electronically, if possible. Some commenters also suggested converting the microfiche rulings to electronic format (CD–ROM or Internet) or at least making older rulings which are cited in new rulings available electronically.

Decisions

The Customs Service agrees that in accordance with the ''informed compliance'' mandate contained in the legislative history of the Customs Modernization Act (Title VI, Pub. L. 103–182) the broadest dissemination possible should be made of Customs information. However, the Paperwork Reduction Act of 1995 (Pub. L. 104–13) and OMB Circular A–130, while encouraging electronic dissemination of public information, require agencies to encourage a diversity of public and private sources for information; not establish restrictive distribution arrangements which interfere with timely and equitable availability of public information; and consider the effect of competition with commercial sources. It appears that there are at least five commercial CD–ROM and printed media publishers who provide Customs rulings, regulations and other material to the importing public. As a result of the comments received, Customs has decided not to make a CD–ROM containing its rulings and other information available to the public at this time. Customs reserves the right to periodically review this decision and monitor the services provided by third party publishers to see if the need for public information is being met by their products.

The Customs Service has decided to go forward with its proposal to make information available on the Internet. Accordingly, on or about August 1, 1996, members of the public may seek access to Customs information by contacting its World Wide Web site at http://www.customs.ustreas.gov. It is anticipated that the web site offerings will include all the rulings available in electronic format (including all Headquarters Rulings and New York Rulings previously available on diskette), as well as the Customs Regulations, title 19 of the U.S. Code, the Harmonized Tariff Schedules, Informed Compliance publications and the Valuation Encyclopedia. In addition, the web site would include information on Customs organization, importing and exporting, enforcement activities, travel information, career opportunities, and news releases. Finally, the web site will include an index to all rulings previously published on microfiche. All features and capabilities may not be immediately available, but will be added over the next few months. Customs also invites the public to identify the types of materials it would like to see on the web site in the future. Suggestions may be submitted to Karen Hjelmervik, Room 2146, U.S. Customs Service, 1301 Constitution Ave. NW., Washington, DC 20229.

Finally, the Customs Service has decided to eliminate the microfiche rulings program effective October 1, 1996. However, in order to insure that the public has access to older rulings, Customs will provide a cumulative index to the microfiche rulings on microfiche itself and on the Internet web-site. Customs agrees that when an older ruling is cited in a new ruling, the older ruling should be available to the public and Customs will try whenever possible to scan or otherwise convert such cited rulings to an electronic format, both in the diskette rulings and the Internet. In addition, although no new rulings microfiches will be made, the previously issued microfiches will remain available for purchase for the foreseeable future from the Legal Reference Staff, Office of Regulations and Rulings, 1301 Constitution Avenue, NW. (Franklin Court), Washington, DC 20229.

Dated: July 25, 1996.

Stuart P. Seidel,

Assistant Commissioner, Office of Regulations and Rulings.

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[T.D. 96–58]

Determination of Origin of Textile Goods Processed in Israel

AGENCY: U.S. Customs Service, Department of the Treasury.

ACTION: General statement of policy.

SUMMARY: This document gives notice of Customs interpretation and application of section 334(b)(5), Uruguay Round Agreements Act (Pub. L. 103–465), which became effective July 1, 1996. That section excepts from the rules of origin governing textiles and textile products established in sections 334(b)(1) through 334(b)(4) goods which, under rulings and administrative practices in effect immediately before the enactment of section 334 (December 8, 1994), would have originated in, or been the growth, product, or manufacture of Israel.

Section 334, and its legislative history, require maintaining the status quo ante for goods processed in Israel. Accordingly, if, under the rulings and administrative practices in effect prior to December 8, 1994, a good would have been the growth, product, or manufacture of Israel, without regard to the applicability of the United States—Israel Free Trade Agreement, it will continue to be the growth, product, or manufacture of Israel. If a good would not have been determined to be the growth, product, or manufacture of Israel under the rulings and administrative practices in effect prior to December 8, 1994, that determination would still apply to goods processed in Israel and entered, or withdrawn from warehouse, for consumption on and after July 1, 1996.

