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SENATE

REPORT
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APPROVAL OF UNITED STATES-ISRAEL TRADE AGREEMENT

MAY 15 (legislative day, APRIL 15), 1985.—Ordered to be printed

Mr. PACKWOOD, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 1114]

The Committee on Finance reports an original bill (S. 1114) to approve a trade agreement with Israel negotiated pursuant to the trade agreements program of the United States, and for other purposes, and recommends that the bill do pass.

I. SUMMARY

In title IV of the Trade and Tariff Act of 1984, the Congress authorized the President to negotiate a trade agreement with Israel providing for the elimination or reduction of tariff and nontariff barriers to products traded between the two countries, and to submit such an agreement, together with implementing legislation, to the Congress for approval under procedures for expedited consideration established in the Trade Act of 1974. On April 22, 1985, representatives of the governments of the United States and Israel entered into an agreement to establish a free-trade area. On April 29, 1985, President Reagan transmitted this agreement to the Congress for approval, together with necessary implementing legislation and a statement of actions the Administration will take to implement it.

The Committee bill would approve the agreement, the proposed implementing legislation, and the statement of administrative action. The President would be authorized to proclaim the elimination of tariffs on all products imported from Israel according to a schedule provided in the agreement. The bill further would authorize the President to modify tariffs as necessary to maintain the general balance of concessions provided in the agreement, and to submit for expedited Congressional consideration any accelerated duty reductions the President may seek between 1990 and 1995 on the most import-sensitive articles. Besides a number of technical changes to current law, the bill also would authorize the President to lower for Israeli products the minimum value of U.S. government procurements that may be bid upon by Israeli suppliers.

II. General Explanation

A. BACKGROUND

On November 29, 1983, President Reagan and Israeli Prime Minister Shamir announced their intention to launch negotiations to establish a free-trade area between the United States and Israel. Preliminary discussions were initiated the following January, and the U.S. International Trade Commission (ITC) instituted an investigation to provide the President with advice on the probable economic effects of the arrangement, including the impact of duty-free imports on U.S. industries. The Congress subsequently approved tariff negotiation authority for the proposed agreement in title IV of the Trade and Tariff Act of 1984 (98 Stat. 3013 et seq.). Negotiations were concluded in February of 1985.

U.S. Trade Representative William E. Brock briefed the Committee on the agreement in a nonpublic session on March 4, 1985, and a public hearing was conducted on March 20th. Testimony received by the Committee showed widespread support for the results of the negotiations. In an informal markup held on March 26th the Committee approved the substance of an implementing bill for the Agreement, in which the Committee on Ways and Means of the House of Representatives and the Administration subsequently concurred. This draft bill served as the basis of the Committee bill described in this report.

B. UNITED STATES-ISRAEL TRADE

Even excluding military shipments, the United States historically has enjoyed a merchandise trade surplus with Israel. In 1984, U.S. exports to Israel (excluding military goods) were $1.93 billion, while imports were $1.75 billion (see table 1). Imports from Israel consistently constitute about 0.5 percent of total U.S. imports.

Over 40 percent of U.S. exports to Israel are dutiable, at an average ad valorem level exceeding 10 percent. Of the remaining 60 percent, a majority is accorded duty-free treatment by Israel on a unilateral basis. Principal U.S. exports to Israel include grains, soybeans, kraft paper, textile fibers, tungsten, engines and engine parts, computers and other office machinery, electronic and electrical equipment, and transportation equipment.

Approximately 90 percent of Israel's exports to this country already enter duty-free under the Generalized System of Preferences or because of zero-duty MFN rates. Major exports to the United States include cut diamonds, resistors, internal combustion engines, electrical articles, and high fashion apparel, particularly swimwear. Israel imported over $300 million in U.S. agricultural products in 1984.

