

GENERAL RULES OF INTERPRETATION

Classification of goods in the tariff schedule shall be governed by the following principles:

1. The table of contents, alphabetical index, and titles of sections, chapters and sub-chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative section or chapter notes and, provided such headings or notes do not otherwise require, according to the following provisions:
2.
 - (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as entered, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this rule), entered unassembled or disassembled.
 - (b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of rule 3.
3. When, by application of rule 2(b) or for any other reason, goods are, *prima facie*, classifiable under two or more headings, classification shall be effected as follows:
 - (a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.
 - (b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.
 - (c) When goods cannot be classified by reference to 3(a) or 3(b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.
4. Goods which cannot be classified in accordance with the above rules shall be classified under the heading appropriate to the goods to which they are most akin.
5. In addition to the foregoing provisions, the following rules shall apply in respect of the goods referred to therein:
 - (a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and entered with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This rule does not, however, apply to containers which give the whole its essential character;
 - (b) Subject to the provisions of rule 5(a) above, packing materials and packing containers entered with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use.
6. For legal purposes, the classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings and any related subheading notes and, *mutatis mutandis*, to the above rules, on the understanding that only subheadings at the same level are comparable. For the purposes of this rule, the relative section, chapter and

subchapter notes also apply, unless the context otherwise requires.

ADDITIONAL U.S. RULES OF INTERPRETATION

1. In the absence of special language or context which otherwise requires--
 - (a) a tariff classification controlled by use (other than actual use) is to be determined in accordance with the use in the United States at, or immediately prior to, the date of importation, of goods of that class or kind to which the imported goods belong, and the controlling use is the principal use;
 - (b) a tariff classification controlled by the actual use to which the imported goods are put in the United States is satisfied only if such use is intended at the time of importation, the goods are so used and proof thereof is furnished within 3 years after the date the goods are entered;
 - (c) a provision for parts of an article covers products solely or principally used as a part of such articles but a provision for "parts" or "parts and accessories" shall not prevail over a specific provision for such part or accessory; and
 - (d) the principles of section XI regarding mixtures of two or more textile materials shall apply to the classification of goods in any provision in which a textile material is named.

GENERAL NOTES

1. Tariff Treatment of Imported Goods and of Vessel Equipments, Parts and Repairs. All goods provided for in this schedule and imported into the customs territory of the United States from outside thereof, and all vessel equipments, parts, materials and repairs covered by the provisions of subchapter XVIII to chapter 98 of this schedule, are subject to duty or exempt therefrom as prescribed in general notes 3 through 14, inclusive, and general note 16.
2. Customs Territory of the United States. The term "customs territory of the United States", as used in the tariff schedule, includes only the States, the District of Columbia and Puerto Rico.
3. Rates of Duty. The rates of duty in the "Rates of Duty" columns designated 1 ("General" and "Special") and 2 of the tariff schedule apply to goods imported into the customs territory of the United States as hereinafter provided in this note:
 - (a) Rate of Duty Column 1.
 - (i) Except as provided in subparagraph (iv) of this paragraph, the rates of duty in column 1 are rates which are applicable to all products other than those of countries enumerated in paragraph (b) of this note. Column 1 is divided into two subcolumns, "General" and "Special", which are applicable as provided below.
 - (ii) The "General" subcolumn sets forth the general most-favored-nation (MFN) rates which are applicable to products of those countries described in subparagraph (i) above which are not entitled to special tariff treatment as set forth below.
 - (iii) The "Special" subcolumn reflects rates of duty under one or more special tariff treatment programs described in paragraph (c) of this note and identified in parentheses immediately following the duty rate specified in such subcolumn. These rates apply to those products which are properly classified under a provision for which a special rate is indicated and for which all of the legal requirements for eligibility for such program or programs have been met. Where a product is eligible for special treatment under more than one program, the lowest rate of duty provided for any applicable program shall be imposed. Where no special rate of duty is provided for a provision, or where the country from which a product otherwise eligible for special treatment was imported is not designated as a beneficiary country under a program appearing with the appropriate provision, the rates of duty in the "General" subcolumn of column 1 shall apply.
 - (iv) Products of Insular Possessions.
 - (A) Except as provided in additional U.S. note 5 of chapter 91 and except as provided in additional U.S. note 2 of chapter 96, and except as provided in section 423 of the Tax Reform Act of 1986, goods imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column 1 of the tariff schedule, except that all such goods the growth or product of any such possession, or manufactured or produced in any such possession from materials the growth, product or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 70 percent of their total value (or more than 50 percent of their total value with respect to goods described in section 213(b) of the Caribbean Basin Economic Recovery Act), coming to the customs territory of the United States directly from any such possession, and all goods previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of importation which were shipped from the United States, without remission, refund or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.
 - (B) In determining whether goods produced or manufactured in any such insular possession contain foreign materials to the value of more than 70 percent, no material shall be considered foreign which either--
 - (1) at the time such goods are entered, or
 - (2) at the time such material is imported into the insular possession,

GN 3(a)(iv)(B)--3(a)(v)(B)(1)

may be imported into the customs territory from a foreign country, and entered free of duty; except that no goods containing material to which (2) of this subparagraph applies shall be exempt from duty under subparagraph (A) unless adequate documentation is supplied to show that the material has been incorporated into such goods during the 18-month period after the date on which such material is imported into the insular possession.

