

The Justice Department has appealed the decision to the Supreme Court.

This is just one example of an outrageous injustice that my commonsense change of law is intended to end.

H.R. 2337, the Taxpayer Bill of Rights II, will help the average American, who might have made an honest mistake in underestimating his taxes due by providing him a little more time to prove it was an honest mistake.

The new majority in this Congress is working on commonsense ways to give taxpayers a break. In fact, the Taxpayers Bill of Rights II itself is simply a long overdue exercise in common sense. Will Rogers once said, "Common sense ain't that common." Well, like everything else, common sense is making a comeback.

The SPEAKER pro tempore (Mr. CAMP). The question is on the motion offered by the gentlewoman from Connecticut [Mrs. JOHNSON] that the House suspend the rules and pass the bill, H.R. 2337, as amended.

The question was taken.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 5 of rule I and the Chair's prior announcement, further proceedings on this motion will be postponed.

The point of no quorum is considered withdrawn.

#### EXTENSION OF FREE TRADE BENEFITS TO WEST BANK AND GAZA STRIP

Mr. SHAW. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3074) to amend the United States-Israel Free Trade Area Implementation Act of 1985 to provide the President with additional proclamation authority with respect to articles of the West Bank or Gaza Strip or a qualifying industrial zone.

The Clerk read as follows:

H.R. 3074

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. ADDITIONAL PROCLAMATION AUTHORITY.

The United States-Israel Free Trade Area Implementation Act of 1985 (19 U.S.C. 2112 note) is amended by adding at the end the following new section:

#### "SEC. 9. ADDITIONAL PROCLAMATION AUTHORITY.

"(a) ELIMINATION OR MODIFICATIONS OF DUTIES.—The President is authorized to proclaim elimination or modification of any existing duty as the President determines is necessary to exempt any article from duty if—

"(1) that article is wholly the growth, product, or manufacture of the West Bank, the Gaza Strip, or a qualifying industrial zone or is a new or different article of commerce that has been grown, produced, or manufactured in the West Bank, the Gaza Strip, or a qualifying industrial zone;

"(2) that article is imported directly from the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone; and

"(3) the sum of—

"(A) the cost or value of the materials produced in the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone, plus

"(B) the direct costs of processing operations performed in the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone, is not less than 35 percent of the appraised value of the product at the time it is entered into the United States.

For purposes of determining the 35 percent content requirement contained in paragraph (3), the cost or value of materials which are used in the production of an article in the West Bank, the Gaza Strip, or a qualifying industrial zone, and are the products of the United States, may be counted in an amount up to 15 percent of the appraised value of the article.

"(b) APPLICABILITY OF CERTAIN PROVISIONS OF THE AGREEMENT.—

"(1) NONQUALIFYING OPERATIONS.—No article shall be considered a new or different article of commerce under this section, and no material shall be included for purposes of determining the 35 percent requirement of subsection (a)(3), by virtue of having merely undergone—

"(A) simple combining or packaging operations, or

"(B) mere dilution with water or with another substance that does not materially alter the characteristics of the article or material.

"(2) REQUIREMENTS FOR NEW OR DIFFERENT ARTICLE OF COMMERCE.—For purposes of subsection (a)(1), an article is a 'new or different article of commerce' if it is substantially transformed into an article having a new name, character, or use.

"(3) COST OR VALUE OF MATERIALS.—(A) For purposes of this section, 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 or duties are not remitted on exportation.

"(B) 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.

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.

"(4) DIRECT COSTS OF PROCESSING OPERATIONS.—(A) For purposes of this section, the 'direct costs of processing operations performed in the West Bank, 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.

"(ii) Dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the article.

"(iii) Research, development, design, engineering, and blueprint costs insofar as they are allocable to the article.

"(iv) Costs of inspecting and testing the article.

"(B) 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.

"(5) IMPORTED DIRECTLY.—For purposes of this section—

"(A) articles are 'imported directly' if—

"(i) the articles 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

"(ii) if shipment is through the territory of an intermediate country, 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

"(B) if articles are shipped through an intermediate country and the invoices and other documents do not specify the United States as the final destination, then the articles in the shipment, upon arrival in the United States, are imported directly only if they—

"(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 article in good condition.