TABLE 1. U.S.-ISRAEL TRADE

[f.a.s. value, in thousands of dollars]

Description	1982	1983	1984
U.S. exports:			
Animal and vegetable products	342,822	310,759	302,969
Wood and paper; printed matter	40,488	43,205	42,557
Textile fibers and textile products	43,883	29,781	36,032
Chemicals and related products	71,291	56,595	57,652
Nonmetallic minerals and products	20,781	57,689	77,693
Metals machinery and transportation equipment	882,898	1,084,369	1,233,444
Other	104,527	112,286	131,203
Special class provisions	22,102	20,665	45,544
Total	1,528,792	1,715,348	1,927,094
U.S. imports:			
Animal and vegetable products	48,869	49,969	58,817
Wood and paper; printed matter	5,397	5,009	9,457
Textile fibers and textile products	17,062	22,562	36,149
Chemicals and related products	100,817	96,863	116,038
Nonmetallic minerals and products	439,595	501,916	694,695
Metals and metal products	310,273	290,141	465,115
Other	208,995	243,266	319,308
Special class provisions	30,827	39,474	48,249
Temporary provisions	292	1,027	855
Total	1,162,129	1,250,228	1,748,687

Source: Office of the U.S. Trade Representative.

C. THE AGREEMENT

In its Preamble, 23 articles, and four annexes, the agreement comprises an integrated set of reciprocal obligations that will eliminate barriers to trade between the two countries in a manner that is consistent with the General Agreement on Tariffs and Trade (GATT). The principal feature of the agreement is the mutual elimination of tariffs within ten years. Various provisions also limit nontariff trade barriers and distortions of trade. (The committee intends to publish the text of the agreement and the statement of administrative action in a separate committee print).

The agreement will eliminate duties on all products by January 1, 1995. Products are divided into four categories, depending upon their import sensitivity. The staging for the categories is:

(1) Immediate duty elimination when the Agreement enters into force;

(2) Duty elimination in three stages, for full effect on January 1, 1989;

(3) Duty elimination in eight stages, for full effect on January 1, 1995;

(4) Duty elimination to be phased-in between January 1, 1990, and January 1, 1995; the schedule will be based on advice from the International Trade Commission and Congressional authorization.

The Administration provided the following estimate of the volume of trade (based on 1982 data) affected according to these categories:

TABLE 2

[In millions of dollars]

Stage	U.S. imports from Israel		Israeli imports from the United States	
	Amount	Percent	Amount	Percent
1 (Immediate)	$414.7	80.4	$670.8	52.5
2 (1989)	27.8	5.4	402.8	31.5
3 (1995)	4.7	.9	39.5	3.0
4 (Freeze)	67.9	13.6	164.4	12.8
Total	515.1		1,277.5	

The principal Israeli products which will be newly entitled to duty-free treatment according to the schedule for categories 1 to 3 are textiles and apparel; footwear, leather, and leather products; and some capital goods. The fourth category comprises those products identified by the ITC as especially sensitive to Israeli competition. Duties on them will not be affected by five years, but the United States is nevertheless obligated by the Agreement to accord them duty-free treatment by January 1, 1995. The products are: processed tomatoes, certain olives, dehydrated onions and garlic, citrus fruit juices, cut roses, certain bromine products, and certain types of jewelry.

Israel is also phasing-in its tariff cuts. Most U.S. export sectors scheduled for immediate duty elimination already receive duty-free treatment, but only because of nonbinding concessions on Israel's part; the agreement would make this duty-free treatment permanent. The bulk of new duty-free treatment accorded by Israel will be phased-in by January 1, 1989. Products in this category include footwear and leather products, textiles and apparel, automobiles, and heavy equipment. Like the United States, Israel also is withholding duty elimination for five years on several products, including (1) certain horticultural items (garlic, olives, etc.); (2) dairy products; and (3) refrigerators, and refrigeration equipment.

The agreement specifically addresses several areas involving nontariff barriers to trade; for example, government procurement, licensing, balance of payments restrictions, and services. Other international obligations on nontariff barriers, including those in the General Agreement on Tariffs and Trade (GATT), will remain applicable to the extent they already pertain between the United States and Israel.