- (C) Subject to the limitations imposed under sections 503(b) and 504(c) of the Trade Act of 1974, goods designated as eligible under section 503 of such Act which are imported from an insular possession of the United States shall receive duty treatment no less favorable than the treatment afforded such goods imported from a beneficiary developing country under title V of such Act.
 - (D) Subject to the provisions in section 213 of the Caribbean Basin Economic Recovery Act, goods which are imported from insular possessions of the United States shall receive duty treatment no less favorable than the treatment afforded such goods when they are imported from a beneficiary country under such Act.
 - (E) Subject to the provisions in section 204 of the Andean Trade Preference Act, goods which are imported from insular possessions of the United States shall receive duty treatment no less favorable than the treatment afforded such goods when they are imported from a beneficiary country under such Act.
 - (F) No quantity of an agricultural product that is subject to a tariff-rate quota that exceeds the in-quota quantity shall be eligible for duty-free treatment under this paragraph.
- (v) Products of the West Bank, the Gaza Strip or a qualifying industrial zone.
- (A) Subject to the provisions of this paragraph, articles which are imported directly from the West Bank, the Gaza Strip, a qualifying industrial zone as defined in subdivision (G) of this subparagraph or Israel and are--
 - (1) wholly the growth, product or manufacture of the West Bank, the Gaza Strip or a qualifying industrial zone; or
 - (2) new or different articles of commerce that have been grown, produced or manufactured in the West Bank, the Gaza Strip or a qualifying industrial zone, and the sum of--
 - (I) the cost or value of the materials produced in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel, plus
 - (II) the direct costs of processing operations (not including simple combining or packaging operations, and not including mere dilution with water or with another substance that does not materially alter the characteristics of such articles) performed in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel,is not less than 35 percent of the appraised value of such articles;shall be eligible for duty-free entry into the customs territory of the United States. For purposes of subdivision (A)(2), materials which are used in the production of articles in the West Bank, the Gaza Strip or a qualifying industrial zone, and which are the product of the United States, may be counted in an amount up to 15 percent of the appraised value of such articles.
 - (B) Articles are "imported directly" for the purposes of this paragraph if--
 - (1) they are shipped directly from the West Bank, the Gaza Strip, a qualifying industrial zone or Israel into the United States without passing through the territory of any intermediate country; or

GN 3(a)(v)(B)(2)--3(a)(v)(E)(1)(I)

- (2) they are shipped through the territory of an intermediate country, and the articles in the shipment do not enter into the commerce of any intermediate country and the invoices, bills of lading and other shipping documents specify the United States as the final destination; or
- (3) they are shipped through an intermediate country and the invoices and other documents do not specify the United States as the final destination, and the articles--
 - (I) remain under the control of the customs authority in an intermediate country;
 - (II) do not enter into the commerce of an intermediate country except for the purpose of a sale other than at retail, but only if the articles are imported as a result of the original commercial transactions between the importer and the producer or the producer's sales agent; and
 - (III) have not been subjected to operations other than loading, unloading or other activities necessary to preserve the articles in good condition.
- (C) The term "new or different articles of commerce" means that articles must have been substantially transformed in the West Bank, the Gaza Strip or a qualifying industrial zone into articles with a new name, character or use.
- (D) (1) For the purposes of subdivision (A)(2)(I), the cost or value of materials produced in the West Bank, the Gaza Strip or a qualifying industrial zone includes--
 - (I) the manufacturer's actual cost for the materials;
 - (II) when not included in the manufacturer's actual cost for the materials, the freight, insurance, packing and all other costs incurred in transporting the materials to the manufacturer's plant;
 - (III) the actual cost of waste or spoilage, less the value of recoverable scrap; and
 - (IV) taxes or duties imposed on the materials by the West Bank, the Gaza Strip or a qualifying industrial zone, if such taxes are not remitted on exportation.
- (2) If a material is provided to the manufacturer without charge, or at less than fair market value, its cost or value shall be determined by computing the sum of--
 - (I) all expenses incurred in the growth, production or manufacture of the material, including general expenses;
 - (II) an amount for profit; and
 - (III) freight, insurance, packing and all other costs incurred in transporting the material to the manufacturer's plant.
- (3) If the information necessary to compute the cost or value of a material is not available, the Customs Service may ascertain or estimate the value thereof using all reasonable methods.
- (E) (1) For purposes of this paragraph, the "direct costs of processing operations performed in the West Bank, the Gaza Strip or a qualifying industrial zone" with respect to an article are those costs either directly incurred in, or which can be reasonably allocated to, the growth, production, manufacture or assembly of that article. Such costs include, but are not limited to, the following to the extent that they are includible in the appraised value of articles imported into the United States:

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

GN 3(a)(v)(E)(1)(II)--3(a)(v)(G)(3)

- (II) Dies, molds, tooling and depreciation on machinery and equipment which are allocable to such articles;
 - (III) Research, development, design, engineering and blueprint costs insofar as they are allocable to such articles; and
 - (IV) Costs of inspecting and testing such articles.
- (2) Those items that are not included as direct costs of processing operations with respect to an article are those which are not directly attributable to the article or are not costs of manufacturing the article. Such items include, but are not limited to--
- (I) profit; and
 - (II) general expenses of doing business which are either not allocable to the article or are not related to the growth, production, manufacture or assembly of the article, such as administrative salaries, casualty and liability insurance, advertising and salesmen's salaries, commissions or expenses.
- (F) Whenever articles are entered with a claim for the duty exemption provided in this paragraph--
- (1) the importer shall be deemed to certify that such articles meet all of the conditions for duty exemption; and
 - (2) when requested by the Customs Service, the importer, manufacturer or exporter submits a declaration setting forth all pertinent information with respect to such articles, including the following:
 - (I) A description of such articles, quantities, numbers and marks of packages, invoice numbers and bills of lading;
 - (II) A description of the operations performed in the production of such articles in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel and an identification of the direct costs of processing operations;
 - (III) A description of the materials used in the production of such articles which are wholly the growth, product or manufacture of the West Bank, the Gaza Strip, a qualifying industrial zone, Israel or the United States, and a statement as to the cost or value of such materials;
 - (IV) A description of the operations performed on, and a statement as to the origin and cost or value of, any foreign materials used in such articles which are claimed to have been sufficiently processed in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel so as to be materials produced in the West Bank, the Gaza Strip, a qualifying industrial zone or Israel; and
 - (V) A description of the origin and cost or value of any foreign materials used in the article which have not been substantially transformed in the West Bank, the Gaza Strip or a qualifying industrial zone.
- (G) For the purposes of this paragraph, a "qualifying industrial zone" means any area that--
- (1) encompasses portions of the territory of Israel and Jordan or Israel and Egypt;
 - (2) has been designated by local authorities as an enclave where merchandise may enter without payment of duty or excise taxes; and
 - (3) has been designated by the United States Trade Representative in a notice published in the Federal Register as a qualifying industrial zone."