"(6) DOCUMENTATION REQUIRED.—An article is eligible for the duty exemption under this section only if—

"(A) the importer certifies that the article meets the conditions for the duty exemption; and

"(B) when requested by the Customs Service, the importer, manufacturer, or exporter submits a declaration setting forth all pertinent information with respect to the article, including the following:

"(i) A description of the article, quantity, numbers, and marks of packages, invoice numbers, and bills of lading.

"(ii) A description of the operations performed in the production of the article in the West Bank, the Gaza Strip, a qualifying industrial zone, or Israel and identification of the direct costs of processing operations.

"(iii) A description of any materials used in production of the article which are wholly the growth, product, or manufacture of the West Bank, the Gaza Strip, a qualifying industrial zone, Israel or 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 the article 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.

"(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.

"(c) SHIPMENT OF ARTICLES OF ISRAEL THROUGH WEST BANK OR GAZA STRIP.—The President is authorized to proclaim that articles of Israel may be treated as though they were articles directly shipped from Israel for the purposes of the Agreement even if shipped to the United States from the West Bank, the Gaza Strip, or a qualifying industrial zone, if the articles otherwise meet the requirements of the Agreement.

"(d) TREATMENT OF COST OR VALUE OF MATERIALS.—The President is authorized to proclaim that the cost or value of materials produced in the West Bank, the Gaza Strip, or a qualifying industrial zone may be included in the cost or value of materials produced in Israel under section 1(c)(i) of Annex 3 of the Agreement, and the direct costs of processing operations performed in the West Bank, the Gaza Strip, or a qualifying industrial zone may be included in the direct costs of processing operations performed in Israel under section 1(c)(ii) of Annex 3 of the Agreement.

"(e) QUALIFYING INDUSTRIAL ZONE DEFINED.—For purposes of this section, 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 specified by the President as a qualifying industrial zone."

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Florida [Mr. SHAW] and the gentleman from New York [Mr. RANGEL] each will be recognized for 20 minutes.

The Chair recognizes the gentleman from Florida [Mr. SHAW].

GENERAL LEAVE

Mr. SHAW. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to revise and extend their remarks and include therein extraneous material on the bill, H.R. 3074.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. SHAW. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am pleased to introduce, along with the gentleman from Illinois [Mr. CRANE], the Gaza Strip-West Bank bill. This is a noncontroversial bill that received great bipartisan support when we marked it up previously in the Ways and Means Committee. It is also supported by the administration. The provisions of this bill will permit the President to eliminate or modify any existing duty on products that are produced in the Gaza Strip-West Bank area.

In light of the recent occurrences in Israel, this bill is most timely and will

aid in the peace process. Since February 25, suicide bombers have killed five innocent civilians. The Israelis and Palestinians want peace for their people, security for every citizen and hope that they can peacefully coexist. It is very important for the United States and this Congress to show their collective will that they will do all they can do to further the peace process. The passage of this bill will send a very clear signal to the international community that we support normalized relations between the Israelis and the Palestinians.

The provisions of this bill will strengthen the Israeli and Palestinian relation by providing economic and employment relief to that area and it will help the establishment of a Palestinian State. I urge all of my colleagues to support this most important piece of legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise as an original cosponsor in strong support of H.R. 3074. This legislation would authorize the President to proclaim duty-free treatment for products of the West Bank, the Gaza Strip, and industrial zones that may be created in the region. Similar treatment is granted products of Israel under the United States-Israel free-trade agreement implemented in 1985. In return, the Palestinians have agreed to provide duty-free access to United States products, to prevent illegal transshipments, and to support an end to the Arab boycott of Israel.

This legislation is supported by the Israeli Government. The administration supports extension of duty-free treatment as part of the Mideast peace process to promote investment and economic development in the region.

I am not aware of any opposition to this bill, and urge its passage.

Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. ENGEL].

Mr. ENGEL. Mr. Speaker, I thank my good friend from New York for yielding time to me.

Mr. Speaker, I support this legislation and will support this legislation, but I really feel that this ought to be used as an explanation to what has been happening in the Middle East. Everyone supports investment and economic development in the West Bank and Gaza Strip. We know ultimately that that is really the only way that peace is going to survive in the Middle East.

However, Chairman Yasser Arafat and the PLO have promised repeatedly to amend the covenants of the PLO charter which call for the destruction of Israel. And in the recently concluded agreement to which they signed, they agreed that 2 months after the Palestinian elections were held that the Palestine National Council would meet and would amend the covenants, would take out the part that calls for Israel's destruction. That date is fast ap-

proaching. That date will come on May 7, and, much to my chagrin, I have not yet heard the positive signs that I would like to hear that that May 7 deadline will be kept.