The GATT Agreement on Government Procurement, to which both the United States and Israel are signatories, provides for the waiver of buy-national restrictions on certain government purchases. The coverage of that agreement is defined in terms of procuring agency, product, and a threshold value of purchase. The U.S.-Israel agreement provides for the lowering of the value threshold to $50,000 from its current rate of about $156,000. This means that bids on prospective procurements valued at $50,000 or more will be opened to Israeli suppliers, if the bids otherwise ae covered by the procurement agreement. Israel also agrees to open some non-military defense procurements to U.S. bidders, and to relax offset requirements for civilian procurements. About $1 billion in procurements in each country would be newly opened to bids from suppliers of the other.

The countries were unable to agree on specific measures for liberalization of trade in services. However, the countries adopted a separate nonbinding Declaration on Services, as a first step in a joint program of cooperation on services trade. By itself, this Declaration creates no rules governing services trade.

Other parts of the agreement will specifically countenance, although limit, nontariff barriers. For example, Israel retains a right to impose import restrictions consonant with its religious laws, as long as it observes its national treatment obligation. Other provisions will narrow the protection that can be imposed for balance-of-paymens reasons or to foster infant industries, and prohibit the use of export performance requirements associated with imports. A disputes settlement mechanism in the agreement provides the means of resolving questions about any actions taken that may impair the parties' benefits under the agreement.

In its deliberations last year, the Committee was particularly concerned that the free-trade agreement address potential trade distortions caused by Israel's export subsidies. Under U.S. countervailing duty law, a U.S. industry petitioning for relief from subsidized imports may be required in some circumstances to show, besides the existence of subsidies, that it is being materially injured, or threatened with material injury, as a result of the subsidized imports. This "injury test" requirement applies when the imports are from a "country under the agreement," which, in general, means that the country has signed the GATT Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the GATT (the "Subsidies Code"), or undertaken substantially equivalent obligations. (19 U.S.C. 1671) Israel has neither joined the Subsidies Code nor undertaken the required commitments; therefore, U.S. industries have not been required to demonstrate material injury in countervailing duty cases involving Israeli imports.

In Annex 4 of the agreement, Israel commits to signing the Subsidies Code, and to eliminate its export subsidies programs on industrial goods and processed agricultural products within six years. In return, Israel will become a country under the agreement for the purposes of the U.S. countervailing duty law. The Committee understands that the entitlement of Israel to the injury test is subject to reconsideration—as provided in U.S. law for all countries (19 U.S.C. 2503(b)(2))—if Israel fails to abide by its commitments in Annex 4.

D. PROCEDURES FOR CONSIDERATION

The procedures for consideration of the U.S.-Israel agreement are established in sections 102 and 151–154 of the 1974 Trade Act, as modified by the 1984 Trade and Tariff Act. In pertinent part, these procedures are:

(1) Before entering into an agreement, the President must consult with the appropriate committees of jurisdiction over subject matters affected by the agreement, especially regarding issues of implementation.

(2) After entering into the agreement, the President must submit the agreement to the Congress, together with a draft "implementing bill" and a statement of administrative actions proposed to implement the agreement. An "implementing bill" contains provisions—

(a) approving the agreement;

(b) approving the statement of administrative action; and

(c) proposing amendments to current law or new authority required or appropriate to implement the agreement.

The implementing bill is introduced in both Houses of Congress on the day it is submitted by the President. The bill is referred to the committee or committees of jurisdiction. The committees have 45 days in which to report the bill; a committee will be discharged automatically from further consideration if it is not reported.

Each House will vote on the bill within 15 days after the measure has been received from the committee or committees. ("Days" are days the particular House is in session). A motion in the Senate to proceed to consideration of the implementing bill is privileged and is not debatable. Amendments are not in order, and debate is limited to not more than 20 hours.

Beginning with a committee hearing on February 6, 1984, the Administration has regularly informed the committee of its progress in the negotiations, and has consulted regarding its plans for implementation of the agreement. The bill transmitted by the President is the product of these consultations with the Committee on Finance and the Committee on Ways and Means of the House of Representatives.