- (b) Rate of Duty Column 2 Notwithstanding any of the foregoing provisions of this note, the rates of duty shown in column 2 shall apply to products, whether imported directly or indirectly, of the following countries and areas pursuant to section 401 of the Tariff Classification Act of 1962, to section 231 or 257(e)(2) of the Trade Expansion Act of 1962, to section 404(a) of the Trade Act of 1974 or to any other applicable section of law, or to action taken by the President thereunder:

Afghanistan	Laos	Vietnam
Cuba	North Korea	

(c) Products Eligible for Special Tariff Treatment.

- (i) Programs under which special tariff treatment may be provided, and the corresponding symbols for such programs as they are indicated in the "Special" subcolumn, are as follows:

Generalized System of Preferences	A, A* or A+
Automotive Products Trade Act	B
Agreement on Trade in Civil Aircraft	C
North American Free Trade Agreement:	
Goods of Canada, under the terms of general note 12 to this schedule.	CA
Goods of Mexico, under the terms of general note 12 to this schedule	MX
Caribbean Basin Economic Recovery Act	E or E*
United States-Israel Free Trade Area	IL
Andean Trade Preference Act	J or J*
Agreement on Trade in Pharmaceutical Products	K
Uruguay Round Concessions on Intermediate Chemicals for Dyes	L

- (ii) Articles which are eligible for the special tariff treatment provided for in general notes 4 through 14 and which are subject to temporary modification under any provision of subchapters I, II and VII of chapter 99 shall be subject, for the period indicated in the "Effective Period" column in chapter 99, to rates of duty as follows:
- (A) if a rate of duty for which the article may be eligible is set forth in the "Special" subcolumn in chapter 99 followed by one or more symbols described above, such rate shall apply in lieu of the rate followed by the corresponding symbol(s) set forth for such article in the "Special" subcolumn in chapters 1 to 98; or
- (B) if "No change" appears in the "Special" subcolumn in chapter 99 and subdivision (c)(ii)(A) above does not apply, the rate of duty in the "General" subcolumn in chapter 99 or the applicable rate(s) of duty set forth in the "Special" subcolumn in chapters 1 to 98, whichever is lower, shall apply.
- (iii) Unless the context requires otherwise, articles which are eligible for the special tariff treatment provided for in general notes 4 through 14 and which are subject to temporary modification under any provision of subchapters III or IV of chapter 99 shall be subject, for the period indicated in chapter 99, to the rates of duty in the "General" subcolumn in such chapter.
- (iv) Whenever any rate of duty set forth in the "Special" subcolumn in chapters 1 to 98 is equal to or higher than, the corresponding rate of duty provided in the "General" subcolumn in such chapters, such rate of duty in the "Special" subcolumn shall be deleted; except that, if the rate of duty in the "Special" subcolumn is an intermediate stage in a series of staged rate reductions for that provision, such rate shall be treated as a suspended rate and shall be set forth in the "Special" subcolumn, followed by one or more symbols described above, and followed by an "s" in parentheses. If no rate of duty for which the article may be eligible is provided in the "Special" subcolumn for a particular provision in chapters 1 to 98, the rate of duty provided in the "General" subcolumn shall apply.

1/ Pursuant to Pub.L. 102-420, Oct. 16, 1992 (106 Stat. 2149), nondiscriminatory treatment was withdrawn from goods that are products of Serbia or Montenegro effective Oct. 31, 1992.

GN 3(d)--3(d)(iii)(B)

(d) Certain Motor Vehicles Manufactured in Foreign Trade Zones.

- (i) Duty imposed. Notwithstanding any other provision of law, the duty imposed on a qualified article shall be the amount determined by multiplying the applicable foreign value content of such article by the applicable rate of duty for such article.
- (ii) Qualified article. For purposes of this subdivision, the term "qualified article" means an article that is--
 - (A) classifiable under any of subheadings 8702.10 through 8704.90 of the Harmonized Tariff Schedule of the United States,
 - (B) produced or manufactured in a foreign trade zone before January 1, 1996,
 - (C) exported therefrom to a NAFTA country (as defined in section 2(4) of the North American Free Trade Agreement Implementation Act (19 U.S.C. 3301(4)), and
 - (D) subsequently imported from that NAFTA country into the customs territory of the United States--
 - (I) on or after the effective date of this subdivision, or
 - (II) on or after January 1, 1994, and before such effective date, if the entry of such article is unliquidated, under protest, or in litigation, or liquidation is otherwise not final on such effective date.
- (iii) Applicable foreign value content.
 - (A) Applicable foreign value content. For purposes of this subdivision, the term "applicable foreign value content" means the amount determined by multiplying the value of a qualified article by the applicable percentage.
 - (B) Applicable percentage. The term "applicable percentage" means the FTZ percentage for the article plus 5 percentage points.
- (iv) Other definitions and special rules. For purposes of this subdivision--
 - (A) FTZ percentage. The FTZ percentage for a qualified article shall be the percentage determined in accordance with subparagraph (I), (II), or (III) of this paragraph, whichever is applicable.
 - (I) Report for year published If, at the time a qualified article is entered, the FTZ Annual Report for the year in which the article was manufactured has been published, the FTZ percentage for the article shall be the percentage of foreign status merchandise set forth in that report for the subzone in which the qualified article was manufactured, or if not manufactured in a subzone, the foreign trade zone in which the qualified article was manufactured.
 - (II) Report for year not published. If, at the time a qualified article is entered, the FTZ Annual Report for the year in which the article was manufactured has not been published, the FTZ percentage for the article shall be the percentage of foreign status merchandise set forth in the most recently published FTZ Annual Report for the subzone in which the article was manufactured, or if not manufactured in a subzone, the foreign trade zone in which the qualified article was manufactured.
 - (B) Applicable rate of duty The term "applicable duty rate" means the rate of duty set forth in any of subheadings 8702.10 through 8704.90 of the Harmonized Tariff Schedule of the United States that is applicable to the qualified article and which would apply to that article if the article were directly entered for consumption into the United States from the foreign trade zone with non-privileged foreign status having been claimed for all foreign merchandise used in the manufacture or production of the qualified article.