Several weeks ago, Mr. Speaker, I circulated a letter along with my colleague, the gentleman from New Jersey [Mr. SAXTON], which was signed by over 100 Members of the House, bipartisan Members of the House. It was a letter to Yasser Arafat telling him that according to the law of which we provide aid to the Palestinian entity that all aid must cease unless those covenants are amended and that the May 7 deadline is fast approaching.

We implored, we pleaded with Chairman Arafat to give us a commitment that that deadline would be met. Last week, I received a replay from Chairman Arafat and, much to my chagrin, he did not even mention the covenants in his reply to our letter, although our letter specifically was about amending those covenants. He talked about the peace process, he talked about normalization, but he did not address the issue of the covenants.

Now, the gentleman from New Jersey [Mr. SAXTON] and I are sending another letter to him, asking him to please address the issue of the covenants and to please give us assurances that he will keep his word. I must say, Mr. Speaker, that, if May 7 comes and goes and those covenants are not amended, it will be very difficult for me to continue to support continued aid to the Palestinian entity, to the Palestinian authority.

I believe that peace agreements are good, but I believe that both sides must keep their agreement. And as cochair of the peace monitoring accord group along with the gentleman from New Jersey [Mr. SAXTON], we intend to make sure that all parties comply with the agreement that they signed.

We are not telling the parties what to sign. We are not telling the parties what to do. All we are saying is that the parties need to keep their word. They need to adhere to the agreement that they signed. And I think the issue of the covenants are a very, very important issue.

Mr. Speaker, it is very, very difficult to believe that somebody really wants peace if they habitually refuse or ignore calls to amend the covenant calling for the destruction of one side, in this case the destruction of the State of Israel. So I think the time has long past. It has now been several years. And those covenants really, really need to be amended. And again according to United States law, no aid can continue to the Palestinians unless those covenants are changed.

Let me finally say about this that it is not enough, I think, to just pass something and say well, this supercedes. We want those covenants abrogated. We want them eliminated. We do not want some whitewashing of them and somehow trying to fudge the issue or to allow Mr. Arafat to speak out of both sides of their mouth.

Mr. Speaker, I support the peace process fully. I think the suicide bombings have brought a sense of reality to the peace process, but peace must continue and must go on. I think what is going on in Lebanon today and for the past several days also is a sobering realization that there are many, many people that want to destroy the peace process. The Hezbollah are guerrillas, the so-called Party of God, the people who are rejecting it on the Palestinian side.

We need to persevere. But in order to have a real peace, Mr. Speaker, I believe that both sides must keep their agreement. And I say it again and I say it for all to hear, to Mr. Arafat, you must abrogate those covenants calling for Israel's destruction or American aid will cease. Now, I support this because again I think free-trade benefits to the West Bank and Gaza Strip are important. But again, these benefits and all benefits will stop if those covenants are not abrogated.

Mr. SHAW. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois [Mr. CRANE], chairman of the Subcommittee on Trade of the Committee on Ways and Means.

Mr. CRANE. Mr. Speaker, I am pleased to rise today in support of H.R. 3074, legislation that would provide the President proclamation authority to modify tariffs on products from the West Bank, Gaza Strip, and qualifying industrial zones. I introduced this bill, together with my colleagues Mr. SHAW and Mr. RANGEL, because I believe it will go a long way to improve the tense situation in the Middle East. This bipartisan bill was reported favorably out of the Ways and Means Committee by voice vote without amendment on March 14 and enjoys the full support of the administration.

Specifically, the effect of the provision is to offer to goods from the West Bank, Gaza Strip, and qualifying industrial zones the same tariff treatment as is offered to Israel under the United States-Israel Free-Trade Agreement. In exchange for this preferential tariff treatment, the Palestinian Authority has agreed to accord United States products duty-free access to the West Bank and Gaza Strip, to prevent illegal transshipment of goods not qualifying for duty-free access, and to support all efforts to end the Arab economic boycott of Israel.

I believe that granting duty-free treatment for goods produced in these zones in exchange for the commitment by the Palestinian Authority is important to the Middle East peace process. In addition, it will increase employment and will stimulate the economy of the region. Therefore, I encourage my colleagues to give their full support to this bill.

Mr. RANGEL. Mr. Speaker, I just want to urge the adoption of this legislation. As I said earlier, it is supported by both sides of the aisle and the President.