E. THE U.S.-ISRAEL AGREEMENT AS PRECEDENT

In approving the President's proposal to negotiate the free-trade area with Israel, the Committee last year noted that the limited authority enacted for this purpose was consonant with the Congress' long-standing support for bilateral trade agreements that "best serve the economic interests of the United States." See Committee on Finance, Authority for Trade Agreements with Israel and Canada, S. Rep. No. 98–510, 98th Cong., 2nd Sess. 4–5 (1984). The Administration sought tariff negotiating authority in anticipation of negotiations with not only Israel, but with Canada and perhaps other nations. The Congress responded with the limited authority that is the basis for the U.S.-Israel agreement, and may service under certain conditions as the framework for future agreements.

The Committee emphasizes, however, that its approval of the U.S.-Israel agreement is grounded on the merits of that agreement alone. The Committee previously expressed its judgment that pursuit of such negotiations was justified "because of the wide range of economic and political values shared by Israel and the United States, the need for Israel to develop its U.S. economic ties in the face of boycotts blocking access to other potential markets, and the competitive advantage held by U.S. exporters." Id., at page 8. The Committee is pleased that the President has negotiated a pact that fully manifests the opportunities inherent in closer economic ties between our two nations.

In approving this agreement, however, the Committee expresses no opinion on the merits of other bilateral or multilateral negotiations. Each proposal will be considered separately in order to determine whether it would achieve the optimum balance of opportunities favoring U.S. interests. For example, the U.S.-Israel agreement should not necessarily be considered a precedent regarding the scope and form of a free-trade agreement with Canada, including the percentage of total bilateral trade covered, the import-sensitivity of specific products, or the staging of tariff reductions. As the law requires with all such agreements, the Committee expects the President, when he considers negotiating a free-trade agreement with Canada, to consult fully with the Committee regarding all fundamental aspects of the potential agreement, including the subject matter under negotiation and possible U.S. approaches.

The committee cautions that neither the legislation authorizing bilateral free-trade areas in the 1984 Act, nor this bill constitute a Congressional mandate for a new round of multilateral trade negotiations. U.S. Trade Representative William E. Brock confirmed the limited purpose for the authority in the 1984 Act in testimony to the committee on February 6, 1984. In response to a written question he replied, "The Administration does not seek, or would it use this authority, to begin a new round of multilateral trade negotiations." See "Proposal for Free-Trade Area with Israel," Hearing Before the Subcommittee on International Trade, Committee on Finance, S. Hrg. 98–900, 98th Cong., 2d Sess. 22–23 (1984).

III. The Committee Bill

A. SECTION 1: SHORT TITLE

Section 1 simply entitles the act as "The United States-Israel Free Trade Implementation Act of 1985."

B. SECTION 2: PURPOSES

Section 2 enumerates three purposes of the act. In general, the purposes state an overall goal of promoting economic growth in the two countries through the establishment of the free-trade area.

C. SECTION 3: APPROVAL OF FREE-TRADE AREA AGREEMENT

Section 151 of the 1974 Trade Act (19 U.S.C. 2191) requires that the implementing bill for the free-trade agreement contain provisions (1) approving the agreement, and (2) approving a statement of actions the Administration intends to take to implement the agreement. Section 3 of the bill contains these two provisions.

D. SECTON 4: PROCLAMATION AUTHORITY

The core of the free-trade area agreement is the elimination of duties on products traded between the two countries. Section 4(a) authorizes the President, subject to the exception created by subsection (b), to proclaim tariff changes necessary or appropriate to carry out the agreement. The basic schedule of tariff reductions is set forth in Annex 1 of the agreement.

Subsection (b) further authorizes the President to withdraw, to suspend, to modify, or to continue any existing duty or to proclaim any new duty that he determines is necessary or appropriate to maintain the general level of reciprocal and mutually advantageous concessions envisioned under the agreement. This authority allows the President to ensure, without new legislation, that the balance of benefits to which the United States is entitled is maintained while the agreement is in force. In addition, the authority could be used to accommodate other appropriate changes in the original tariff proclamation, such as modifications required by the adoption of the Harmonized Commodity Description and Coding System that is currently being negotiated.

