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in such country or countries, shall nor-
mally be presumed to meet the require-
ments set forth in this section.

[T.D. 76–2, 40 FR 60048, Dec. 31, 1975, as
amended by T.D. 80–271, 45 FR 75641, Nov. 17,
1980; T.D. 00–67, 65 FR 59675, Oct. 5, 2000]

§ 10.177 Cost or value of materials pro-
duced in the beneficiary developing
country.

(a) “Produced in the beneficiary devel-
oping country” defined. For purposes of
§§ 10.171 through 10.178, the words “pro-
duced in the beneficiary developing
country” refer to the constituent ma-
terials of which the eligible article is
composed which are either:

(1) Wholly the growth, product, or
manufacture of the beneficiary devel-
oping country; or

(2) Substantially transformed in the
beneficiary developing country into a
new and different article of commerce.

(b) Questionable origin. When the ori-
gin of an article either is not ascertain-
able or not satisfactorily demonstrated
to the port director, the article shall
not be considered to have been pro-
duced in the beneficiary developing
country.

(c) Determination of cost or value of
materials produced in the benefici-
y developing country.

(i) The manufacturer’s actual cost for
the materials;

(ii) When not included in the manu-
facturer’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 spoil-
age (material list), less the value of re-
coverable scrap; and

(iv) Taxes and/or duties imposed on
the materials by the beneficiary devel-
oping country, or an association of
countries treated as one country, pro-
vided they are not remitted upon ex-
portation.

(2) Where the material is provided to
the manufacturer without charge, or at
less than fair market value, its cost or
value shall be determined by com-
puting the sum of:

(i) All expenses incurred in the
growth, production, manufacture or as-
sembly of the material, including gen-
eral expenses;

(ii) An amount for profit; and

(iii) Freight, insurance, packing, and
all other costs incurred in transporting
the materials to the manufacturer’s
plant.

If the pertinent information needed to
compute the cost or value of the mate-
rials is not available, the appraising of-
ficer may ascertain or estimate the
value thereof using all reasonable ways
and means at his disposal.

[T.D. 76–2, 40 FR 60049, Dec. 31, 1975, as
amended by T.D. 86–118, 51 FR 22515, June 20,
1986]

§ 10.178 Direct costs of processing op-
erations performed in the ben-
eficiary developing country.

(a) Items included in the direct costs of
processing operations. As used in §10.176,
the words “direct costs of processing
operations” means those costs either
directly incurred in, or which can be
reasonably allocated to, the growth,
production, manufacture, or assembly
of the specific merchandise under con-
sideration. Such costs include, but are
not limited to:

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

(2) Dies, molds, tooling, and deprecia-
tion on machinery and equipment
which are allocable to the specific mer-
chandise;

(3) Research, development, design,
engineering, and blueprint costs inso-
far as they are allocable to the specific
merchandise; and

(4) Costs of inspecting and testing the
specific merchandise.

(b) Items not included in the direct costs
of processing operations. Those items
which are not included within the
meaning of the words “direct costs of
processing operations” are those which
are not directly attributable to the
merchandise under consideration or are
not “costs” of manufacturing the prod-
ct. These include, but are not limited to:

(1) Profit; and