% 4.2%	1277	13	1264	1	1 1	1	23	7.3
85197090	Electrical equipment internal & external mounting	35%	a) 20% b) 14.9%	20% 14.9%	3797	407	3079	14[illegible]	81 61	43	778	7.9
85199900	Electrical apparatus for making connections to or in electrical circuits, and control panels	35%										
-9910			a) free b) "	free "	14282	11159	25[illegible]	5906	- -	-	4331	1.6
-9991			a) free b) "	free "	32322	20331	8174	7116	- -	-	[illegible]	1.1
-9999			a) [illegible] b) 14.[illegible]	[illegible] 14.[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
85211000	Cathode ray tubes & deflection coils for television receivers (kinescopes)	60%	a) 22% b) 21%	22% 21%	[illegible]	318	2116	191	70 67	55	1576	10.4
85219900	Valves, tubes, other photo-cells	15-35%	a) free b) "	free "	50526	38707	6075	9677	- -	-	12553	1.3
85229900	Electrical goods & apparatus, nes	25%	a) free b) "	free "	8804	6544	1316	1637	- -	-	1779	1.1

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			General	EEC	Total	USA	EEC	[illegible]	a) [illegible] b) 1983	[illegible]	[illegible] 15 000	%
85239920	Insulated wire bars, strip, containing insulation of plastic material	15%										
-9921	(G)		a) free b) "	free "	359	70	4[illegible]	11	- -	-	[illegible]	1.5
-9929	(G)		a) 10.5% b) 10.5%	10.5% 7.5%	78[illegible]	[illegible]	40.1	[illegible]	[illegible] [illegible]	[illegible]	[illegible]	[illegible]
86080000	Containers specially designed and equipped for carriage by one or modes of transport	20%	a) 12% b) 10.5%	10.5% 7.5%	698	442	208	[illegible]	[illegible] 46	46	1239	9.0
87012000	Tractors for trailers & semi-trailers, diesel engines, nes	25%-40%	a)20% b)20%	20% 20%	2163	1031	1067	336	206 206	108	5476	21.8
-9990	Tractors, nes	10%	a) 4% b) free	free "	32308	7896	21199	790	316 0	-	2597	1.4
87021019	Passenger cars of a piston displacement of over 1,800cc	65% IL 2.85/kg	a) 45.5% b) 32.5%	45.5% 32.5%	24667	4838	14165	5145	2201 1572	508	38150	32.5
87025010	Dumpers of a proper weight not exceeding 1,500 kg	25%	a) 17.5% b) 12.5%	17.5% 12.5%	17	-	17	-	- -	-	-	-
-5020	Rear dumpers imported under road transport regulations 5721-1961	20%	a) 14% b) 10%	14% 10%	7787	-	409[illegible]	-	- -	-	-	-
-5030	Other dumpers	20%	a) 10.5% b) 7.5%	10.5% 7.5%	-	-	-	-	-	-	-	-
-5090	Others dumpers	20%	a) 20% b) 20%	20% 20%	311	-	149	-	- -	-	-	-
87025520	Commercial Vehicles up to 2,200 kg, nes	47.5% b.n.l. than IL 8.150 each	a)35% b)25%	35% 25%	15	11	-	[illegible]	4 3	1	78	29.8

									b) 1983			
87071018	Other forks (G)	30%	a) 18.9% b) 13.5%	18.9% 13.5%	9890	916	8157	275	175 124	96	5126	29.4
-1020	Parts	55%	a) 24% b) 24%	24% 24%	1330	358	869	107	86 86	38	2231	25.7
87141020	Vehicles (including trailers) not mechanically propelled and parts thereof : for the transportation of goods and materials	20% b.n.l. than IL 1.45 kg	a) 16% b) 16%	14% 10%	1392	128	1131	[illegible]	20 20	13	473	15.2
-5010	Axles, wheels, spokes & brakes	30%	a) 18% b) 13.7%	18% 13.7%	1665	565	1063	176	106 77	59	2032	14.8
-5080	Other parts, nes.	10%	a) 8% b) 8%	7% 4%	971	178	776	18	14 14	14	100	2.3
90249900	Instruments and apparatus for measuring, checking or automatically controlling the flow, depth pressure etc. of liquids or gases, nes	10%	a) 8% b) 8%	4.9% 3.5%	1563	808	560	61	65 65	65	1381	7.0
90281090	Electrical or electronic instruments or apparatus for measuring or comparing electric quantities and phenomena, nes	10%	a) 5.6% b) 5.6%	4.9% 2.8%	18654	8844	4852	[illegible]	[illegible] [illegible]	[illegible]	13016	[illegible]
90285090	Electrical instruments or apparatus whose non electrical counterparts fall within 90.25 for physical, chemical analysis, nes	10%	a) 5.6% b) 5.6%	4.9% 3.5%	4633	2107	1645	211	118 118	118	2732	6.3
90299900	Parts or accessories for articles within 90.23, 90.24, 9026, 9027 or 9028, nes (G)	10%	a) 5.6% b) 5.6%	4.9% 3.5%	13097	7903	3542	790	443 443	443	9163	4.8

