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21st Century System for Trade and Security

## U.S.- ISRAEL FREE TRADE AREA AGREEMENT

Last Updated: 4/23/2004

The United States-Israel Free Trade Area (FTA) agreement is a program which provides for the elimination of duties for merchandise from Israel entering the United States. The purpose of this agreement is to stimulate trade between the two countries. The FTA program became effective September 1, 1985, and has no termination date. As of January 1, 1995, all eligible reduced rate importations from Israel were accorded duty-free treatment. The FTA does allow the two countries protect sensitive agricultural subsectors with nontariff barriers including import quotas, and fees.

### ELIGIBLE ITEMS

The FTA relates to most tariff items listed in the Harmonized Tariff Schedule of the United States (HTSUS). These items are identified by the code "IL" in the "Specialty" column under column 1 of the Harmonized Tariff Schedule.

If a claim is made for duty-free or reduced-duty rates for commercial shipments of goods coming from Israel under a formal entry, the HTSUS subheading must be prefixed with the "IL" code on the Customs Form 7501 (entry document) or Customs Form 7505 (warehouse withdrawal document), as appropriate.

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

- ⚡ That article is the growth, product or manufacture of Israel;
- ⚡ That article is imported directly from Israel into the Customs territory of the United States;
- ⚡ The sum of: (1) The cost or value of the materials produced in Israel, plus (2) the direct costs of processing operations performed in Israel 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 eligible article, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that attributable to such United States cost or value may be applied toward determining the 35 percent.
- ⚡ The cost or value of materials imported into Israel from a third country may be included in calculating the 35 percent value-added requirement, provided that they are first substantially transformed into new and different articles of commerce and are then used as constituent materials in the production of the eligible

article.

No article may be considered to meet these requirements by virtue of having undergone:

- ⚡ Simply combining or packaging operations; or
- ⚡ Mere diluting with water or another substance that does not materially alter characteristics of the article.

The phrase "direct costs of processing operations" includes, but is not limited to:

- ⚡ 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 costs of engineering, supervisory, quality control and similar personnel.
- ⚡ Dies, molds, tooling and depreciation on machinery and equipment which are allocable to the specific merchandise.

Direct costs of processing operations do 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 and sales staff's salaries, commissions or expenses.

## **CERTIFICATE OF ORIGIN FORM A**

The United Nations Conference on Trade and Development (UNCTAD) Certificate of Origin Form A is used as documentary evidence to support duty-free and reduced rate claims for Israeli articles covered by a formal entry. It does not have to be produced at the time of entry, however, unless so requested by the Customs Service. The form A may be presented on an entry-by-entry basis or may be used as a blanket declaration for a period of 12 months. Form A can be obtained from the Israeli authorizing issuing authority, or contact [UNCTAD](#), 211 Geneva 10, Switzerland.

## **INFORMAL ENTRIES**

The Form A is not required for commercial or non-commercial shipments covered by an informal entry. However, the district director may require other information as evidence of entry of the country of origin as deemed necessary. Regarding merchandise accompanying the traveler, it should be pointed out that to avoid delays to passengers, the inspecting Customs officer will extend Israeli duty-free reduced rate treatment to all eligible items when satisfied that from all the available information that is presented to him, the merchandise concerned is a product of Israel. A Form A is not required for this merchandise.

## **SOURCES OF ADDITIONAL INFORMATION**

Please address any questions you may have about the administrative or operational aspects of the FTA to the Director, Office of Trade Operations, U.S. Customs Service, Washington, D.C. 20229. Requests for information concerning policy issues related to the FTA should be directed to the Chairman, Trade Policy Staff Subcommittee, Office of U.S. Trade Representative, 600 17th. St. N.W., Washington, D.C. 20506.

To view the U.S. - Israel FTA, follow this link to the [Israel MFA site](#).