- (C) Foreign trade zone; subzone. The terms "foreign trade zone" and "subzone" mean a zone or subzone established pursuant to the Act of June 18, 1934, commonly known as the Foreign Trade Zones Act (19 U.S.C. 81a et seq.).
- (D) FTZ annual report. The term "FTZ Annual Report" means the Annual Report to the Congress published in accordance with section 16 of the Foreign Trade Zones Act (19 U.S.C. 81p(c)).
- (E) Non-privileged foreign status. The term "non-privileged foreign status" means that privilege has not been requested with respect to an article pursuant to section 3 of the Foreign Trade Zones Act.

GN 4(a)

4. Products of Countries Designated Beneficiary Developing Countries for Purposes of the Generalized System of Preferences (GSP).¹

- (a) The following countries, territories and associations of countries eligible for treatment as one country (pursuant to section 502(a)(3) of the Trade Act of 1974 (19 U.S.C. 2462(a)(3)) are designated beneficiary developing countries for the purposes of the Generalized System of Preferences, provided for in Title V of the Trade Act of 1974, as amended (19 U.S.C. 2461 *et seq.*):

Independent Countries

Albania	Fiji	Philippines
Angola	Gambia, The	Poland
Antigua and Barbuda	Ghana	Romania
Argentina	Grenada	Russia
Armenia	Guatemala	Rwanda
Bahrain	Guinea	St. Kitts and Nevis
Bangladesh	Guinea-Bissau	Saint Lucia
Barbados	Guyana	Saint Vincent and the Grenadines
Belarus	Haiti	Sao Tome and Principe
Belize	Honduras	Senegal
Benin	Hungary	Seychelles
Bhutan	India	Sierra Leone
Bolivia	Indonesia	Slovakia
B o s n i a a n d Hercegovina	Jamaica	Slovenia
Botswana	Jordan	Solomon Islands
Brazil	Kazakhstan	Somalia
Bulgaria	Kenya	South Africa
Burkina Faso	Kiribati	Sri Lanka
Burundi	Kyrgyzstan	Suriname
Cambodia	Latvia	Swaziland
Cameroon	Lebanon	Tanzania
Cape Verde	Lesotho	Thailand
C e n t r a l A f r i c a n Republic	Lithuania	Togo
Chad	Macedonia, Former of Yugoslav Republic	Tonga
Chile	Madagascar	Trinidad and Tobago
Colombia	Malawi	Tunisia
Comoros	Mali	Turkey
Congo	Malta	Tuvalu
Costa Rica	Mauritius	Uganda
Cote d'Ivoire	Moldova	Ukraine
Croatia	Morocco	Uruguay
Cyprus	Mozambique	Uzbekistan
Czech Republic	Namibia	Vanuatu
Djibouti	Nepal	Venezuela
Dominica	Niger	Western Samoa
Dominican Republic	Oman	Republic of Yemen
Ecuador	Pakistan	Zaire
Egypt	Panama	Zambia
El Salvador	Papua New Guinea	Zimbabwe
Equatorial Guinea	Paraguay	
Estonia	Peru	
Ethiopia		

¹ Preferential tariff treatment under the Generalized System of Preferences expired at the close of May 31, 1997, and at the time of this printing had not yet been renewed by Congress. Consult the U.S. Customs Service notice in the June 4, 1997, issue of the Federal Register (p. 30672) concerning interim entry procedures.

Non-Independent Countries and Territories

Anguilla	Falkland Islands (Islas Malvinas)	Niue
Aruba	French Polynesia	Norfolk Island
British Indian Ocean Territory	Gibraltar	Pitcairn Islands
Cayman Islands	Greenland	Saint Helena
Christmas Island (Australia)	Heard Island and McDonald Islands	Tokelau
Cocos (Keeling) Islands	Macau	Turks and Caicos Islands
Cook Islands	Montserrat	Virgin Islands, British
	Netherlands Antilles	Wallis and Futuna
	New Caledonia	West Bank and Gaza Strip
		Western Sahara

Associations of Countries (treated as one country)

Member Countries
of the
Cartagena
Agreement
(Andean Group)

Consisting of:

Bolivia
Colombia
Ecuador
Peru
Venezuela

Members of the
Association of
South East Asian
Nations (ASEAN)
Eligible for GSP
except Brunei
Darussalam,

Malaysia
and Singapore

Consisting of:

Indonesia
Philippines
Thailand

Member Countries
of the
Caribbean Common
Market
(CARICOM),
except The Bahamas

Consisting of:

Antigua and
Barbuda
Barbados
Belize
Dominica
Grenada
Guyana
Jamaica
Montserrat
St. Kitts and Nevis
Saint Lucia
Saint Vincent and
the Grenadines
Trinidad and
Tobago

GN 4(b)--4(c)

- (b) (i) The following beneficiary countries are designated as least-developed beneficiary developing countries pursuant to section 504(c)(6) of the Trade Act of 1974, as amended:

Angola	Comoros	Madagascar	Somalia
Bangladesh	Djibouti	Malawi	Tanzania
Benin	E q u a t o r i a l	Mali	Togo
Bhutan	Guinea	Mozambique	Tuvalu
Burkina Faso	Ethiopia	Nepal	Uganda
Burundi	Gambia, The	Niger	Vanuatu
Cambodia	Guinea	Rwanda	Republic of
Cape Verde	Guinea-Bissau	Sao Tome and	Yemen
C e n t r a l	Haiti	Principe	Zaire
African	Kiribati	Sierra Leone	Zambia
Republic	Lesotho		
Chad			

Whenever an eligible article which is the growth, product or manufacture of one of the countries designated as a least-developed beneficiary developing country is imported into the customs territory of the United States directly from such country, such article shall be entitled to receive the duty-free treatment provided for in subdivision (c) of this note without regard to the limitations on preferential treatment of eligible articles in section 504(c) of the Trade Act, as amended (19 U.S.C. 2464(c)).