Subsection (c) limits the President's proclamation authority with respect to a group of products identified by the ITC as being more sensitive than others to competitive Israeli imports. There are seven affected product categories: (1) certain bromine chemicals; (2) citrus fruit juices; (3) certain categories of olives; (4) processed tomato products; (5) dehydrated onions and garlic; (6) cut roses; and (7) certain gold jewelry. Under the agreement, there will be no duty reduction on these products prior to January 1, 1990; nevertheless, the United States is obligated to eliminate the tariffs by January 1, 1995. The rate at which the duties will be eliminated between 1990 and 1995 is not specified.

Section 4(c) and section 5(c)(2) together establish a procedure for phasing in these tariff reductions while fulfilling U.S. obligations under the agreement. Section 4(a) authorizes the President to proclaim immediately, or at a later time, that the tariffs on these sensitive items will be eliminated by January 1, 1995, as the agreement requires; subsection (c), however, prohibits any reduction from taking effect prior to that date. If the President desires to reduce tariffs between 1990 and 1995, he must seek Congressional authorization, as provided in section 4(c)(2). This provision allows the President to submit for expedited Congressional action a bill providing for the gradual reduction of the duties within that five-year period. The procedures, set forth in section 3(c)(4) of the 1979 Trade Agreements Act (19 U.S.C. 2504 (c)(4)), are comparable to those established for the consideration of trade agreements in sections 102 and 151–154 of the 1974 Trade Act.

The Committee expects the President to rely on the advice of the International Trade Commission in formulating a phase-in proposal. Further, any proposal can only provide for a "gradual" reduction of duties in the five-year period. The Committee intends this to require a progression of tariff cuts, not ones occurring immediately after January 1, 1990. Finally, the procedures in the 1974 Act require only 30-days notice to the Congress before an unamendable, "fast-track" bill is submitted; section 5(c)(2)(C) amends this period to 90 days in order to allow full Congressional review of the President's proposal.

E. SECTION 5: RELATIONSHIP OF AGREEMENT TO U.S. LAW

Section 5(a) establishes the rule that in case of conflict with the agreement, the provisions of U.S. law prevail. For example, although there is no apparent inconsistency between U.S. unfair trade laws and the agreement, section 5 makes clear that such U.S. laws are not modified by the agreement. In particular, the Committee notes that title IV of the 1984 Trade and Tariff Act contains specific rules of origin for determining what products qualify for duty-free treatment as Israeli-sourced; the agreement does not modify these provisions.

Section 5(b) authorizes the promulgation of regulations necessary or appropriate to implement the agreement, as described in the statement of administrative action approved by this bill. Initial regulations must be promulgated within one year after the agreement enters into force. The Committee understands that among regulations to be issued are ones implementing the required rules of origin, and procedures for emergency import relief for perishable products.

Section 5(c) authorizes the employment of expedited procedures for Congressional approval of any amendment, requirement, or recommendation pertaining to the agreement, or legislation necessary or appropriate to implement such a matter. The provision incorporates by reference procedures set forth in section 3(c) of the 1979 Trade Agreements Act, as described above.

Section 5(d) precludes the creation of any private right of action or remedy not expressly provided for by this bill or the laws of the United States.

F. SECTION 6: TERMINATION

Section 125(a) of the 1974 Trade Act (19 U.S.C. 2135(a)) provides that trade agreements entered into pursuant to that law must be subject to termination within three years of entering into force, and, if not then terminated, the agreement must be terminable at any time thereafter upon six months notice.

The U.S.-Israel free-trade agreement would ordinarily be subject to the requirements of section 125. Section 6 of the bill, however, renders the provision inapplicable, as the agreement provides that either party may terminate it upon written notice and the expiration of 12 months.

G. SECTION 7: LOWERED THRESHOLD FOR GOVERNMENT PROCUREMENT UNDER TRADE AGREEMENTS ACT OF 1979 IN THE CASE OF CERTAIN ISRAELI PRODUCTS

Both the United States and Israel are parties to the GATT Agreement on Government Procurement, approved and implemented in the 1979 Trade agreement Act. The Agreement opens certain procurements of the contracting parties to bids from suppliers of other signatories. One bid eligibility criterion sets a minimum value before a procurement must be open to qualifying foreign competition. The threshold is the equivalent of 150,000 Special Drawing Rights (SDR), a unit of value that is equivalent to approximately $156,000. Thus, a U.S. government procurement less than SDR150,000 in value would not be open to foreign bids under the GATT Agreement. Section 308(4) of the 1979 Act (19 U.S.C. 2518) provides the basis for determining what procurements are open to foreign bidders, based on value and other criteria.