! Duty Rates ! 1982 Imports (US$000) ! Duty on Imports from USA ! Duty Paid on

		General	EEC	Total	USA	EEC	1985 a) 1987 b) 1985	1988	1000	
-5590	Others (G)	35% b.n.l. than 50,000 each	a) 33.2% b) 23.7%	33.2% 23.7%	20434	2043	17136	715	478 484	214	16618	35.5
-9911	Others (G)	35% b.n.l. than 50.000 each	a) 35% b) 25%	35% 25%	3396	51	3365	11	11 8	5	8	1.1
-9919	Commercial vehicles over 4.500 kg, nes (G)	45%	a) 33.2% b) 23.7%	33.2% 23.7%	26909	3700	23209	1665	1228 861	389	2667	3.0
87029990	Motor vehicles, nes	35%	a) 24.5% b) 17.5%	24.5% 17.5%	1259	142	1098	50	35 25	15	124	5.6
87038000	Cranes, mobile mounted on a chassis specially constructed for carrying cranes, not including those for towing vehicles.	10%	a) 8% b) 8%	7% 4%	-	-	-	-	- -	-	-	-
-9900	Special purpose motor lorries and vans, nes	20%	a) 16% b) 16%	14% 10%	1405	1135	267	277	182 182	119	888	4.2
87045000	Chassis fitted with engines for motor vehicles falling within 87.01, 87.02 or87.03 for the assembly of diesel driven commercial motor vehicles of authorized total weight exceeding 4,500 kg;	35%-40%	a)20% b)20%	20% 20%	10862	1483	9379	555	207 207	156	949	2.6
87069900	Parts & accessories for motor vehicles falling within 87,01, 87.02 or 87.03, nes (G)	50%	a) 24% b) 24%	24% 24%	30453	9650	17687	4835	2316 2316	1015	53350	14.2
87071013	Fork lifts and parts thereof: Forks of a lifting capacity exceeding 5 tons (G)	20%	a) 16% b) 10.5%	14% 10%	1990	906	929	181	145 95	95	3302	15.0

		General	EEC	Total	USA	EEC	1986 a) 1987 b) 1988				
Group 6-805	Kraftliner & semi-chemical corrugating medium if used for the manufacture of containers or sheets that were specially prepared to be used for containers, all these if made of corrugated paperboard or of foam polystyrene laminated on both sides with kraftliner (G)	3%									
-8051000	semi-chemical corrugating medium	a) 5% b) 5%	5% 5%	-	-	-	-	- -	-	-	-
-8059900	Other	a) 2% b) 2%	2% 2%	34128	24004	885	720	480 480	480	21131	3.6
	MTN duty	(6% in 1987)					(1440)				
	TOTAL IMPORTS			847781	353633	417051	87337	37517 50571	22243	728553	8.5
	Percent of total imports			100.0%	41.7%	49.2%					
	Average duty rate						14.7%	10.6%	6.3%		
	Average duty rate 1983							8.6%			
	Total MTN (Tokio Round) Imports included in GSP Understanding			203726	111255	94127	20560	12678			
	Average duty rate						10.4%	11.4%			
	1987 average bound rate								11.0%		

2.