- (ii) Articles provided for in a provision for which a rate of duty "Free" appears in the "Special" subcolumn followed by the symbol "A+" in parentheses are those designated by the President to be eligible articles for purposes of the GSP pursuant to section 503(a)(1)(B) of the Trade Act of 1974, as amended. The symbol "A+" indicates that all least-developed beneficiary countries are eligible for preferential treatment with respect to all articles provided for in the designated provisions. Whenever an eligible article which is the growth, product, or manufacture of a designated least-developed developing country listed in subdivision (b)(i) of this note is imported into the customs territory of the United States directly from such country, such article shall be eligible for duty-free treatment as set forth in the "Special" subcolumn; provided that, in accordance with regulations promulgated by the Secretary of the Treasury the sum of (1) the cost or value of the materials produced in the least-developed beneficiary developing country or 2 or more countries which are members of the same association of countries which is treated as one country under section 502(a)(3) of the Trade Act of 1974, plus (2) the direct costs of processing operations performed in such least-developed beneficiary developing country or such members countries, is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States. No article or material of a least-developed beneficiary developing country shall be eligible for such treatment by virtue of having merely undergone simple combining or packing operations, or mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.
- (c) Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbols "A" or "A*" in parentheses are those designated by the President to be eligible articles for purposes of the GSP pursuant to section 503 of the Trade Act of 1974. The following articles may not be designated as an eligible article for purposes of the GSP:
- (i) textile and apparel articles which are subject to textile agreements;
 - (ii) watches, except as determined by the President pursuant to section 503(c)(1)(B) of the Trade Act of 1974, as amended;
 - (iii) import-sensitive electronic articles;
 - (iv) import-sensitive steel articles;
 - (v) footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, the foregoing which were not eligible articles for purposes of the GSP on April 1, 1984;

(vi) import-sensitive semimanufactured and manufactured glass products;

- (vii) any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product; and
- (viii) any other articles which the President determines to be import-sensitive in the context of the GSP.

The symbol "A" indicates that all beneficiary developing countries are eligible for preferential treatment with respect to all articles provided for in the designated provision. The symbol "A*" indicates that certain beneficiary developing countries, specifically enumerated in subdivision (d) of this note, are not eligible for such preferential treatment with regard to any article provided for in the designated provision. Whenever an eligible article which is the growth, product, or manufacture of a designated beneficiary developing country listed in subdivision (a) of this note is imported into the customs territory of the United States directly from such country or territory, such article shall be eligible for duty-free treatment as set forth in the "Special" subcolumn, unless excluded from such treatment by subdivision (d) of this note; provided that, in accordance with regulations promulgated by the Secretary of the Treasury the sum of (1) the cost or value of the materials produced in the beneficiary developing country or any 2 or more countries which are members of the same association of countries which is treated as one country under section 502(a)(3) of the Trade Act of 1974, plus (2) the direct costs of processing operations performed in such beneficiary developing country or such member countries is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States. No article or material of a beneficiary developing country shall be eligible for such treatment by virtue of having merely undergone simple combining or packing operations, or mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

5. Automotive Products and Motor Vehicles Eligible for Special Tariff Treatment. Articles entered under the Automotive Products Trade Act are subject to the following provisions:
- (a) Motor vehicles and original motor-vehicle equipment which are Canadian articles and which fall in provisions for which the rate of duty "Free (B)" appears in the "Special" subcolumn may be entered free of duty. As used in this note--
 - (i) The term "Canadian article" means an article which originates in Canada, as defined in general note 12.
 - (ii) The term "original motor-vehicle equipment", as used with reference to a Canadian article (as defined above), means such a Canadian article which has been obtained from a supplier in Canada under or pursuant to a written order, contract or letter of intent of a bona fide motor vehicle manufacturer in the United States, and which is a fabricated component originating in Canada, as defined in general note 12, and intended for use as original equipment in the manufacture in the United States of a motor vehicle, but the term does not include trailers or articles to be used in their manufacture.
 - (iii) The term "motor vehicle", as used in this note, means a motor vehicle of a kind described in headings 8702, 8703 and 8704 of chapter 87 (excluding an electric trolley bus and a three-wheeled vehicle) or an automobile truck tractor principally designed for the transport of persons or goods.
 - (iv) The term "bona fide motor-vehicle manufacturer" means a person who, upon application to the Secretary of Commerce, is determined by the Secretary to have produced no fewer than 15 complete motor vehicles in the United States during the previous 12 months, and to have installed capacity in the United States to produce 10 or more complete motor vehicles per 40-hour week. The Secretary of Commerce shall maintain, and publish from time to time in the *Federal Register*, a list of the names and addresses of bona fide motor-vehicle manufacturers.
 - (b) If any Canadian article accorded the status of original motor-vehicle equipment is not so used in the manufacture in the United States of motor vehicles, such Canadian article or its value (to be recovered from the importer or other person who diverted the article from its intended use as original motor-vehicle equipment) shall be subject to forfeiture, unless at the time of the diversion of the Canadian article the United States Customs Service is notified in writing, and, pursuant to arrangements made with the Service--
 - (i) the Canadian article is, under customs supervision, destroyed or exported, or
 - (ii) duty is paid to the United States Government in an amount equal to the duty which would have been payable at the time of entry if the Canadian article had not been entered as original motor-vehicle equipment.

6. Articles Eligible for Duty-Free Treatment Pursuant to the Agreement on Trade in Civil Aircraft

- (a) Whenever a product is entered under a provision for which the rate of duty "Free (C)" appears in the "Special" subcolumn and a claim for such rate of duty is made, the importer--
- (i) shall maintain such supporting documentation as the Secretary of the Treasury may require; and
 - (ii) shall be deemed to certify that the imported article is a civil aircraft, or has been imported for use in a civil aircraft and will be so used.

