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**Israel
and
Egypt**

Protocol between the Government of the State of Israel and the Government of the Arab Republic of Egypt on qualifying industrial zones (with annexes). Cairo, 14 December 2004

Entry into force: *16 February 2005 by notification, in accordance with article VI*

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**Israël
et
Égypte**

Protocole entre le Gouvernement de l'État d'Israël et le Gouvernement de la République arabe d'Égypte relatif aux zones industrielles qualifiées (avec annexes). Le Caire, 14 décembre 2004

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[ENGLISH TEXT – TEXTE ANGLAIS]

**PROTOCOL
BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL
AND
THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT
ON
QUALIFYING INDUSTRIAL ZONES**

The Government of the State of Israel and the Government of the Arab Republic of Egypt (hereinafter “the Parties”) noting the 25th Anniversary of the signing of the Peace Agreement between the Parties and desiring to promote economic and trade relations for the benefit of the Parties have agreed to conclude this protocol.

In recognition of the requirements in Section 9 of the United States-Israel Free Trade Area Implementation Act of 1985, as amended, and Proclamation No. 6955 of the President of the United States of America, hereinafter “the legislation and proclamation” and on the recommendation of the private sector of the Parties have agreed to the creation of the Qualifying Industrial Zones (hereinafter the “QIZ”), and request the Government of the United States to designate them as “Qualifying Industrial Zones” under the legislation and proclamation.

**ARTICLE I
GEOGRAPHIC BOUNDARIES**

The Parties hereby designate the following territories of their respective countries as enclaves where merchandise may enter for purposes of export, without payment of duty or excise taxes, no matter what the country of origin of the merchandise.

- A. For the Government of Egypt: areas as designated by the Parties and as approved by the United States Trade Representative (USTR) and as specified in Annex A to this protocol.
- B. For the Government of Israel: An Area under Israeli Customs control within the boundaries of the land crossing border at Nitzana Crossing Point.

On the basis of the respective national legislation of the Parties, the competent authorities of Israel and Egypt shall establish the necessary procedures for the purpose of assuring the speedy flow of goods into and out of these areas. The purpose of these procedures is to ensure the strict enforcement of the principles of duty and taxation pursuant to this protocol.

In the case of the State of Israel, where factories located outside the zone shall contribute part of the 35 percent minimum content required by the legislation and proclamation, the Israeli customs authority shall ensure that inputs imported from abroad incorporated into goods shipped into the zone shall be exempt from duty.

ARTICLE II

QIZ JOINT COMMITTEE

- A. The Parties hereby agree to the establishment of a QIZ Joint Committee which shall have the responsibilities, outlined in Annex B, of identifying those manufacturers located within the Qualifying Industrial Zones, which involve substantial economic cooperation between Israel and Egypt. Goods processed in these zones by manufacturers whose names appear on a list (hereinafter "the list") approved by the QIZ Joint Committee shall be eligible for duty-free entry into the United States if the goods meet the requirements of this Protocol and its Annexes as well as of the legislation and proclamation.
- B. The QIZ Joint Committee shall meet in Jerusalem and in Cairo, alternately, every three months or upon request by either Party whichever comes earlier. During every fourth quarter the QIZ Joint Committee shall hold a business cooperation event in which business people and other persons of both Parties who have interest in the QIZ shall have the opportunity to participate. This event shall be held in Egypt and Israel alternately.
- C. A representative of the United States shall have the right to participate in meetings of the QIZ Joint Committee as an observer.
- D. The QIZ Joint Committee may determine that a business qualifies for QIZ treatment if:

- 1.a. The company of the Egyptian side of the QIZ and the company of the Israeli side each contribute and maintain at least one third (11.7%) of the minimum 35% of local content required under the legislation and the proclamation for duty-free treatment in the United States and according to the procedures as detailed in Annex B to this Protocol; or
 - 1.b. The manufacturer on the Egyptian side of the QIZ and the manufacturer on the Israeli side each contributes and maintains at least 20 percent of the total cost of production of goods eligible for duty-free treatment, excluding profits, even if the costs cannot be considered as part of the 35 percent minimum content requirement. For this purpose, costs may include originating materials, wages and salaries, design, research and development, depreciation of capital investment, overhead including marketing expenses, etc.
 2. Only Israeli companies operating in areas under Israel's customs' control shall be recognized for the purposes of applying the Israeli contribution as mentioned in subsections 1.a. and 1.b. above.
- E. The QIZ Joint Committee shall issue a certificate, valid for a period of one year, recognizing that a company is located within the QIZ.
1. Only companies located in areas specified in Article I may be eligible to request such a certificate.
 2. This certificate will be valid for the purpose of eligibility for duty free treatment under the provisions of this Protocol, only when the company's name appears on the list, described in Paragraph F below.
 3. The QIZ Joint Committee shall have the authority to cancel this certificate only if the requirements of this Protocol and its Annexes are not met.
- F. The QIZ Joint Committee shall promptly provide quarterly the U.S. Customs Authority (Trade Compliance Office, Office of Field Operations) and the Egyptian Customs Authority with a list of Companies entitled to duty free treatment for the next quarter only, according to the provisions of this Protocol.

Only companies which have fulfilled all the requirements of this Protocol and its Annexes for the previous quarter shall be eligible to be included in the list for the next quarter.

ARTICLE III RULES OF ORIGIN

The Parties agree that the origin of any textile or apparel product that is processed in the Qualifying Industrial Zones, regardless of the origin of place or processing of any of its inputs or materials prior to entry into, or subsequent to withdrawal from, these zones, shall be determined solely pursuant to the rules of origin for textile and apparel products set out in Section 334 of Uruguay Round Agreement Act, 19 U.S.C. 3592.

ARTICLE IV CUSTOMS VERIFICATION

The Parties shall assist United States authorities in obtaining information, including means of verification, for the purpose of reviewing transactions for which duty-free access into the U.S. is claimed, in order to verify compliance with applicable conditions, and to prevent unlawful transshipment of articles not qualified for duty-free access into the U.S.

ARTICLE V AMENDMENTS

Annexes to this Protocol shall be amended by the QIZ Joint Committee and upon approval by the United States.

ARTICLE VI ENTRY INTO FORCE

This Protocol shall enter into force upon the notification of both Parties on the completion of the necessary legal procedures required by them for the entry into force of this Protocol.

Done at Cairo, this 14th day of December 2004, in two original copies in the English language.

For the Government of the
State of Israel

For the Government of the Arab
Republic of Egypt