Product # and Description	Year	Imports Total	U.S. (value)	U.S. (% share)	EC (value)	EC (% share)	Tariff Rates MFN (1982)	EC (1982)	MFN (1982)	EC 1983	Source
98.02.1000	1981	1,489	161	10.8	807	54.2	IS. 1.53	14.9%	IS. 2.2 per	10.6%	YKK (USA) Inc.
Slide fasteners	1980	1,532	375	24.5	754	49.2	per running		running meter		
	1979	1,626	192	11.8	587	36.1	meter +		meter +		
	1978	2,146	204	9.5	649	30.2	18%		18%		
	1977	1,389	108	7.8	384	27.6					
98.02.2000	1981	708	311	43.9	309	43.6	2/ IS. .77	2/ 14.9%	18%	10.6%	YKK (USA) Inc.
Parts of slide fasteners	1980	575	142	24.7	335	58.3	per running				
	1979	508	114	22.4	225	44.3	meter + 18%				
	1978	650	153	23.5	317	48.8	3/ 18%	3/ 14.9%			
	1977	313	45	14.4	176	56.2					

2/ 98.02.2010 (One side of slide fastener)

3/ 98.02.2090 (Other)

Product # and Description	Year	Imports Total	U.S. (value)	U.S. (% share)	EC (value)	EC (% share)	Tariff Rates MFN (1982)	EC (1982)	MFN (1983	EC (1983)	Source
28.16	1981	10,329	-	0	10,323	99.9	Free	Free			CIET (Carmel
Culture medium	1980	7,553	-	0	7,518	99.9					Import -
	1979	2,679	-	0	2,125	79.3					Export Trade
	1978	2,299	-	0	1,808	78.6					Ltd.)
	1977	209	-	0	209	100					
37.07.990	1981	245	86	35.1	159	64.9	20%	Free			B & B
Toner and developer	1980	233	80	34.3	115	49.4					Technical
for laser printers	1979	235	75	31.9	119	50.6					Enterprises
	1978	98	-	0	79	80.6					
	1977	26	-	0	26	100					
39.06.1090	1981	677	101	14.9	239	35.3	16%	Free			CIET/
Alginic acid, alginate	1980	710	120	16.9	159	22.4					Kelco
xanthan gum, food	1979	992	155	15.6	252	25.4					
addatives	1978	885	142	16.4	197	22.3					
	1977	875	33	3.8	253	28.9					
70.20.1010	1981	874	559	64.0	40	4.6	Free	Free			PPG
Fiberglass products	1980	1,530	1,275	83.3	50	3.3					
	1979	906	762	84.1	108	11.9					
	1978	1,059	837	79.0	143	13.5					
	1977	310	175	56.5	113	36.5					
70.20.1020	1981	-	-	-	-	-	?	?			PPG
Fiberglass products	1980	765	113	14.8	284	37.1					
	1979	815	30	3.7	444	54.5					
	1978	711	80	11.3	340	47.8					
	1977	413	20	4.8	211	51.1					

Product # and Description	Year	Imports Total	U.S. (value)	U.S. (% share)	EC (value)	EC (% share)	Tariff Rates MFN (1982)	EC (1982)	MFN (1983)	EC (1983)	Source
70.20.1030	1981	-	-	-	-	-	?	?			PPG
Fiberglass products	1980	761	328	43.1	390	51.2					
	1979	535	209	39.1	219	40.9					
	1978	864	123	14.2	532	61.6					
	1977	314	58	18.5	118	37.6					
70.20.1040	1981	-	-	-	-	-	8%	Free			PPG
Fiberglass products	1980	175	12	6.9	86	49.1					
	1979	245	14	5.7	44	18.0					
	1978	340	-	0	117	34.4					
	1977	205	-	0	-	0					
70.20.6000	1981	31	-	-	-	-	16%	16%			PPG
Fiberglass products	1980	36	28	77.7	-	-					
	1979	51	34	66.6	12	23.5					
	1978	-	-	-	-	-					
	1977	-	-	-	-	-					
74.03.1120	1981	1,148	572	49.8	564	49.1	4%	3%			Hudson Wire
Copper Wire	1980	756	488	64.6	209	27.6					
	1979	1,034	218	21.1	486	47.0					
	1978	270	39	14.4	223	82.6					
	1977	131	31	23.7	87	66.4					
84.09	1981	2,531	252	10.0	2,266	89.5	5%	Free			Ingersoll-Rand Co.
Compactors	1980	4,478	68	1.5	3,798	84.8					
	1979	4,189	254	6.1	2,813	67.2					
	1978	723	178	24.6	534	73.9					
	1977	259	31	12.0	226	87.3					
9010.4000	1981	91	-	0	44	48.4	8%	Free			Pako Corp.
X-ray film processors	1980	70	-	0	45	64.3					
	1979	177	-	0	146	82.5					
	1978	294	170	57.8	86	29.3					
	1977	101	-	0	97	96.0					
9010.9900	1981	2,924	688	23.5	1,911	65.4	14%	12.2%			Pako Corp.
Graphic arts processors	1980	2,735	1,380	50.5	1,176	43.0					
	1979	3,257	1,106	34.0	1,103	33.9					
	1978	2,238	1,085	48.5	986	44.1					
	1977	1,062	354	33.3	655	61.7					