The importer may amend the entry or file a written statement to claim a free rate of duty under this note at any time before the liquidation of the entry becomes final, except that, notwithstanding section 505(c) of the Tariff Act of 1930 (19 U.S.C. 1505(c)), any refund resulting from any such claim shall be without interest.

- (b) (i) For purposes of the tariff schedule, the term "civil aircraft" means any aircraft, aircraft engine, or ground flight simulator (including parts, components, and subassemblies thereof)--
- (A) that is used as original or replacement equipment in the design, development, testing, evaluation, manufacture, repair, maintenance, rebuilding, modification, or conversion of aircraft; and
 - (B) (1) that is manufactured or operated pursuant to a certificate issued by the Administrator of the Federal Aviation Administration (hereafter referred to as the "FAA") under section 44704 of title 49, United States Code, or pursuant to the approval of the airworthiness authority in the country of exportation, if such approval is recognized by the FAA as an acceptable substitute for such an FAA certificate;
 - (2) for which an application for such certificate has been submitted to, and accepted by, the Administrator of the FAA by an existing type and production certificate holder pursuant to section 44702 of title 49, United States Code, and regulations promulgated thereunder; or
 - (3) for which an application for such approval or certificate will be submitted in the future by an existing type and production certificate holder, pending the completion of design or other technical requirements stipulated by the Administrator of the FAA.
- (ii) The term "civil aircraft" does not include any aircraft, aircraft engine, or ground flight simulator (or parts, components, and subassemblies thereof) purchased for use by the Department of Defense or the United States Coast Guard, unless such aircraft, aircraft engine, or ground flight simulator (or parts, components, and subassemblies thereof) satisfies the requirements of subdivisions (i)(A) and (i)(B)(1) or (2).
- (iii) Subdivision (i)(B)(3) shall apply only to such quantities of the parts, components, and subassemblies as are required to meet the design and technical requirements stipulated by the Administrator. The Commissioner of Customs may require the importer to estimate the quantities of parts, components, and subassemblies covered for purposes of such subdivision.

7. Products of Countries Designated as Beneficiary Countries for Purposes of the Caribbean Basin Economic Recovery Act (CBERA).

- (a) The following countries and territories or successor political entities are designated beneficiary countries for the purposes of the CBERA, pursuant to section 212 of that Act (19 U.S.C. 2702):

Antigua and Barbuda	Grenada	Nicaragua
Aruba	Guatemala	Panama
Bahamas	Guyana	St. Kitts and Nevis
Barbados	Haiti	Saint Lucia
Belize	Honduras	Saint Vincent and the Grenadines
Costa Rica	Jamaica	Trinidad and Tobago
Dominica	Montserrat	Virgin Islands, British
Dominican Republic	Netherlands Antilles	
El Salvador		

- (b) (i) Unless otherwise excluded from eligibility by the provisions of subdivisions (d) or (e) of this note, any article which is the growth, product, or manufacture of a beneficiary country shall be eligible for duty-free treatment if that article is provided for in a subheading for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "E" or "E*" in parentheses, and if--
- (A) that article is imported directly from a beneficiary country into the customs territory of the United States; and
- (B) the sum of (I) the cost or value of the materials produced in a beneficiary country or two or more beneficiary countries, plus (II) the direct costs of processing operations performed in a beneficiary country or countries 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 (II) above, the term "beneficiary country" includes the Commonwealth of Puerto Rico and the United States Virgin Islands. If the cost or value of materials produced in the customs territory of the United States (other than the Commonwealth of Puerto Rico) is included with respect to an article to which this note applies, an amount not to exceed 15 per centum of the appraised value of the article at the time it is entered that is attributed to such United States cost or value may be applied toward determining the percentage referred to in (II) above.
- (ii) Pursuant to subsection 213(a)(2) of the CBERA, the Secretary of the Treasury shall prescribe such regulation as may be necessary to carry out this note including, but not limited to, regulations providing that, in order to be eligible for duty-free treatment under CBERA, an article must be wholly the growth, product, or manufacture of a beneficiary country, or must be a new or different article of commerce which has been grown, produced, or manufactured in the beneficiary country, and must be stated as such in a declaration by the appropriate party; but 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.
- (iii) As used in subdivision (b) of this note, 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

GN 7(b)(iii)(B)--7(d)(i)

- (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.

- (iv) Notwithstanding section 311 of the Tariff Act of 1930 (19 U.S.C. 1311), the products of a beneficiary country which are imported directly from such country into Puerto Rico may be entered under bond for processing or manufacturing in Puerto Rico. No duty shall be imposed on the withdrawal from warehouse of the product of such processing or manufacturing if, at the time of such withdrawal, such product meets the requirements of subdivision (b)(i)(B) above.
- (v) Pursuant to subsection 213(a)(5) of the CBERA, duty-free treatment shall be provided under the CBERA to an article (other than an article enumerated in subsection 213(b) of the CBERA) which is the growth, product, or manufacture of Puerto Rico if--
 - (A) the article is imported directly from the beneficiary country into the customs territory of the United States,
 - (B) the article was by any means advanced in value or improved in condition in a beneficiary country, and
 - (C) any materials are added to the article in a beneficiary country, such materials are a product of a beneficiary country or the United States.
- (c) Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbols "E" or "E*" in parentheses are eligible articles for purposes of the CBERA pursuant to section 213 of that Act. The symbol "E" indicates that all articles provided for in the designated provision are eligible for preferential treatment except those described in subdivision (e). The symbol "E*" indicates that some articles provided for in the designated provision are not eligible for preferential treatment, as further described in subdivision (d) of this note. Whenever an eligible article is imported into the customs territory of the United States in accordance with the provisions of subdivision (b) of this note from a country or territory listed in subdivision (a) of this note, it shall be eligible for duty-free treatment as set forth in the "Special" subcolumn, unless excluded from such treatment by subdivisions (d) or (e) of this note. Whenever a rate of duty other than "Free" appears in the special subcolumn followed by the symbol "E" in parentheses, articles imported into the customs territory of the United States in accordance with the provisions of subdivision (b) of this note from a country or territory listed in subdivision (a) of this note shall be eligible for such rate in lieu of the rate of duty set forth in the "General" subcolumn.
- (d) Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "E*" in parentheses shall be eligible for the duty-free treatment provided for in this note, except--
 - (i) articles of beef or veal, however provided for in chapter 2 or chapter 16 and heading 2301, and sugars, sirups and molasses, provided for in heading 1701 and subheadings 1702.90.20 and 2106.90.44, if a product of the following countries, pursuant to section 213(c) of the CBERA:

Antigua and Barbuda
Montserrat
Netherlands Antilles

Saint Lucia
Saint Vincent and the Grenadines

- (ii) sugars, sirups and molasses, provided for in heading 1701 and subheadings 1702.90.20 and 2106.90.44, to the extent that importation and duty-free treatment of such articles are limited by additional U.S. note 4 of chapter 17, pursuant to section 213(d) of the CBERA;
- (iii) except as provided in subdivision (f) of this note, textile and apparel articles--
 - (A) of cotton, wool or fine animal hair, man-made fibers, or blends thereof in which those fibers, in the aggregate, exceed in weight each other single component fiber thereof; or
 - (B) in which either the cotton content or the man-made fiber content equals or exceeds 50 percent by weight of all component fibers thereof; or
 - (C) in which the wool or fine animal hair content exceeds 17 percent by weight of all component fibers thereof; or
 - (D) containing blends of cotton, wool or fine animal hair, or man-made fibers, which fibers, in the aggregate, amount to 50 percent or more by weight of all component fibers thereof;

provided, that beneficiary country exports of handloom fabrics of the cottage industry, or handmade cottage industry products made of such handloom fabrics, or traditional folklore handicraft textile products, if such products are properly certified under an arrangement established between the United States and such beneficiary country, are eligible for the duty-free treatment provided for in this note; or
- (iv) any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product.
- (e) The duty-free treatment provided under the CBERA shall not apply to watches and watch parts (including cases, bracelets and straps), of whatever type including, but not limited to, mechanical, quartz digital or quartz analog, if such watches or watch parts contain any material which is the product of any country with respect to which column 2 rates of duty apply.
- (f) Handbags, luggage, flat goods, work gloves, and leather wearing apparel, the product of any beneficiary country, and not designated on August 5, 1983, as eligible articles for purposes of the GSP, are dutiable at the rates set forth in the "Special" subcolumn of column 1 followed by the symbol "E" in parentheses.

8. United States-Israel Free Trade Area Implementation Act of 1985.

- (a) The products of Israel described in Annex 1 of the Agreement on the Establishment of a Free Trade Area between the Government of the United States of America and the Government of Israel, entered into on April 22, 1985, are subject to duty as provided herein. Products of Israel, as defined in subdivision (b) of this note, imported into the customs territory of the United States and entered under a provision for which a rate of duty appears in the "Special" subcolumn followed by the symbol "IL" in parentheses are eligible for the tariff treatment set forth in the "Special" subcolumn, in accordance with section 4(a) of the United States-Israel Free Trade Area Implementation Act of 1985 (99 Stat. 82).
- (b) For purposes of this note, goods imported into the customs territory of the United States are eligible for treatment as "products of Israel" only if--
- (i) each 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;
 - (ii) each article is imported directly from Israel into the customs territory of the United States; and
 - (iii) the sum of--
 - (A) the cost or value of the materials produced in Israel plus
 - (B) the direct costs of processing operations performed in Israel, is not less than 35 percent of the appraised value of each 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 note 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 subdivision (b)(iii) of this note.

- (c) No goods may be considered to meet the requirements of subdivision (b)(i) of this note by virtue of having merely undergone--
- (i) simple combining or packaging operations; or
 - (ii) mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the goods.
- (d) As used in this note, the phrase "direct costs of processing operations" includes, but is not limited to--
- (i) 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
 - (ii) 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.

- (e) 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 note.

9. United States-Canada Free-Trade Agreement. (Suspended; see general note 12.)
10. Products of the Freely Associated States.
- (a) Pursuant to sections 101 and 401 of the Compact of Free Association Act of 1985 (99 Stat. 1773 and 1838), the following countries shall be eligible for treatment as freely associated states:
- Marshall Islands
Micronesia, Federated States of
Republic of Palau
- (b) Except as provided in subdivisions (d) and (e) of this note, any article the growth, product or manufacture of a freely associated state shall enter the customs territory of the United States free of duty if--
- (i) such article is imported directly from the freely associated state, and
- (ii) the sum of (A) the cost or value of the materials produced in the freely associated state, plus (B) the direct costs of processing operations performed in the freely associated state is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States.
- If the cost or value of materials produced in the customs territory of the United States is included with respect to an article the product of a freely associated state and not described in subdivision (d) of this note, an amount not to exceed 15 percent of the appraised value of such article at the time it is entered that is attributed to such United States cost or value may be applied toward determining the percentage referred to in subdivision (b)(ii)(B) of this note.
- (c) Tunas and skipjack, prepared or preserved, not in oil, in airtight containers weighing with their contents not over 7 kilograms each, in an aggregate quantity entered in any calendar year from the freely associated states not to exceed 10 percent of United States consumption of canned tuna during the immediately preceding calendar year, as reported by the National Marine Fisheries Service, may enter the customs territory free of duty; such imports shall be counted against, but not be limited by, the aggregate quantity of tuna, if any, that is dutiable under subheading 1604.14.20 for that calendar year.
- (d) The duty-free treatment provided under subdivision (b) of this note shall not apply to--
- (i) tunas and skipjack, prepared or preserved, not in oil, in airtight containers weighing with their contents not over 7 kilograms each, in excess of the quantity afforded duty-free entry under subdivision (c) of this note;
- (ii) textile and apparel articles which are subject to textile agreements;
- (iii) footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, the foregoing which were not eligible articles for purposes of the Generalized System of Preferences on April 1, 1984;
- (iv) watches, clocks and timing apparatus of chapter 91 (except such articles incorporating an optoelectronic display and no other type of display);
- (v) buttons of subheading 9606.21.40 or 9606.29.20; and
- (vi) any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product.