The free-trade area agreement provides for each party to liberalize its buy-national restrictions regarding bids by suppliers of the other party. The United States specifically undertakes to allow Israeli bids on procurements valued in excess of $50,000. Section 7 of the bill would amend Section 308(4) of the 1979 Act to implement this change in the procurement laws.

The Committee understands that the agreement specifically excepts from coverage, and therefore Israeli bids, any procurements that are not now encompassed by the GATT Agreement. For example, procurements for articles covered by the "Berry Amendment," which requires the Department of Defense to buy textiles, apparel, and footwear from U.S. sources, will not be open to Israeli bids. Similarly, minority business and labor-surplus areas set-asides also will remain unaffected by the agreement.

H. SECTION 8: TECHNICAL AMENDMENTS

Section 8 makes five amendments of a technical nature to the 1984 Trade and Tariff Act provisions that unthorized the free-trade agreement.

First, section 8(a)(1) corrects the language of section 402 of the 1984 Act to provide that the rules of origin qualifying imported articles for duty-free treatment under the agreement are requirements of U.S. law. As enacted, section 402 merely requires that such rules be part of the agreement itself.

Second, section 8(a)(2) would modify the list of perishable products eligible for emergency import relief under section 404 of the 1984 Act. The amendment would conform the list to that contained in the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703(f)), after which the Committee had intended section 404 be patterned. The modification also is intended to update the references in section 404 to item numbers of the Tariff Schedules of the United States (TSUS).

Third, to correct a numbering error section 8(a)(3) of the bill redesignates section 406 of the 1984 Act as section 405.

Fourth, section 8(b)(1) corrects a drafting error in section 401(a)(3) of the 1984 Act (19 U.S.C. 2411) that inadvertently resulted in a limitation on the applicability of U.S. most-favored-nation obligations to future multilateral nontariff barrier agreements. As approved by the Committee last year, the limitation was intended to prevent the automatic extension of the benefits of the U.S.-Israel agreement to other countries merely by virtue of U.S. most-favored-nation obligations. (See S. Rep. No. 98–510, 98th Cong., 2nd Sess. 10–12 (1984)). Subsection (b)(1) clarifies that this limitation applies only to agreements negotiated under the bilateral negotiating authority approved in the 1984 Act.

Finally, section 8(b)(2) of the bill would enable the President to proclaim changes in the Generalized System of Preferences—including ones in the TSUS conforming to changes required by the free-trade area agreement—instead of promulgating such changes by executive order. Thus, all changes in the TSUS required by the free-trade area agreement and future agreements can be effected through a single Presidental document.

IV. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill was ordered favorably reported without objection.

V. BUDGETARY IMPACT OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, section 308 and 403 of the Congressional Budget Act of 1974, and paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the cost and budgetary impact of the bill.

The committee bill approves a trade agreement that will create a free-trade area between the United States and Israel. Tariffs will be eliminated on approximately $112 million of imports that are subject to various rates of duty. The committee has received the following letter from the Congressional Budget Office regarding the budgetary impact of this bill.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 9, 1985.

Hon. BOB PACKWOOD,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has examined a bill to approve and implement the free trade area agreement between the United States and Israel as approved by the committee on May 7, 1985. The bill ratifies the agreement, signed April 22, that would lift tariffs and other trade barriers between the two countries over the next ten years.

Under the agreement, duties on some goods would be eliminated immediately, other duties would be phased out over five or ten years, and the remaining duties would be frozen until 1990 and become duty free in 1995. The first stage of tariff reductions would become effective on September 1, 1985. The agreement also provides for the creation of a joint committee to supervise the implementation of the agreement.