Product # and Description	Year	Total	U.S. (value)	U.S. (% share)	EC (value)	EC (% share)	MFN (1982)	EC (1982)	MFN (1983)	EC (1983)	Source
9212.7019	1981	4,352	1,385	31.8	1,391	32.0	IS. 78	IS. 78			B + B
Computer magnetic tape	1980	2,707	915	33.8	750	27.7	per 100	per 100			Technical
	1979	3,126	1,039	33.2	854	27.3	meters	meters			Interprises
	1978	2,584	932	36.1	1,485	57.5	+ 12%	+ 10.5%			
	1977	1,934	751	33.8	525	27.1					
92.12.2020	1981	2,086	1,295	62.1	702	33.7	20%	13.1%			B + B
Computer discs	1980	1,388	871	62.8	485	34.9					Technical
plus diskettes	1979	1,215	852	68.5	356	29.3					Interprises
	1978	795	425	53.5	325	40.9					
	1977	597	340	57.0	236	39.5					
39.03.2000	1981	2,397	74	3.1	2,150	89.7	15%	Free			Olin Corp.
Cellophane	1980	2,427	23	0.1	2,254	92.9					
	1979	1,872	28	1.5	1,641	87.7					
	1978	1,423	249	17.5	1,054	74.1					
	1977	1,320	257	19.5	1,031	78.1					
39.03.4029	1981	117	-	0	84	71.8	IS 5.74	IS 5.74 per			Olin Corp.
Cellophane	1980	57	-	0	50	87.8	per kilogramme	killogramme			
	1979	6	-	0	-	0	+ 13.6%	+ 11.9%			
	1978	44	-	0	20	45.5					
	1977	5	-	0	-	0					
38.16	1982	767	524	68.3	175	23.1	8%	4.5%			Difco
Culture Media	1981	899	566	63.0	202	22.5					
	1980	21	--	--	21	100.0					
	1979	11	--	--	5	45.5					
	1978	328	248	75.6	56	17.1					

2/ 98.02.2010 (One side of slide fastener)

3/ 98.02.2090 (Other)

Product # and Description	Year	Total	U.S. (value)	U.S. (% share)	EC (value)	EC (% share)	MFN (1982)	EC (1982)	MFN (1983)	EC (1983)	Source
9212.2019	1981	4,352	1,385	31.8	1,391	32.0	IS. 78	IS. 78			B + B
Computer magnetic tape	1980	2,707	915	33.8	750	27.7	per 100	per 100			Technical
	1979	3,126	1,039	33.2	854	27.3	meters	meters			Interprises
	1978	2,584	932	36.1	1,485	57.5	+ 12%	+ 10.5%			
	1977	1,934	751	33.8	525	27.1					
92.12.2020	1981	2,086	1,295	62.1	702	33.7	20%	13.1%			B + B
Computer discs	1980	1,388	871	62.8	485	34.9					Technical
plus diskettes	1979	1,215	832	68.5	356	29.3					Interprises
	1978	795	425	53.5	325	40.9					
	1977	597	340	57.0	236	39.5					
39.03.2000	1981	2,397	74	3.1	2,150	89.7	15%	Free			Olin Corp.
Cellophane	1980	2,427	23	0.1	2,254	92.9					
	1979	1,872	28	1.5	1,641	87.7					
	1978	1,423	249	17.5	1,054	74.1					
	1977	1,320	257	19.5	1,031	78.1					
39.03.4029	1981	117	-	0	84	71.8	IS 5.74	IS 5.74 per			Olin Corp.
Cellophane	1980	57	-	0	50	87.8	per kilogramme	kilogramme			
	1979	6	-	0	-	0	+ 13.6%	+ 11.9%			
	1978	44	-	0	20	45.5					
	1977	5	-	0	-	0					
38.16	1982	767	524	68.3	175	23.1	8%	4.5%			Difco
Culture Media	1981	899	566	63.0	202	22.5					
	1980	21	--	--	21	100.0					
	1979	11	--	--	5	45.5					
	1978	328	248	75.6	56	17.1					

2/ 98.02.2010 (One side of slide fastener)
3/ 98.02.2090 (Other)