GN 10(e)--10(g)

- (e) (i) Whenever a freely associated state--
 - (A) has exported (directly or indirectly) to the United States during a calendar year a quantity of such article having an appraised value in excess of an amount which bears the same ratio to \$25,000,000 as the gross national product of the United States for the preceding calendar year (as determined by the Department of Commerce) bears to the gross national product of the United States for calendar year 1974 (as determined for purposes of section 504(c)(1)(A) of the Trade Act of 1974 (19 U.S.C. 2464(c)(1)(A)); or
 - (B) has exported (either directly or indirectly) to the United States during a calendar year a quantity of such article equal to or exceeding 50 percent of the appraised value of the total imports of such article into the United States during that calendar year;

then on or after July 1 of the next calendar year the duty-free treatment provided under subdivision (b) of this note shall not apply to such article imported from such freely associated state.
- (ii) Whenever during a subsequent calendar year imports of such article from such freely associated state no longer exceed the limits specified in this subdivision, then on and after July 1 of the next calendar year such article imported from such freely associated state shall again enter the customs territory of the United States free of duty under subdivision (b) of this note.
- (f) The provisions of subdivision (e) of this note shall not apply with respect to an article--
 - (i) imported from a freely associated state, and
 - (ii) not excluded from duty-free treatment under subdivision (d) of this note,

if such freely associated state has entered a quantity of such article during the preceding calendar year with an aggregate value that does not exceed the limitation on de minimis waivers applicable under section 504(c)(3) of the Trade Act of 1974 (19 U.S.C. 2464(c)(3)) to such preceding calendar year.
- (g) Any article the growth, product or manufacture of a freely associated state and excluded from duty-free treatment pursuant to subdivisions (d) or (e) of this note shall be dutiable at the rate provided in the general subcolumn of rate of duty column 1 for the appropriate heading or subheading.

11. Products of Countries Designated as Beneficiary Countries for Purposes of the Andean Trade Preference Act (ATPA).

- (a) The following countries or successor political entities are designated beneficiary countries for purposes of the ATPA, pursuant to section 203 of the Act (19 U.S.C. 3202):

Bolivia	Ecuador
Colombia	Peru

- (b) (i) Unless otherwise excluded from eligibility by the provisions of subdivisions (d) or (e) of this note, any article which is the growth, product, or manufacture of a beneficiary country shall be eligible for duty-free treatment if that article is provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "J" or "J*" in parentheses, and if--
- (A) that article is imported directly from a beneficiary country into the customs territory of the United States; and
- (B) the sum of (1) the cost or value of the materials produced in a beneficiary country or two or more beneficiary countries under the ATPA or the CBERA, plus (2) the direct costs of processing operations performed in a beneficiary country or countries (under the ATPA or the CBERA) is not less than 35 percent of the appraised value of such article at the time it is entered. For purposes of determining the percentage referred to in subdivision (B)(2) above, the term "beneficiary country" includes the Commonwealth of Puerto Rico and the United States Virgin Islands. If the cost or value of materials produced in the customs territory of the United States (other than the Commonwealth of Puerto Rico) is included with respect to an article to which this note applies, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that is attributed to such United States cost or value may be applied toward determining the percentage referred to in subdivision (B)(2).
- (ii) Pursuant to subsection 204(a)(2) of the ATPA, the Secretary of the Treasury shall prescribe such regulations as may be necessary to carry out this note including, but not limited to, regulations providing that, in order to be eligible for duty-free treatment under the ATPA, an article must be wholly the growth, product, or manufacture of a beneficiary country, or must be a new and different article of commerce which has been grown, produced, or manufactured in the beneficiary country; but 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.
- (iii) As used in subdivision (b) of this note, 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 (1) profit, and (2) 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, interest, and salesmen's salaries, commissions or expenses.

GN 11(c)--11(e)

- (c) Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "J" or "J*" in parentheses are eligible articles for purposes of the ATPA pursuant to section 204 of that Act. Whenever an eligible article is imported into the customs territory of the United States in accordance with the provisions of subdivision (b) of this note from a country listed in subdivision (a) of this note, it shall be eligible for duty-free treatment set forth in the "Special" subcolumn, unless excluded from such treatment by subdivision (d) of this note. Whenever a rate of duty other than "Free" appears in the "Special" subcolumn followed by the symbol "J" in parentheses, articles imported into the customs territory of the United States in accordance with the provisions of subdivision (b) of this note from a country listed in subdivision (a) of this note shall be eligible for such rate in lieu of the rates of duty set forth in the "General" subcolumn.
- (d) Articles provided for in a provision for which a rate of duty of "Free" appears in the "Special" subcolumn followed by the symbol "J*" in parentheses shall be eligible for the duty-free treatment provided for in this note, except--
 - (i) textile and apparel articles which are subject to textile agreements;
 - (ii) footwear, except goods of subheadings 6402.20.00 and 6405.90.20 of the HTS;
 - (iii) tuna, prepared or preserved in any manner, in airtight containers;
 - (iv) petroleum, or any product derived from petroleum, provided for in headings 2709 and 2710 of the HTS;
 - (v) watches and watch parts (including cases, bracelets and straps), of whatever type including, but not limited to, mechanical, quartz digital or quartz analog, if such watches or watch parts contain any material which is the product of any country with respect to which the HTS column 2 rates of duty apply;
 - (vi) articles to which reduced rates of duty apply under subdivision (e) of this note;
 - (vii) sugars, syrups, and molasses provided for in subheadings 1701.11.50, 1701.12.50, 1701.99.50, 1702.90.20 and 2106.90.46 of the HTS;
 - (viii) rum and tafia provided for in subheading 2208.40 of the HTS; or
 - (ix) any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product.
- (e) Handbags, luggage, flat goods, work gloves, and leather wearing apparel, the product of any beneficiary country, and not designated on August 5, 1983, as eligible articles for purposes of the GSP, are dutiable at the rates set forth in the "Special" subcolumn followed by the symbol "J" in parentheses.