We have prepared the following estimate of the customs duties collections forgone as a result of the agreement.

[By fiscal years, in millions of dollars]

1985	1986	1987	1988	1989	1990
−0.3	−8.1	−10.1	−11.5	−13.6	−15.6

If you would like further information on the estimate, we would be happy to provide it.

With best wishes.

Sincerely,

RUDOLPH G. PENNER, *Director.*

VI. Regulatory Impact of the Bill

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the committee states that the provisions of the committee bill will impose no new regulatory burdens on any individuals or businesses, will not impact on the personal privacy of individuals, and will reslut in no law paperwork requirements.

VII. Changes in Existing Law

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the changes in existing law made by the bill as reported are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Trade Agreements Act of 1979

* * * * * * *

SEC. 308. DEFINITIONS.

AS USED IN THIS TITLE—

* * * * * * *

(4) Eligible products.—

(A) In General.—The term "eligible product" means, with respect to any foreign country or instrumentality, a product or service of that country or instrumentality which is covered under the Agreement for procurement by the United States.

(B) Rule of origin.—An article is a product of a country or instrumentality only if (i) it is wholly the growth, product, or manufacture of that country or instrumentality, or (ii) in the case of an article which consists in whole or in part of materials from another country or instrumentality, it has been substantially transformed into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was so transformed.

(C) Lowered threshold for certain products as a consequence of United States-Israel free trade area provisions.—The term "eligible product" includes a product or service of Israel having a contract value of $50,000 or more which would be covered for procurement by the United States under the Agreement on Government Procurement as in effect on the date on which the Agreement on the Establishment of a Free Trade Area between the Government of the United States of America and the Government of Israel enters into force, but for the SDR 150,000 threshold provided for in article I(1)(b) of the Agreement on Government Procurement.

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TRADE AND TARIFF ACT OF 1984

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TITLE IV—TRADE WITH ISRAEL

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SEC. 402. CRITERIA FOR DUTY-FREE TREATMENT OF ARTICLES.

(a)(1) [Any trade agreement entered into with Israel under section 102(b)(1) of the Trade Act of 1974 may provide for the reduction or elimination of any duty imposed by the United States with respect to any article only if—] *The reduction or elimination of any duty imposed on any article by the United States provided for in a trade agreement entered into with Israel under section 102(b)(1) of the Trade Act of 1974 shall apply only if—*

(A) that article is the growth, product, or manufacture of Israel or is a new or different article of commerce that has been grown, produced, or manufactured in Israel;

(B) that article is imported directly from Israel into the customs territory of the United States; and

(C) the sum of—

(i) the cost of value of the materials produced in Israel, plus

(ii) the direct costs of processing operations performed in Israel,

is not less than 35 percent of the appraised value of such article at the time it is entered.

If the cost or value of materials produced in the customs territory of the United States is included with respect to an article to which this subsection applies, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that is attributable to such United States cost or value may be applied toward determining the percentage referred to in subparagraph (C).

(2) No article may be considerd to [be an eligible Israeli article] *meet the requirements of paragraph (1)(A)* 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.

(b) As used in this section, the phrase "direct costs of processing operations" includes, but is not limited to—

(1) all actual labor costs involved in the growth, production, manufacture, or assembly of the specific mechandise, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control, and similar personnel; and

(2) 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 (A) profit, and (B) 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.

(c) REGULATIONS.—The Secretary of the Treasury, after consultation with the United States Trade Representative, shall prescribe such regulations as may be necessary to carry out this section.

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SEC. 404. FAST TRACK PROCEDURES FOR PERISHABLE ARTICLES.

* * * * * * *

(e) For purposes of this section, the term "perishable product" means any—

(1) live plant provided for in subpart A of part 6 of schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202, hereinafter referred to as the "TSUS");

(2) [vegetable provided for in] *fresh or chilled vegetables provided for in items 135.03 through 138.46 of* schedule 1, part 8, of the TSUS;

(3) fresh mushroom provided for in item 144.10 of the TSUS;

(4) [edible nut or fruit provided for in schedule 1, part 9,] *fresh fruit provided for in items 146.10, 146.20, 146.30, 146.50 through 146.62, 146.90, 146.91, 147.03 through 147.44, 147.50 through 149.21, and 149.50* of the TSUS;

(5) fresh cut flower provided for in items 192.17, 192.18, and 192.21 of the TSUS; and

(6) concentrated citrus fruit *juice* provided for in items 165.25 and 165.35 of the TSUS.