EFFECTIVE DATE: July 1, 1996. This statement of policy shall apply to goods entered, or withdrawn from warehouse, for consumption, on and after July 1, 1996.

FOR FURTHER INFORMATION CONTACT: Phil Robins, Office of Regulations and Rulings, U.S. Customs Service, (202) 482–7029.

SUPPLEMENTARY INFORMATION:

Background

On December 8, 1994, the President signed into law the Uruguay Round Agreements Act (Pub. L. 103–465). Section 334 of the Act establishes rules of origin for textiles and textile products. In order to implement section 334, Customs published a notice of proposed rule making (60 FR 27378, dated May 23, 1995), and, after receiving comments thereon, promulgated § 102.21, Customs Regulations (19 CFR 102.21) (60 FR 46188, dated September 5, 1995).

Section 102.21(a) specifically states that the rules in § 102.21 shall not apply ''for purposes of determining whether goods originate in Israel or are the growth, product, or manufacture of Israel.'' The basis for the Israeli exception is section 334(b)(5) of the Uruguay Round Agreements Act which states:

> This section shall not affect, for purposes of the customs laws and administration of quantitative restrictions, the status of goods that, under rulings and administrative practices in effect immediately before the enactment of this Act, would have originated in, or been the growth, product, or manufacture of, [sic] a country that is a party to an agreement with the United States establishing a free trade area, which entered into force before January 1, 1987. For such purposes, *such rulings and administrative practices that were applied, immediately before the enactment of this Act, to determine the origin of textile and apparel products covered by such agreement shall continue to apply after the enactment of this Act, and on and after the effective date described in subsection (c), unless such*

rulings and practices are modified by the mutual consent of the parties to the agreement. (emphasis added)

Israel is the only country which qualifies under the terms of section 334(b)(5).

The rulings and administrative practices in effect prior to December 8, 1994, were derived from the provisions of § 12.130, Customs Regulations (19 CFR 12.130). Section 12.130 states that the country of origin of a good processed in more than one country is the country in which the last substantial transformation occurs.

Section 334(b)(5) is comprised of two sentences. The first sentence clearly states that the *status* of goods shall not be affected if, prior to December 8, 1994, those goods were considered to originate in Israel, or were the growth, product, or manufacture of Israel. While there is reference in that sentence to a free trade agreement, the language appears to have been carefully structured and contains no requirement that the goods *which are the subject of that* exception must themselves be eligible for duty preference under the terms of the agreement.

The second sentence elaborates on, and clarifies the wording of the first sentence. It makes clear that in determining the origin of goods covered by the agreement, Customs shall continue to apply ''such rulings and administrative practices that were applied immediately before the enactment of this Act to determine the origin of textile and apparel products covered by such agreement.''

Reading the two sentences together, it appears to Customs that Congress, in enacting section 334(b)(5), intended that Israel maintain its *status quo ante* in regard to country of origin determinations for goods processed in that country.

Section 102.21(a), Customs Regulations, is clear on its face that the textile origin rules contained in that section will not be applied to determine whether goods originate in, or are the growth, product, or manufacture of Israel. Thus, if a good is determined not to be a product of Israel under the rulings and administrative practices in effect prior to December 8, 1994, applying the rules in § 102.21 cannot result in Israel being the country of origin of the good.

Example

The following example is set forth to illustrate how this position will be implemented in the application of the rules contained in § 102.21:

Fabric produced in country A is cut in country B into components for a simple shirt. Those components are assembled into the completed shirt in Israel by sewing. Under the rulings and administrative practices in effect prior to December 8, 1994, Israel would not be the country of origin because Customs has a long line of administrative rulings holding that the cutting of garment components constitutes a substantial transformation, while the assembly of those components into a simple garment does not. Since Israel cannot be the country of origin under the rulings and administrative practices in effect prior to December 8, 1994, Customs must apply § 102.21 to determine the proper country of origin. However, § 102.21(a) precludes a finding that Israel is the country of origin.