Mr. Speaker, I yield back the balance of my time.

Mr. ARCHER. Mr. Speaker, I am very pleased today to support H.R. 3074. I congratulate my colleagues, Chairman CRANE and Mr. SHAW, in working hard to bring this important piece of legislation before the House today. This bill enjoys bipartisan support and is noncontroversial.

H.R. 3074 would permit the expansion of preferential tariff treatment in the Middle East, specifically to goods from the West Bank, Gaza Strip, and qualifying industrial zones in the area. This provision would implement an agreement with the Palestinian authority that would benefit United States interests because United States products would also be accorded duty free access to these areas and steps would be taken to end illegal transshipment of goods not qualifying for such treatment. In addition, the Palestinian authority has agreed to support all efforts to end the Arab economic boycott of Israel.

Although the impact of this legislation will not cover a large dollar amount of trade, I believe that it sends an important signal to encourage the Middle East peace process. I have always said that free trade is the most effective public policy tool that we possess to increase peace and prosperity in our society. This legislation is part of that process. I urge my colleagues to vote for H.R. 3074.

Mr. SHAW. Mr. Speaker, I join with my colleague and good friend, the gentleman from New York [Mr. RANGEL], and ask for a "yes" vote on this important piece of legislation.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Florida [Mr. SHAW] that the House suspend the rules and pass the bill, H.R. 3074.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

#### PRIVILEGES OF THE HOUSE—RETURNING TO THE SENATE S. 1463

Mr. SHAW. Mr. Speaker, I rise to a question on the privileges of the House and I offer a resolution (H. Res. 402) returning to the Senate the bill S. 1463.

The SPEAKER pro tempore. The Clerk will report the resolution.

The Clerk read as follows:

H. RES. 402

*Resolved*, That the bill of the Senate (S. 1463) to amend the Trade Act of 1974 to clarify the definitions of domestic industry and like articles in certain investigations involving perishable agricultural products, and for other purposes, in the opinion of this House, contravenes the first clause of the seventh section of the first article of the Constitution of the United States and is an infringement of the privileges of this House and that such bill be respectfully returned to the Senate with a message communicating this resolution.

The SPEAKER pro tempore. The resolution constitutes a question of the privileges of the House.

Under the rule, the gentleman from Florida [Mr. SHAW] will be recognized

for 30 minutes, and the gentleman from New York [Mr. RANGEL] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Florida [Mr. SHAW].

□ 1300

Mr. SHAW. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this resolution is necessary to return to the Senate the bill S. 1463, because it contravenes the constitutional requirement that revenue measures shall originate in the House of Representatives. S. 1463 would create a new basis for applying import restrictions, and therefore contravenes this constitutional requirement.

S. 1463 proposes to amend title II of the Trade Act of 1974, which sets forth the authority and procedures for the President to provide temporary import relief to a domestic industry which has been seriously injured by imports. Under the so-called "safeguard" statute, the International Trade Commission conducts an investigation upon request, and, if appropriate, makes a recommendation to the President regarding what action would address the injury to the industry. This action may include a tariff, tariff-rate quota, quantitative restriction, or adjustment measures. The President then must determine what action, if any, is appropriate. The actions authorized to be taken by the President include a duty, tariff-rate quota, quantitative restriction, adjustment measure, or negotiation of trade agreements limiting imports into the United States.

S. 1463 changes this authority and procedure by authorizing the ITC to limit its investigation with respect to a domestic agricultural product produced within a particular growing season. As a result, S. 1463 changes the predicate necessary for achieving access to the desired trade remedy, which takes the form of an import restriction. As a result, the proposed change would allow products which do not currently qualify for import relief to be able to qualify in the future. This would have the effect of creating a new basis and mechanism for applying import restrictions under authority granted to the President, which is not currently available.

Import relief granted under this new authority would have a direct effect on customs revenues. The proposed change in our tariff laws is a "revenue affecting" infringement in the House's prerogatives, which constitutes a revenue measure in the constitutional sense. Therefore, I am asking that the House insist on its constitutional prerogatives.

There are numerous precedents for the action I am requesting. For example, on March 21, 1996, the House returned to the Senate S. 1518, repealing an existing import restriction in the Tea Importation Act of 1897. On July 21, 1994, the House returned to the Senate S. 729, prohibiting the import of specific products which contain more than specified quantities of lead.