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SEC. [406] *405.* CONSTRUCTION TITLE.

Neither the taking effect of any trade agreement provision entered into with Israel under section 102(b)(1), nor any proclamation issued to implement any such provision, may affect in any manner, or to any extent, the application to any Israeli articles of section 232 of the Trade Expansion Act of 1962, section 337 of title VII of the Tariff Act of 1930, chapter 1 of title II and chapter 1 of title III of the Trade Act of 1974, or any other provision of law under which relief from injury caused by import competition or by unfair import trade practices may be sought.

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TRADE ACT OF 1974

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TITLE I—NEGOTIATING AND OTHER AUTHORITY

CHAPTER 1—RATES OF DUTY AND OTHER TRADE BARRIERS

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SEC. 102. BARRIERS TO AND OTHER DISTORTIONS OF TRADE.

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(3) Notwithstanding any other provision of law, no trade benefit shall be extended to any country by reason of the exten-

sion of any trade benefit to another country under a trade agreement entered into under paragraph (1) with such other country *that provides for the elimination or reduction of any duty imposed by the United States.*

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TITLE V—GENERALIZED SYSTEM OF PREFERENCES

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SEC. 502. BENEFICIARY DEVELOPING COUNTRY.

(a)(1) For purposes of this title, the term "beneficiary developing country" means any country with respect to which there is in effect an Executive order *or Presidential proclamation* by the President of the United States designating such country as a beneficiary developing country for purposes of this title. Before the President designates any country as a beneficiary developing country for purposes of this title, he shall notify the House of Representatives and the Senate of his intention to make such designation, together with the considerations entering into such decision.

(2) If the President has designated any country as a beneficiary developing country for purposes of this title, he shall not terminate such designation (either by issuing an Executive order *or Presidential proclamation* for that purpose or by issuing an Executive order *or Presidential proclamation* which has the effect of terminating such designation) unless, at least 60 days before such termination, he has notified the House of Representatives and the Senate and has notified such country of his intention to terminate such designation, together with the consideration entering into such decision.

(3) For purposes of this title, the term "country" means any foreign country, any overseas dependent territory or possession of a foreign country, or the Trust Territory of the Pacific Islands. In the case of an association of countries which is a free trade area or customs union, or which is contributing to comprehensive regional economic integration among its members through appropriate means, including, but not limited to, the reduction of duties,[92] the President may by Executive order *or Presidential proclamation* provide that all members of such association other than members which are barred from designation under subsection (b) shall be treated as one country for purposes of this title.

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SEC. 503. ELIGIBLE ARTICLES.

(a) The President shall, from time to time, publish and furnish the International Trade Commission with lists of articles which may be considered for designation as eligible articles for purposes of this title. Before any such list is furnished to the Commission, there shall be in effect an Executive order *or Presidential proclamation* under section 502 designating beneficiary developing countries. The provisions of sections 131, 132, 133, and 134 of this Act shall be complied with as though action under section 501 were action under section 101 of this Act to carry out a trade agreement entered into under section 101. After receiving the advice of the Commission with respect to the listed articles, the President shall designate those articles he considers appropriate to be eligible articles for purposes of this title by Executive order *or Presidential proclamation.*

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SEC. 504. LIMITATION ON PREFERENTIAL TREATMENT.

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(b) The President shall, after complying with the requirements of section 502(a)(2), withdraw or suspend the designation of any country as beneficiary developing country if, after such designation, he determines that as the result of changed circumstances such country would be barred from designation as a beneficiary developing country under section 502(b). Such country shall cease to be a beneficiary developing country on the day on which the President issues an Executive order *or Presidential proclamation* revoking his designation of such country under section 502.

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