(a) Section 102.21 requires that the General Rules, found in § 102.21(c), be applied in sequential order. Section 102.21(c)(1) states that the country of origin of a good is the single country, territory, or insular possession in which the good was wholly obtained or produced. Since the shirt in the above example was not wholly obtained or produced in a single country, that section is not applicable.

(b) Section 102.21(c)(2) requires that the good comply with the applicable tariff shift rule in § 102.21(e). The applicable tariff shift rule for the shirt in the above example is a change to the heading in which that garment is classified from any other heading, provided that the change is the result of the garment being wholly assembled in a single country, territory, or insular possession. The shirt in the above example meets this requirement because it was wholly assembled in Israel. However, as noted above, § 102.21(a) provides that the rules in § 102.21 cannot be used to determine if goods originate in, or are the growth, product, or manufacture of Israel. Accordingly, if the application of a rule in § 102.21 results in Israel being the country of origin of a good, that result is invalid and Customs will by-pass that rule and proceed to the next rule in order.

(c) The next two rules were inserted into the general rules as a precautionary measure in case the tariff shift rules in § 102.21(e) inadvertently failed to carry out the express statutory requirements of section 334. Section 102.21(c)(3)(i) is concerned with knit to shape goods. Since the subject shirt is not knit to shape, § 102.21(c)(3)(i) is not applicable. Section 102.21(c)(3)(ii) provides that, except for certain goods classifiable under specifically enumerated tariff provisions, and except for knit to shape goods, a good is the product of the single country, territory, or insular possession in which it was assembled. As in the preceding paragraph, since the application of § 102.21(c)(3)(ii) would result in Israel being the country of origin of the shirt, that rule cannot be used to determine the origin of the good and Customs must proceed to the next rule.

(d) The next two rules, §§ 102.21(c)(4) and 102.21(c)(5), are commonly referred to as ''multicountry'' rules. They are designed to insure that a single country of origin is determinable for each good imported into the United States. Section 102.21(c)(4) provides that if a single country of origin cannot be determined by the application of the preceding rules, then the country of origin of a good will be the single country, territory, or insular possession in which the most important assembly or manufacturing process occurred. In the example, this occurs in Israel, where the garment was wholly assembled. However, since the application of the rules in § 102.21 cannot result in Israel being the country of origin, Customs will determine the origin of the shirt in the example by use of § 102.21(c)(5), the second (and last) multicountry rule.

(e) Section 102.21(c)(5) provides that if a single country of origin cannot be determined by any of the preceding rules, the country of origin will be the last country, territory, or insular possession in which an important assembly or manufacturing process occurred. Since (1) every good imported into the United States must have a country of origin, (2) § 102.21(c)(5) is the last rule which can be used to determine origin, and (3) the rules in § 102.21 cannot result in Israel being the country of origin, Customs believes that, when using § 102.21 to determine the proper country of origin of goods subjected to an assembly or manufacturing process in Israel, the process or, processes, performed in Israel should not be considered. Under the given facts, Country B is the country of origin because, when excluding the final assembly operation in Israel, the cutting of the fabric in Country B is the last important manufacturing process in the production of the shirt.

Conclusion

After a careful analysis of the clear wording of section 334(c)(5) of the Uruguay Round Agreements Act and what Customs believes to have been the intent of Congress in enacting that section, *i.e.*, to maintain Israel's *status quo*, and considering the wording of § 102.21(a), Customs Regulations, which was promulgated pursuant to the authority of section 334, Customs has concluded that in determining whether goods originate in, or are the growth, product, or manufacture of Israel, Customs will first apply the rulings and administrative practices in effect prior to December 8, 1994. If that determination results in Israel not being the country of origin of the goods, then Customs will apply the rules in § 102.21 to determine the country of origin, with no consideration being given to assembly or manufacturing processes performed in Israel.

Dated: July 25, 1996.

Stuart P. Seidel,

Assistant Commissioner, Office of Regulations and Rulings.

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